



# Central Bering Sea Fishermen's Association

**2018 ANNUAL 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.



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# Chairman's Letter



Dear CBSFA Members,

CBSFA continues to be dedicated to helping our community of St. Paul Island flourish through funding contributions to local programs, grant application support to on island entities, and increasing seafood donations to our elders. I am very pleased to have the City of Saint Paul and Tribal Government's support in the fisheries management processes to maintain our CDQ fisheries allocations which continue to support CBSFA's local projects and programs, and ensure we have a halibut fishery for our community.

Some of our major financial contributions help support programs and services provided by the Pribilof School District (PSD), Tanadgusix Corporation (TDX), and the Tribal Government of St. Paul (Tribe). The PSD Preschool program provides early childhood education and structure for three to five year old children. We have been funding this program for over a decade and the benefits are immeasurable. To help secure reliable internet service to our community, CBSFA agreed to continue our bandwidth service agreement with TDX. The internet is a tool constantly used to complete tasks in a convenient manner and as technology is advancing we know the importance of having access to online resources. TDX assures us they are continuously working to provide a dependable internet service to the community.

CBSFA is happy to be a part of the successful collaboration to help the Tribe establish the Bering Sea Campus in the St. Paul School. Over the years our multiple contributions were used to purchase classroom materials and supplies, employ staff, and create additional employment opportunities as part of their local workforce development program. We are very proud to provide financial support towards the Unangan Tunuu revitalization efforts that are being spearheaded by the Tribe. Not only are we seeing the language come to life within our community but the locally organized summer language camps are helping teach other speakers throughout the Aleutian region. The ability to teach and speak our Unangan language will hopefully continue through many generations. CBSFA continually strives to keep our community a healthy and enjoyable place to live and providing funding to these and other local programs is accomplishing that goal.

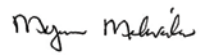
CBSFA is interested in generating job opportunities and we have supported many of the Tribe's grant applications pertaining to higher education and training, marine debris cleanup, and road projects that help create on island employment. Over the years we've been able to provide consistent job opportunities within our community. Some of these opportunities include the TDX Summer Youth Hire Program, and to the Tribe's Community Beautification project, Small Boat Harbor Security Attendants, and Tribal Court staff. We are happy to help local entities secure funding for projects that help develop our local economy.



I am very happy to note that we've expanded the Elders Subsistence Donation Program which now includes cod fillets and Trident Seafoods Ultimate Fish Sticks. These additions will complement the seafood disbursements of halibut and crab we typically give to our community elders age 55 and older. We hope to continue helping our community elders through this seafood donation program and our Elders Residential Assistance Program well into the future.

CBSFA will do our best to keep supporting local programs, projects, and entities that positively impact our community, island, and the Bering Sea.

Sincerely,



Myron Melovidov



# 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. Many of these programs and benefits are listed in the reports on the following pages.

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 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 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

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

## St. Paul Fishing Company, LLC Board of Directors

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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

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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

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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

*\*In November 2018, Simeon Swetzof, 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.*



# CBSFA Board and Staff

## CBSFA Board of Directors

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Myron Melovidov  
Chairman  
Term expires 2019



Phillip Lestenkof  
President  
Term expires 2020



Jeffery P. Kauffman  
Vice President  
Term expires 2021



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 2021



Michael Baldwin  
Director  
Term expires 2020



Jason  
Bourdukofsky, Sr.  
Director  
Term expires 2019



Simeon Swetzof, Jr.  
Director  
Term expires 2021

## CBSFA Employees

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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



Marisa Mack  
Senior Accountant  
Employee since 2017



Joe Kashevarof  
Chief Financial  
Officer  
Employee since 2017

## SPFC Employees

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Jeffery P. Kauffman  
Chief Executive  
Officer  
Employee since 2007



Jennifer L.  
Hausmann  
Administrative  
Assistant/  
Accountant  
Employee since 2010



