



Central Bering Sea Fishermen's Association

2018 FINANCIAL REPORT



Our Mission



To develop a viable, self-sustaining, independent fisheries development organization that, on behalf of the local fishermen, and the community of St. Paul as a whole, and in cooperation with other Bering Sea Coastal Communities and CDQ groups, will ensure key participation in fishery related development in the region while exercising proper resource stewardship.





Table of Contents

2018 Financial Report

- 1** President's Letter
- 3** Directors
- 5** Financials
- 10** Transparency Disclosures
- 11** Organizational Chart

President's Letter



Dear CBSFA Members,

Fortunately, over the years, our board and management have guided CBSFA to achieve exceptional corporate asset growth that has allowed us to provide valuable benefits and support to our community organizations and the people of Saint Paul Island. We will do our very best to continue this steady asset growth and hopefully continue providing support to our community well into the future.

I'm glad to inform you that in the CBSFA Consolidated Statements of Financial Position, dated December 31, 2018, it reports total net assets of \$100,186,662, which is an increase of \$10,217,323 (11.36%) over 2017's total net assets of \$89,969,339. We are very glad to have experienced a strong and profitable year in 2018. The profit will help CBSFA continue funding our social programs and providing economic benefits to our community.

Last year, I reported that in the CBSFA 2017 consolidated financial statements, one line item showed a significant value change - the decrease in the value of our fishing rights. I also explained the reason for this change, i.e., it was mainly due to the Bering Sea Snow Crab (BSS) Total Allowable Catch (TAC) in the 2016/2017 crab season being reduced significantly from the 2015/2016 TAC. In 2015/2016 the TAC was 40.611 million pounds; and in 2016/2017 it was reduced to 21.570 million pounds. This amounts to a substantial 46.9% reduction of 19.041 million pounds.

It is important to understand, that the decrease in the value of fishing rights (impairment) was 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 did not affect CBSFA's revenue earnings from the fishing and processing rights. A loss in the value of the fishing rights did not result in revenue loss - which is driven by the crab TAC's and markets.

I am glad to inform you that CBSFA did not experience another impairment of our fishing rights in 2018; and that the value of our fishing rights shows a substantial increase. In the CBSFA Consolidated Statements of Financial Position, dated December 31, 2018 and 2017, it reports fishing and processing rights of \$82,002,832, which is an increase of \$7,099,447 over 2017's fishing and processing rights of \$74,903,385.

The increase in the fishing rights from 2017 to 2018 was caused by our purchase of an increased ownership percentage in the *FV Early Dawn* from 50% to 52% in 2018. Because of the CBSFA increased ownership percentage our financial reporting requirements changed. Now that we own over 50% of the *FV Early Dawn*, we have to fully include this investment in

our consolidated financial statements by also including its revenue, expenses, assets, liabilities, etc. Prior to the increased ownership, we just had to report our percentage of earnings (only net income) under the equity method of accounting. This change increased the consolidated value of the 2018 fishing and processing rights.

More good news for CBSFA, and also for the economy of Saint Paul Island, is that the BSS (opilio) TAC increased significantly (by 45%) in the 2018/2019 season from the 2017/2018 season. And the number of recruitment (new crab) in recent crab surveys continues to be strong which could lead to more increased TAC's in the future.

Saint Paul Island's economy is heavily dependent on the crab fisheries. Through its subsidiaries, 57 Degrees North and Saint Paul Fishing Company, CBSFA has made major investments in crab fishing vessels, crab fishing quota (IFQ), and crab processing quota (IPQ). Our ownership shares of BSS processing quota (A Share IPQ/Catcher Processor Quota/CDQ) amounts to 15% of the total BSS TAC. 57 Degrees North owns 23% of the BSS northern region IPQ.

In the 2018/2019 crab season, CBSFA processed approximately 3 million pounds of crab here at Saint Paul Island including Bristol Bay Red King Crab, Western Bering Sea Tanner (bairdi) and Bering Sea Snow (opilio). These crab quota investments, combined with CBSFA's CDQ crab allocations, have provided valuable annual profits to CBSFA, and have also supported the economy of Saint Paul Island for many years.