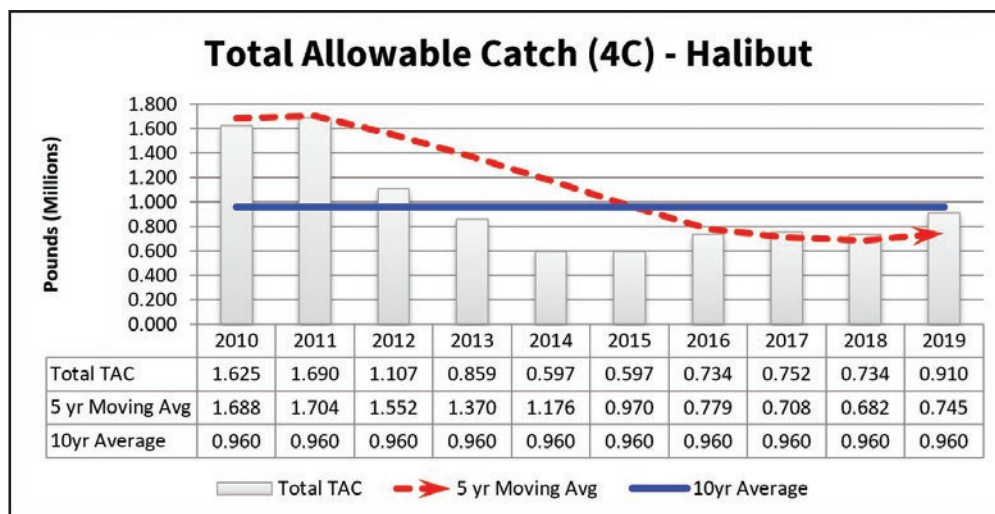
Sean Head  
Accountant and  
Analyst  
Employee since 2016

# St. Paul Fishing Company

In the world of fishing, boat ownership, and access to marine resources, St. Paul Fishing Company (SPFC) is 100 percent reliant on sustainable fisheries in the Bering Sea and Aleutian Islands (BSAI). With that, we must maintain and operate a versatile fleet of vessels and strong industry partnerships. The third critical piece that leads to successful and profitable operations is the professional crews that SPFC hires to catch the fish available to us.

Fishery allocations in the BSAI can be highly variable, as we know firsthand from the local halibut fishery, which has experienced declines of up to 65% in a short time period (Chart 1.1). The three groups of fish that are most important to CBSFA's vessels are groundfish (pollock and Pacific cod), crab (Opilio, Bristol Bay Red King, Bairdi, and Golden King) and the IFQ fisheries (halibut and sablefish)

**Chart 1.1: Total Allowable Catch (4C) – Halibut**



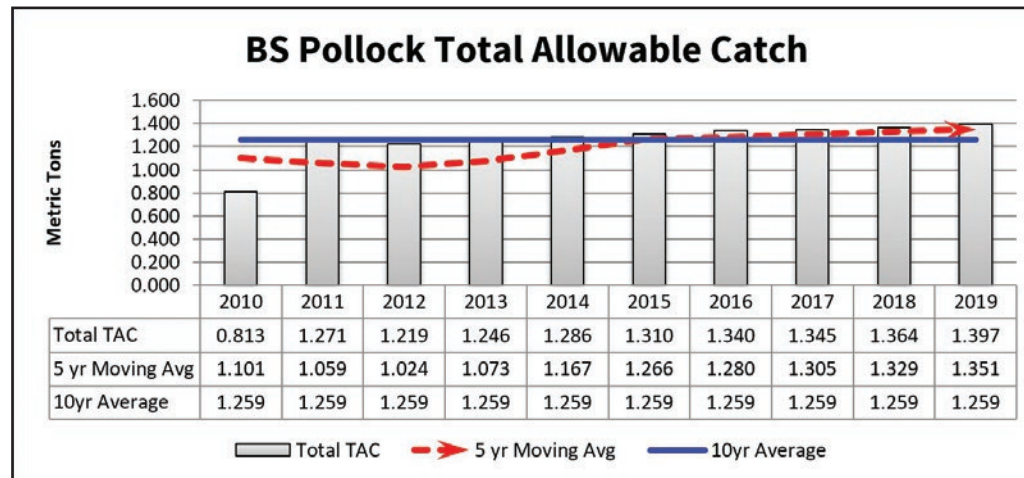
Although the graphic above only depicts the International Pacific Halibut Commission's regulatory area 4C, the numbers are the same for 4D. These regulatory areas reflect the halibut caught by the fishing vessel *F/V Saint Peter*. After hitting bottom in 2014 and 2015, allocations in regulatory areas 4C and 4D seem to have stabilized at the levels below the 10-year average and well below the two high years early in the time series. Coastwide, halibut allocations are reflective of sub-areas 4C and 4D. Halibut markets have softened despite the lower allocations and are roughly 40% lower than ex-vessel pricing for several years before 2017 in the BSAI region. CBSFA's *F/V Saint Peter* catches a full vessel cap of halibut (88,550 pounds in 2019) as well as CDQ quota for other groups.