In closing, I am are glad to report to you that CBSFA and other local entities continue to work together to improve the lives of our residents; and also, to enhance the well-being of our community residents. I wish you all the best today and well into the future.

Sincerely,



Phillip Lestenkof

Central Bering Sea Fishermen's Association Board of Directors

Myron Melovidov, Chairman
PO Box 167, St. Paul Island, AK 99660
(907) 546-2250
Term expires 2019

Phillip Lestenkof, President
PO Box 127, St. Paul Island, AK 99660
(907) 538-2401
Term expires 2020

Jeffery P. Kauffman, Vice President
4443 E. Serendipity Loop, Wasilla, AK 99654
(907) 952-2476
Term expires 2021

Rena J. Kudrin, Secretary/Treasurer
PO Box 229, St. Paul Island, AK 99660
(907) 546-2429
Term expires 2020

Jason Bourdukofsky, Sr., Director
PO Box 325, St. Paul Island, AK 99660
(907) 546-2431
Term expires 2019

Roman Fratis, Sr., Director
PO Box 3, St. Paul Island, AK 99660
(907) 546-4966
Term expires 2018*

John R. Mercurief, Jr., Director
PO Box 108, St. Paul Island, AK 99660
(907) 546-4088
Term expires 2019

Amos Philemonoff, Sr., Director
PO Box 232, St. Paul Island, AK 99660
(907) 546-2298
Term expires 2021

Michael Baldwin, Director
PO Box 124, St. Paul Island, AK 99660
(907) 351-5305
Term expires 2020

Simeon Swetsof, Jr., Director
PO Box 147, St. Paul Island, AK 99660
(907) 546-2328
Term expires 2021*

*In November 2018, Simeon Swetsof, Jr. was elected for a three year term to the seat held by Roman Fratis, Sr. The CBSFA management and board are deeply grateful to Roman Fratis, Sr. for his wisdom and many years of service to CBSFA.

St. Paul Fishing Company, LLC Board of Directors

Myron Melovidov, Chairman
PO Box 167
St. Paul Island, AK 99660
(907) 546-2250

Jan Jacobs, Director
3716 NE 75th St. Apt C310
Seattle, WA 98115
(206) 660-5164

Rick Mezich, Director
7215 156th Street, SW
Edmonds, WA 98026
(425) 742-7456

Tom Enlow, Director
PO Box 920008
Dutch Harbor, AK 99692
(907) 581-7300

Michael Baldwin, Director
PO Box 124
St. Paul Island, AK 99660
(907) 351-5305

Star Partners, LLC Board of Directors

Jeffery P. Kauffman, Chairman
4443 E. Serendipity Loop
Wasilla, AK 99654
(907) 952-2476

Rick Mezich, Director
7215 156th Street, SW
Edmonds, WA 98026
(425) 742-7456

Ray Melovidov, Director
PO Box 182
St. Paul Island, AK 99660
(907) 306-4801

Kristi Anderson, Director
15400 NE 90th Street
Redmond, WA 98052
(425) 881-8181

Central Bering Sea Fishermen's Corporation Board of Directors

Amos Philemonoff, Sr., President
PO Box 232
St. Paul Island, AK 99660
(907) 546-2298

Robert Melovidov, Sr., Vice President
PO Box 87
St. Paul Island, AK 99660
(907) 546-2552

Jason Bourdukofsky, Sr., Director
PO Box 325
St. Paul Island, AK 99660
(907) 546-2431