The *F/V Saint Peter* was recently modified to fish sablefish pots in the BSAI region. The pot fishery is new to us, and to-date we have been very successful. Starting in the 2020 season, the *F/V Saint Peter* will begin longlining pots in the halibut fishery to prevent the killer whales from eating its catch. SPFC is very excited about this opportunity and will be on the leading edge of targeting halibut with pots in the Bering Sea. Using pots to target halibut will be good for the halibut resource as well as for harvesting efficiency. Pot gear will be the way of the future for fishing along the edge break in the Bering Sea.



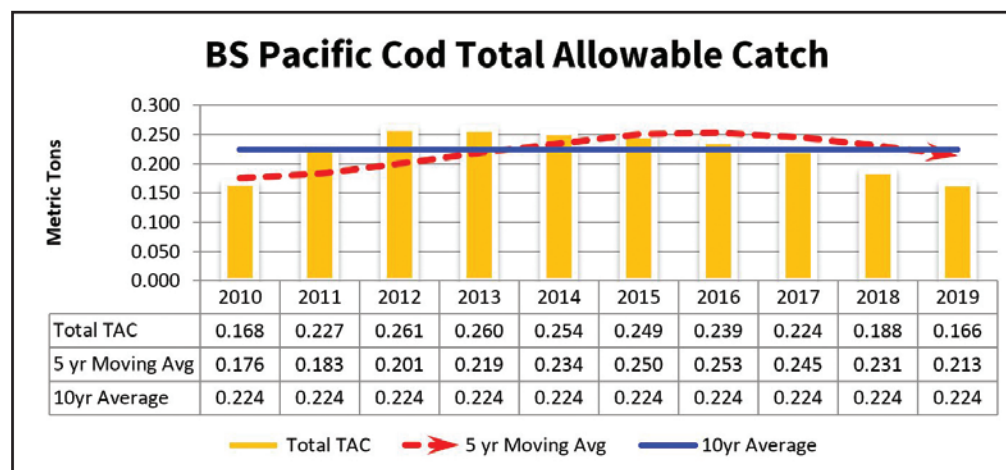
Pollock is the largest fishery by volume and value with a Total Allowable Catch (TAC) of 1.39 million metric tons. It is important to note that all removals from the BSAI region cannot exceed 2 million metric tons per year. In 2019, roughly 70 percent of all fish removed from the BSAI is pollock. All other fisheries combine to make up the remaining 30 percent. Pollock is stable, and the TAC has increased every year for the past seven years (Chart 1.2). The pollock fleet is currently enjoying stable or increasing ex-vessel pricing.

**Chart 1.2: BS Pollock Total Allowable Catch**



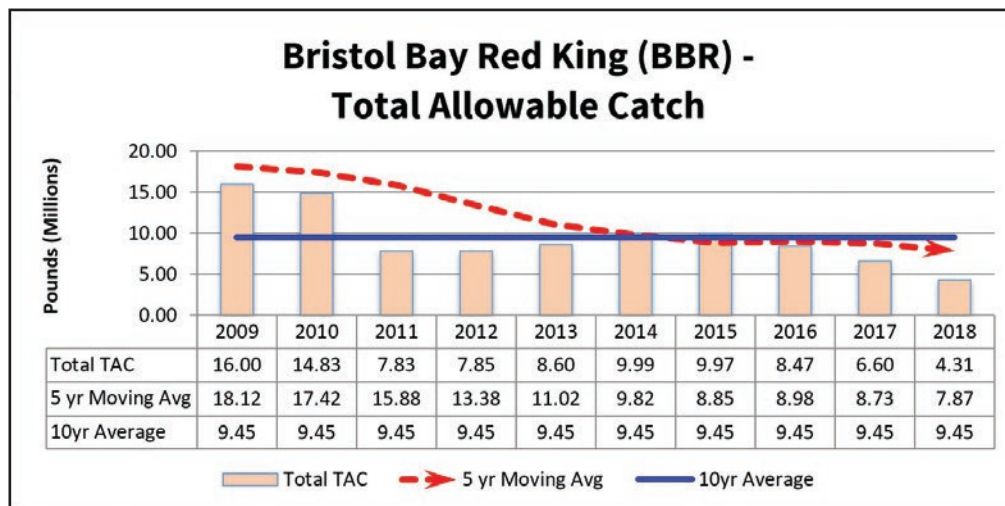
Pacific cod allocations, on the other hand, have been cut each year for the last seven years (Chart 1.3) – and further reductions are anticipated. The *F/V Saint Paul* and *F/V Saint Peter* harvest Federal and State cod allocations, as well as the majority of CBSFA's CDQ. In addition, *Fierce Allegiance*, *Starward*, and *Starlite* also have cod allocations. Cod pricing has been relatively strong, but markets are starting to show signs of decline.

**Chart 1.3: BS Pacific Cod Total Allowable Catch**

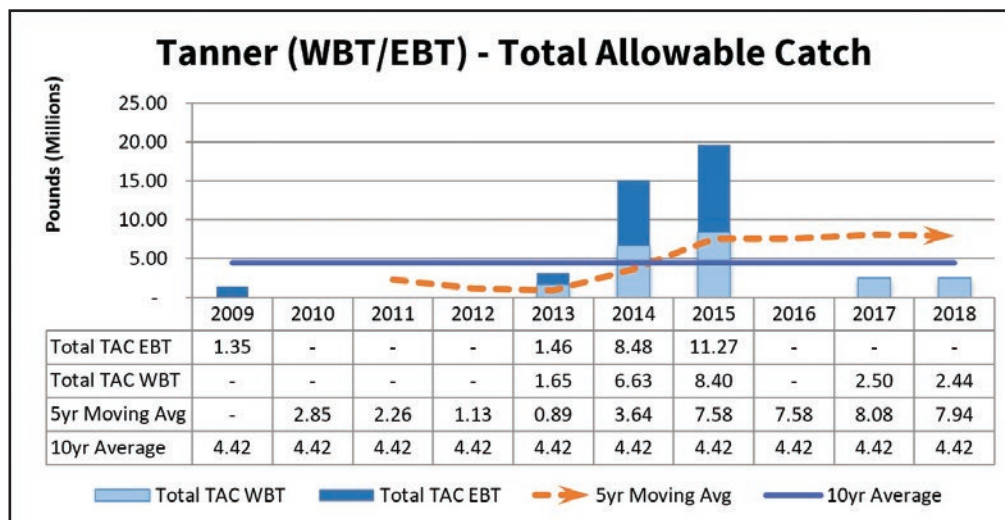


As for the crab industry, *Fierce Allegiance*, *Adventure*, and *Early Dawn* catch all of CBSFA's State and CDQ crab allocations. The Bristol Bay Red King crab allocation is the lowest it has been in several years (Chart 2.1), and the recruitment into the fishery is showing troubling signs, which may lead to the fishery closing in the future. The Bairdi fishery is also experiencing difficult times (Chart 2.2). The western district remained open in the 2018-2019 season, but its future is uncertain. The eastern district of the Bairdi fishery has been closed since 2016 with little sign of recovering to harvestable levels.