Sean Head, Director
7362 W. Parks Hwy. #496
Wasilla, AK 99623
(907) 373-6734

Michael Baldwin, Director
PO Box 124
St. Paul Island, AK 99660
(907) 351-5305



Central Bering Sea Fishermen's Association & Subsidiaries

Consolidated Statements of Financial Position | December 31, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 19,498,970	25,350,167
Accounts receivable, net	4,225,536	907,665
Due from related party (note 15)	45,324	430
Inventory	—	369,500
Prepaid expenses	847,594	476,512
Total current assets	24,617,424	27,104,274
Investments (notes 3 and 4)	826,458	896,174
Interest rate swap receivable (notes 4 and 10)	194,149	66,970
Prepaid expense and other (note 5)	4,674,461	4,736,281
Loans receivable, net (note 6)	572,892	602,430
Investment in unconsolidated affiliates (note 7)	3,548,501	8,752,483
Property and equipment, net (note 8)	15,173,593	14,431,805
Fishing and processing rights	82,002,832	74,903,385
Total assets	\$ 131,610,310	131,493,802
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,437,001	2,537,377
Current portion of long-term debt (note 10)	4,819,648	5,337,146
Total current liabilities	8,256,649	7,874,523
Long-term debt (note 10)	23,166,999	33,649,940
Total liabilities	31,423,648	41,524,463
Net assets:		
Without donor restrictions:		
CBSFA	90,453,817	85,366,702
Noncontrolling interests	9,732,845	4,602,637
Total net assets	100,186,662	89,969,339
Commitments and contingencies (notes 7, 10, and 14)		
Total liabilities and net assets	\$ 131,610,310	131,493,802

Extracted from Financial Statements audited by KPMG, LLP.

Central Bering Sea Fishermen's Association & Subsidiaries

Consolidated Statements of Activities | Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue, gains, and other support:		
Revenue from fishing operations (note 15)	\$ 43,986,088	46,490,409
Program revenue (note 15)	7,339,757	7,661,499
Investment and other income	26,262	141,889
Equity in income of unconsolidated affiliates (note 7)	465,861	947,691
Total revenue, gains, and other support	<u>51,817,968</u>	<u>55,241,488</u>
Expenses:		
Program (note 12):		
Fishing operations	36,760,665	50,349,229
Education and outreach	1,285,307	1,133,133
Vehicle and equipment operations	893,484	745,974
Small boat operations	317,797	323,888
EFH advocacy and research	278,298	223,093
Community infrastructure support	137,878	135,459
Vessel launch and retrieval	9,026	13,473
Investment fund policies and procedures	794	3,615
Total program	39,683,249	52,927,864
General and administrative (note 12)	6,055,493	6,903,176
Total expenses	45,738,742	59,831,040
Change in the fair value of interest rate swap (note 10)	147,420	263,967
Total expenses and other	45,591,322	59,567,073
Change in net assets	<u>\$ 6,226,646</u>	<u>(4,325,585)</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, 2018 and 2017

	<u>CBSFA</u>	<u>Noncontrolling interest</u>	<u>Total</u>
Net assets, January 1, 2017	\$ 90,018,594	4,401,330	94,419,924
Change in 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	85,366,702	4,602,637	89,969,339
Change in net assets	5,087,115	1,139,531	6,226,646
Noncontrolling interests established upon consolidation of Early Dawn, LLC and Frozen at Sea, LLC	—	4,455,677	4,455,677
Distributions to noncontrolling interests	<u>—</u>	<u>(465,000)</u>	<u>(465,000)</u>
Net assets, December 31, 2018	<u><u>\$ 90,453,817</u></u>	<u><u>9,732,845</u></u>	<u><u>100,186,662</u></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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,226,646	(4,325,585)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Impairment of fishing rights	—	9,404,587
Depreciation	2,103,269	1,504,138
Distributions in excess of (undistributed) earnings of unconsolidated affiliates	468,439	(182,143)
Bad debt expense	6,958	—
Change in fair value of interest rate swap	(127,179)	(263,968)
Change in operating assets and liabilities that provided (used) cash, net of effects of consolidation of Early Dawn, LLC and Frozen at Sea, LLC:		
Accounts receivable, net	(3,371,747)	5,760,767
Prepaid expenses	(122,534)	(1,587,545)
Inventory	369,500	(114,340)
Due to/from related party	(44,894)	28,848
Accounts payable and accrued expenses	829,668	(1,961,069)
Net cash provided by operating activities	<u>6,338,126</u>	<u>8,263,690</u>
Cash flows from investing activities:		
Purchase of property and equipment	(998,997)	(2,334,479)
Acquisitions of controlling interests in affiliates, cash acquired net of purchase price	145,743	—
Proceeds from the sale of property and equipment	37,074	—
Issuance of loans receivable	(116,224)	(246,029)
Principal payments received on loans receivable	138,804	107,069
Purchase of investments	(1,765)	(342)
Sale of investments	71,481	1,525,116
Net cash used in investing activities	<u>(723,884)</u>	<u>(948,665)</u>
Cash flows from financing activities:		
Distributions to noncontrolling interest	(465,000)	(125,000)
Principal payments on long-term debt	(11,000,439)	(7,862,716)
Net cash used in financing activities	<u>(11,465,439)</u>	<u>(7,987,716)</u>
Net increase (decrease) in cash and cash equivalents	(5,851,197)	(672,691)
Cash and cash equivalents at beginning of year	<u>25,350,167</u>	<u>26,022,858</u>
Cash and cash equivalents at end of year	<u>\$ 19,498,970</u>	<u>25,350,167</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 1,634,180	1,590,702
Supplemental schedule of noncash investing and financing activities:		
Equipment obtained through installment purchases payable	\$ —	401,967
Refinancing of long-term debt	24,000,000	—