**Chart 2.1: Bristol Bay Red King (BBR) – Total Allowable Catch**



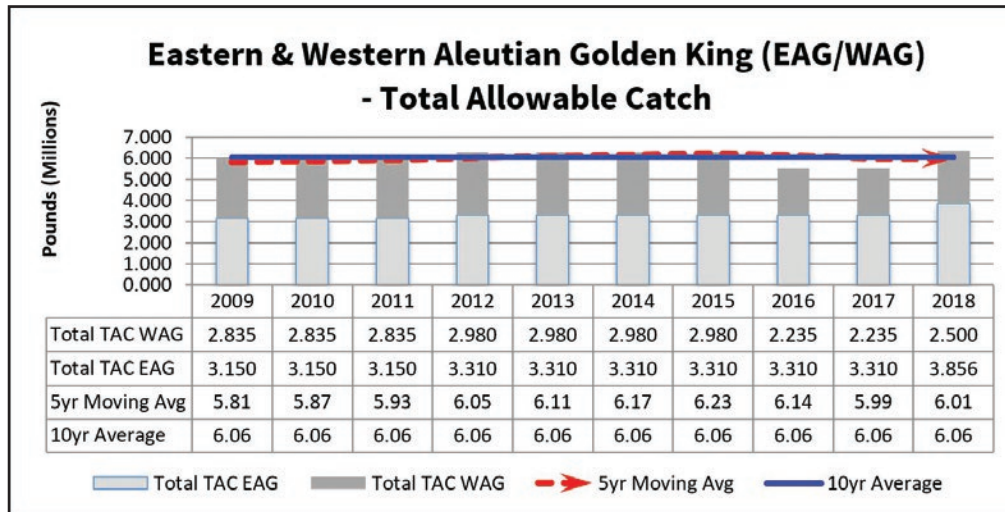
**Chart 2.2: Tanner (WBT/EBT) – Total Allowable Catch**



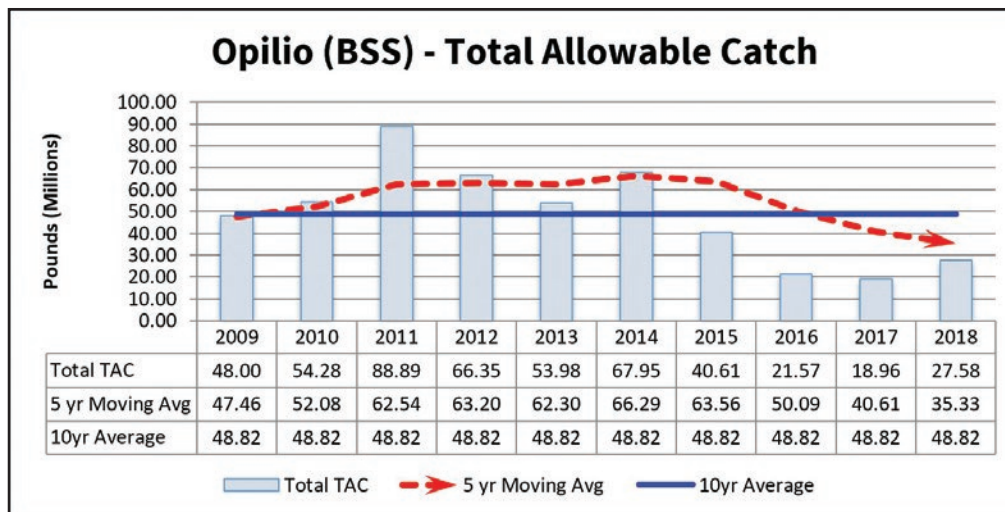
On the bright side of the crab fisheries, the Aleutian Islands Golden King crab fishery received an increase in quota for the 2018/19 season (Chart 2.3), and markets are robust and strengthening. The Opilio fishery received an increase in TAC in 2018 (Chart 2.4); however, the fishery allocation is still well below the 10-year average. Fortunately, the Opilio fishery is showing strong signs of recruitment and will likely see an increase in TAC in the 2019-2020 season.



**Chart 2.3: Eastern & Western Aleutian Golden King (EAG/WAG) – Total Allowable Catch**



**Chart 2.4: Opilio (BSS) – Total Allowable Catch**



CBSFA has assembled a versatile and capable fleet of vessels to harvest its fishery allocations in the Federal, State and CDQ fisheries. CBSFA, through SPFC, is working on other exciting fishery investment opportunities, but they are in relatively early stages. If all goes according to plan, we look forward to sharing these plans with the CBSFA membership soon.

As for 2018, it was a safe and prosperous year for SPFC. As a wholly owned subsidiary of CBSFA, SPFC's goal is to maximize profits at the vessel level and through our ownership in Royal Aleutian Seafoods (crab processing and marketing company in Dutch Harbor). Each year SPFC distributes at least 70% of its net profits to CBSFA to help fund local programs and projects. 2018 turned out to be a solid year for the company, and 2019 is shaping up to be the same.

SPFC would like to mention and thank our long-term business partners – Rick and Mary Mezich and Tom Enlow of Unisea Seafoods. Together we are making a difference in the lives of CBSFA's members. Thank you also to our captains and crews! Without these hard-working fishermen, none of this would be possible. As managers of CBSFA and SPFC, we are excited about the future and look forward to continuing to bring financial and employment benefits to our members. Good luck fishing!