Extracted from Financial Statements audited by KPMG, LLP.

Central Bering Sea Fishermen's Association & Subsidiaries

General and Administrative Expenses | Years ended December 31, 2018 and 2017

	2018	2017
General and administrative expenses:		
Board expenses:		
Travel and per diem	\$ 3,242	19,645
Directors fees	50,318	48,850
Board training	123,424	115,159
Other	90,195	71,438
Total board expenses	\$ 267,179	255,092
Staff:		
Payroll and taxes	\$ 1,424,657	1,584,388
Benefits - incl. medical, dental, vision	587,732	689,353
Benefits - retirement	111,386	120,514
Total staff	\$ 2,123,775	2,394,255
Travel and per diem:		
Staff	\$ 106,609	129,018
Total travel and per diem	\$ 106,609	129,018
Other:		
Accounting and audit fees	\$ 181,178	59,780
Amortization	—	2,453
Audit expense	—	131,900
Bad debt	23,678	—
Bank fees	79,073	9,965
Contributions	2,000	10,333
Copying and printing	4,232	1,099
Depreciation	63,153	585,270
Dues, subscriptions and memberships	133,376	89,149
Fines & Penalties	—	7,913
Harvest tracking	—	6,211
Insurance	489,736	555,114
Interest	1,654,421	1,605,561
Legal fees	71,069	35,595
Licenses and fees	59,076	58,725
Marketing Costs	4,589	—
Meals and entertainment	5,252	941
Medical	29,310	25,938
Miscellaneous	18,546	30,228
Moorage and storage	27,311	94,321
Office supplies	17,941	26,288
Postage and freight	4,232	4,093
Professional fees	226,186	291,538
Rent and storage	28,931	62,491
Repairs and maintenance	259,830	259,014
Small office equipment	9,194	9,160
Parking & Transportation	32,935	—
Taxes	(75,791)	80
Telephone and internet fees	162,749	145,308
Training	9,897	1,385
Utilities	35,826	14,958
Total other	\$ 3,557,930	4,124,811
Total general and administrative expenses	\$ 6,055,493	6,903,176

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 2018.

Directors

CBSFA directors receive \$275 for each board meeting less than two hours duration, \$425 for meetings two to eight hours, and \$700 for meetings more than eight hours. In 2018 CBSFA paid \$41,292.56 to CBSFA Directors, \$2,475.00 to CBSFC Directors, and \$4,250.00 to SPFC Directors. In addition to director’s fees \$76,516.33 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 2018, one (1) loan was made in the amount of \$28,000 to Shane Baldwin, son of CBSFA Director Michael Baldwin. The terms and conditions of the loan 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 2018 or 2017. KPMG performed tax preparation and the fees paid for non-audit services as a percentage of total fees paid to the auditor equal 19% for 2018 and 24.15% for 2017.