# 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.

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.

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. Since inception, the CBSFA Co-op has paid out over \$42 million dollars of income to the local fishermen, and the fishermen have landed nearly 9 million pounds of halibut!

The Area 4C catch limit for 2018 decreased by 2.5% from 2017. CBSFA's CDQ halibut allocation was 311,738 pounds and locally held IFQ's were around 124,000 pounds. Local landings totaled 414,616 pounds, including 103,072 pounds of locally held IFQ - total landings decreased by 4,481 pounds from 2017. The base price was set at \$4.25 and a retroactive price adjustment was paid out following the close of the season, resulting in a final 2018 ex-vessel price of \$4.71. In total, \$1.95 million was paid to the local fishermen. This amount is about \$200,000 below the 5-year average.

The 2019 fishing season began on June 10th with a posted ex-vessel price of \$4.25/lb. CBSFA's CDQ allocation is 386,750 pounds, 24% higher than the 2018 allocation. The 2019 base price is a bit lower than the 2018 final price, reflecting a conservative approach to fairly stable halibut markets. 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 relative stabilization in the past few 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 assessment had generally mixed, but positive results for Area 4CDE. The data suggested stronger 2011 and 2012 year-classes, which added more available yield overall. IPHC's understanding of stock distribution provided an increased estimate of the amount of the biomass in Area 4CDE, which increased from 13.3% to 13.9%. The setline survey catch rate (O32 WPUE) is down 2% from 2017 and is the third consecutive year of decline. It is still above the values from 2007 to 2013, but the continued decline is concerning.

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.







# Fishery Management Issues

## Ad Hoc Crab Committee

CBSFA has been working for three years with harvester and processor representatives as a member, and the chair, of an industry 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. This is reflective of CBSFA's key role in policy-making in the management of the crab fisheries, as well as of its business investments in 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, but the industry continued to work together in 2018 and 2019 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.

ADFG is making a comprehensive proposal to the BOF in spring 2020 that reflects this collaborative approach to tanner crab management, and that could provide a more robust harvest of CBSFA's crab going forward.

## Crab Habitat

Another area of joint interest is the identification of important crab habitats, such as nursery areas, in order to better protect them through NPFMC regulatory action and fisheries management. This is especially crucial in an era when climate change may have resulted in changes to these habitats.

## 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.

In 2018, CBSFA led directed halibut industry efforts to solidify alternatives and elements in the development of an ABM halibut bycatch action before the Council. In 2019, that work continues to better manage and reduce bycatch, and it is likely that regulatory change will be achieved in 2020.

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.

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.

These multipronged efforts have paid off for St. Paul. The IPHC recommended halibut FCEY for area 4CDE of 1.66 million pounds for 2016, 1.70 million pounds for 2017, and 1.58 million pounds for 2018, all of which are improvements over previous levels. These increases were based in part on improved stock assessments, as well as 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 was 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.

The action was adopted in final action by the NPFMC at the October 2018 meeting, and includes: 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 is closed to all fishing with pot gear.

To the extent practicable, the Council recommended that halibut fishermen in the BSAI interested in using pot gear under this action consult with crab fishery participants on appropriate crab escape mechanisms to minimize crab bycatch. CBSFA is invested in a joint research program with the crab industry to help develop and test pot gear that minimizes bycatch.

The Council plans to review the effects of allowing retention of halibut in pot gear three years after implementation.

### **Ecosystem, Community Engagement, and LTK Issues**

CBSFA has worked in coordination with the City of St. 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, St. 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.

In response to these concerns and with CBSFA's support, the NPFMC established a Community Engagement Committee in 2018, which includes representation from the St. Paul Tribe. The Committee has looked at existing channels for improving communication, engagement, and interactions between the NPFMC and communities. This is a positive development for fisheries-dependent communities such as St. 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. In 2018, each elder age 55 and over (per household) received 50 pounds of seafood, which was comprised of halibut, opilio, bairdi, and red king crab. Additionally, CBSFA donated 450 pounds of halibut, opilio, and red king crab to St. George elders. Another significant donation was to our local food bank, which is managed by the Tribe. For 2018, we contributed 829 pounds of cod fillets, pollock fish sticks, halibut, opilio, and red king crab. Seafood products are also donated to various community and fundraising events throughout the year.