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	\$181,320.62	0	\$181,320.62
Joe Kashevarof	Chief Financial Officer	CBSFA	\$160,866.88	0	\$160,866.88
Jeffery Kauffman	Chief Executive Officer	SPFC	\$154,828.41	0	\$154,828.41
Raymond Melovidov	Chief Operating Officer	CBSFA	\$120,983.17	0	\$120,983.17
Rena Kudrin	Office Manager	CBSFA	\$114,878.22	0	\$114,878.22

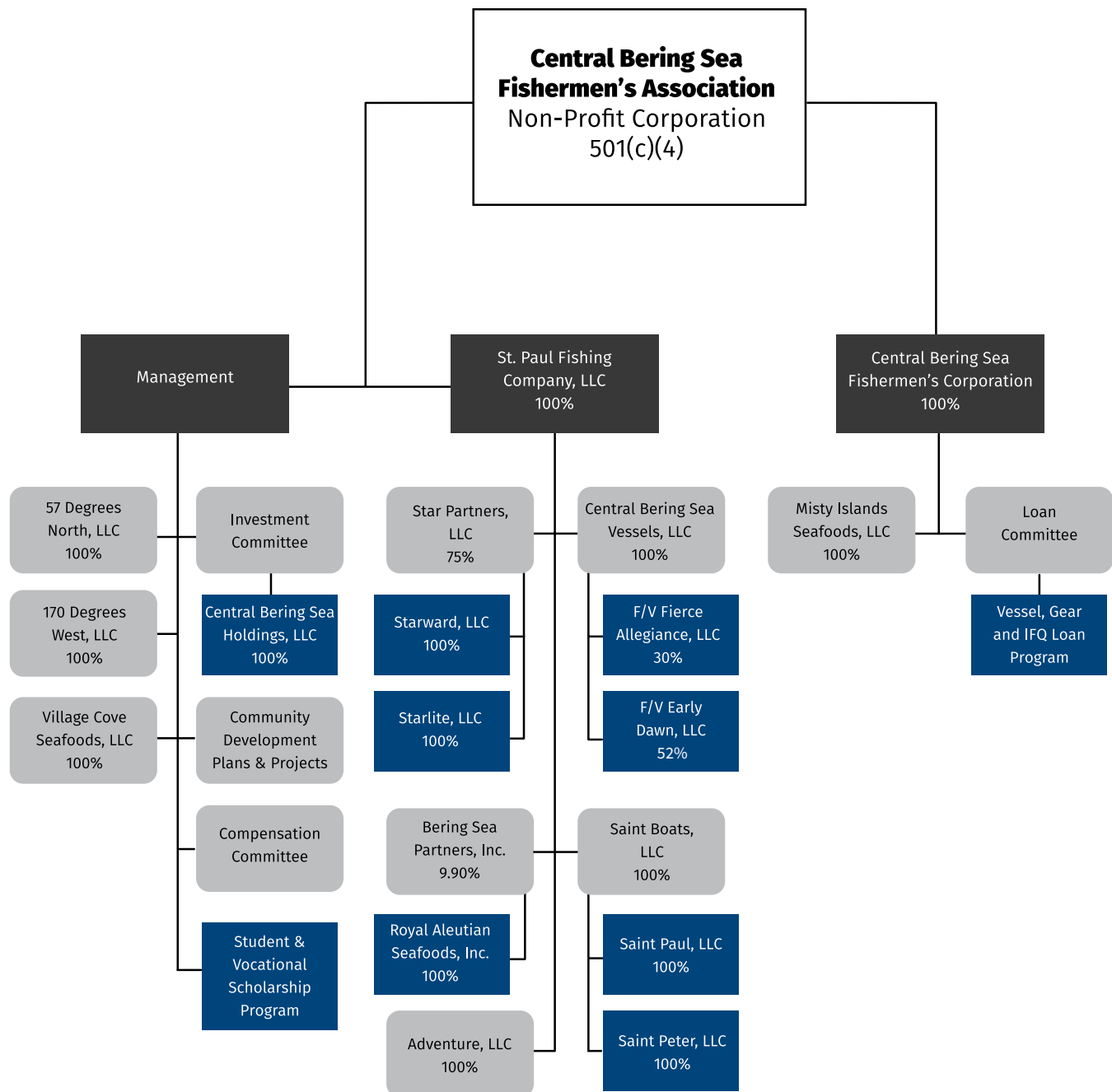
Committees

CBSFA maintains a compensation committee. In 2018, 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 2018.

Professional Fees

Legal	\$34,469.00
Consulting	\$217,069.00
Accounting	\$0.00
Auditing	\$82,032.00
Tax Prep	\$19,400.00

Organizational Chart





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