We've recently expanded our Elders Donation Program to include cod fillets and Trident Seafoods Ultimate Fish Sticks, made from Bering Sea pollock.

## 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.

## Church Donation

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



## KUHB Local Training Program

CBSFA's funding helps provide a paid internship for a local hire to learn how to manage the KUHB Radio Station.

## Wellness

Payments are made to substance abuse treatment programs.

	2018	As of 9.1.2019
Elders Residential Assistance Program	303,366	311,400
Elders & Community Subsistence Donations	77,658	13,530
Volunteer Tax Program	6,850	6,850
Community Events & Programs	18,121	3,456
Travel Assistance	8,570	6,073
March Madness Sponsorship	7,500	7,500
Community Internet Service Contribution	137,877	92,000
Bereavement	46,701	17,266
City of Saint Paul: <ul style="list-style-type: none"> <li>• North Pacific Fisheries Management Council Travel/Consultation</li> <li>• Emergency Medical Services Stretcher</li> <li>• Volunteer Fire Department</li> </ul>	83,850 0 7,775	23,375 11,822 46,290
TDX Youth Employment	10,675	0
Tribal Government of St. Paul: <ul style="list-style-type: none"> <li>• Community Beautification Program</li> <li>• Tribal Court</li> <li>• Unangam Tunuu Revitalization</li> <li>• Cat Health Clinic</li> <li>• Marine Debris Cleanup</li> <li>• Lunax Support</li> </ul>	30,000 66,789 227,827 3,444 0 7,000	0 66,789 160,517 0 19,942 0
Church Donations	35,000	43,500
Wellness	53,713	59,600
KUHB Local Training Program	0	10,000
<b>TOTAL</b>	<b>1,079,003</b>	<b>899,910</b>

### **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**

**Community Beautification Program:** CBSFA paid for the painting of 10 Elder's homes in 2018.

**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 2018 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:** The Lunax is a state-of-the-art 29' x 10' multipurpose boat mainly used for search and rescue, local fleet towing and assistance, and near shore research. CBSFA covers 50% of the actual costs of insurance, repair and maintenance parts, fuel, and supplies for the quick response vessel.

### **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.

#### **EMS Stretcher and Volunteer Fire Department:**

Our contribution helped purchase a power assisted stretcher to help increase the safety of Emergency Medical Services team and patients when loading and unloading them into the ambulance. Funds are also provided to replace necessary safety equipment and upgrade the lights on the primary fire engine.

**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.



# Education

## 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, 52 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.

## Tribal Government of St. Paul BSPISE Expansion, Workforce Development, and Community Sustainability Program:

The 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.

## Bering Sea Campus, Economic and Workforce Development, Community Sustainability Program:

The 2019 contribution is to fund local tribal member jobs as part of a local workforce development program at the newly established Bering Sea Campus. These opportunities are focused on Airport Operations, Airport Maintenance, Aviation, Avionics, and UAV/UAS (drones) St. Paul Experimental Test Range.

## Pribilof School District

**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.

	2018	As of 9.1.2019
Scholarships	55,500	69,000
Training Grants	10,000	0
AMSEA Training	0	13,215
Training Grants	3,872	0
Tribal Government of St. Paul:		
• BSPISE Expansion, Workforce Development, Community Sustainability Program	113,424	0
• Bering Sea Campus, Economic and Workforce Development, Community Sustainability Program	0	167,936
Pribilof School District:		
• Preschool	115,000	116,427
• 5th Grade Class Trip	5,000	7,000
• Middle School Basketball Team	5,000	2,500
• Building Maintenance	14,871	0
• Playground Swing Set	0	10,000
Headstart Graduation	500	500
Graduation Gifts	3,204	0
<b>TOTAL</b>	<b>322,999</b>	<b>386,578</b>

**5th Grade Class Trip and Basketball Team Trip:** Our funding helps cover costs associated with the 5th grade class and basketball team travel. These school sponsored trips allow our students to explore places within and outside of Alaska and create memorable experiences.

**Building Maintenance:** These contributions allowed the district to complete necessary maintenance to upkeep the gym floor and the exterior siding of the school building.







# Central Bering Sea Fishermen's Association & Subsidiaries

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

<b>Assets</b>	<b>2018</b>	<b>2017</b>
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
<b>Liabilities and Net Assets</b>		
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><b>CBSFA</b></u>	<u><b>Noncontrolling interest</b></u>	<u><b>Total</b></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.

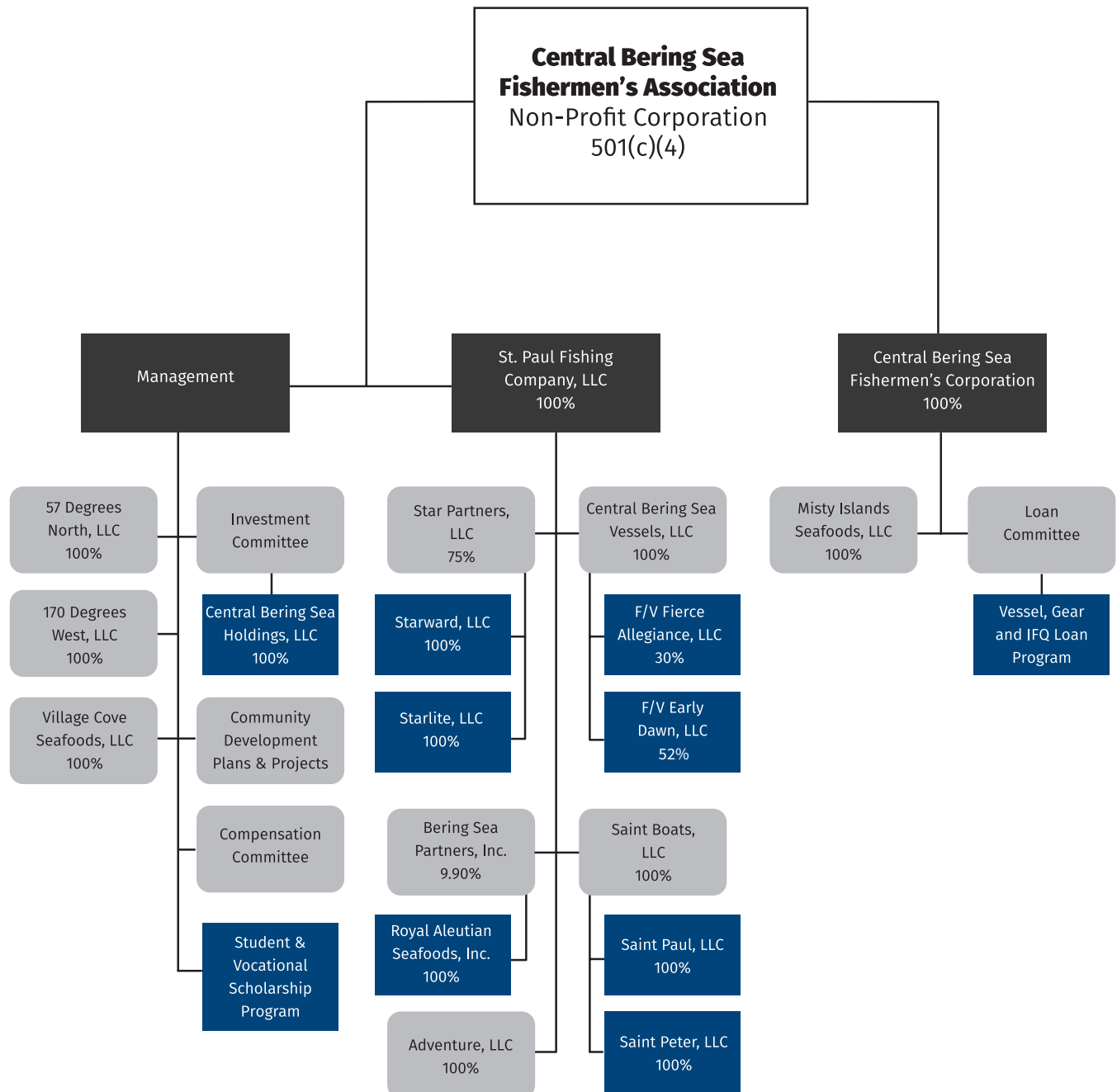
## Professional Fees

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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