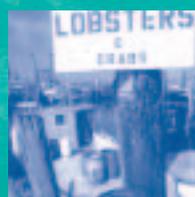
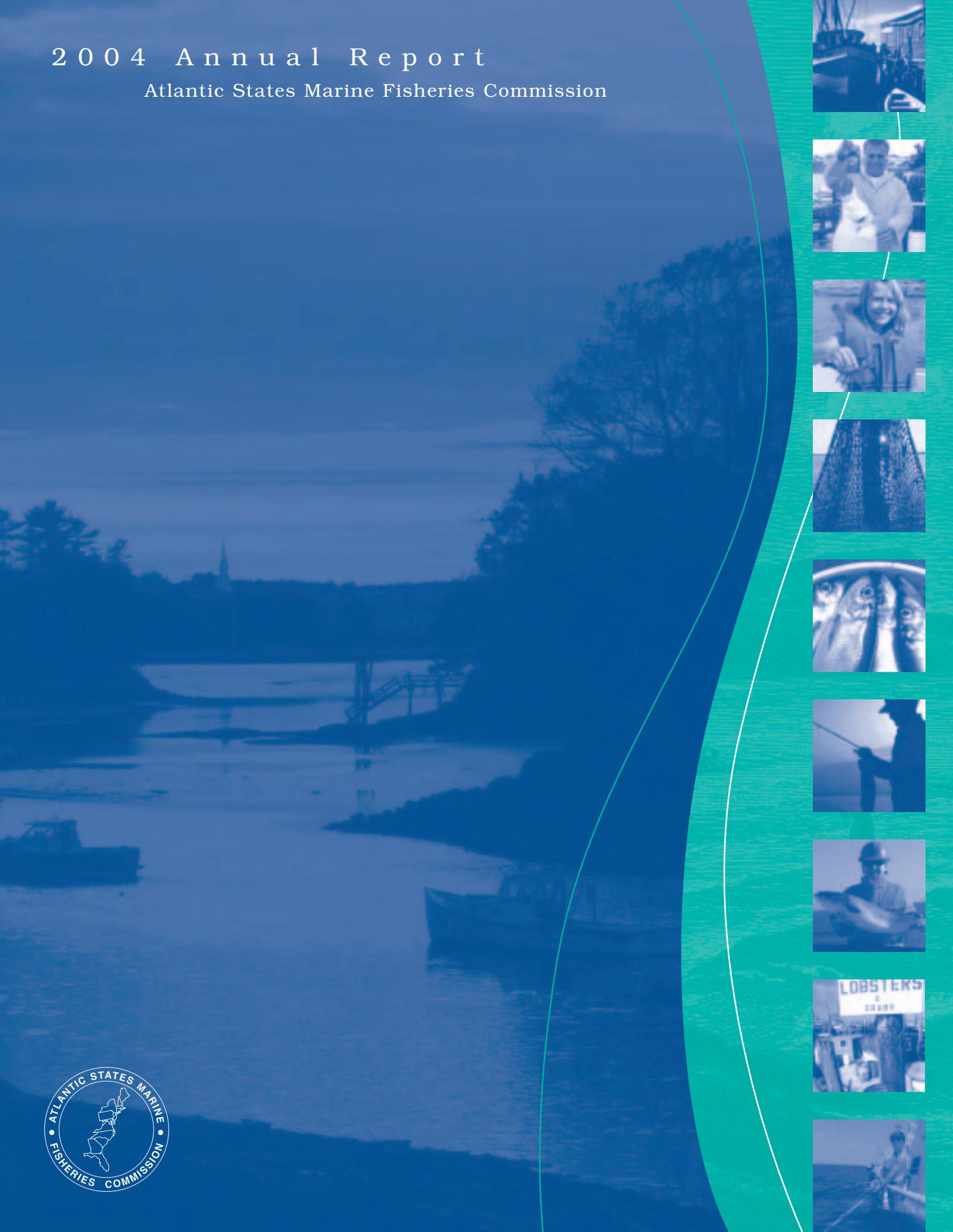


2004 Annual Report

Atlantic States Marine Fisheries Commission



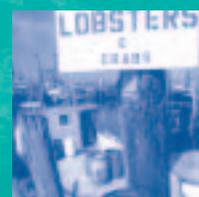
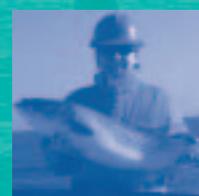
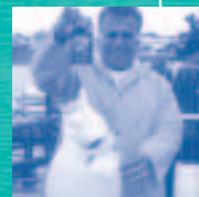
63rd Annual Report of the Atlantic States Marine Fisheries Commission

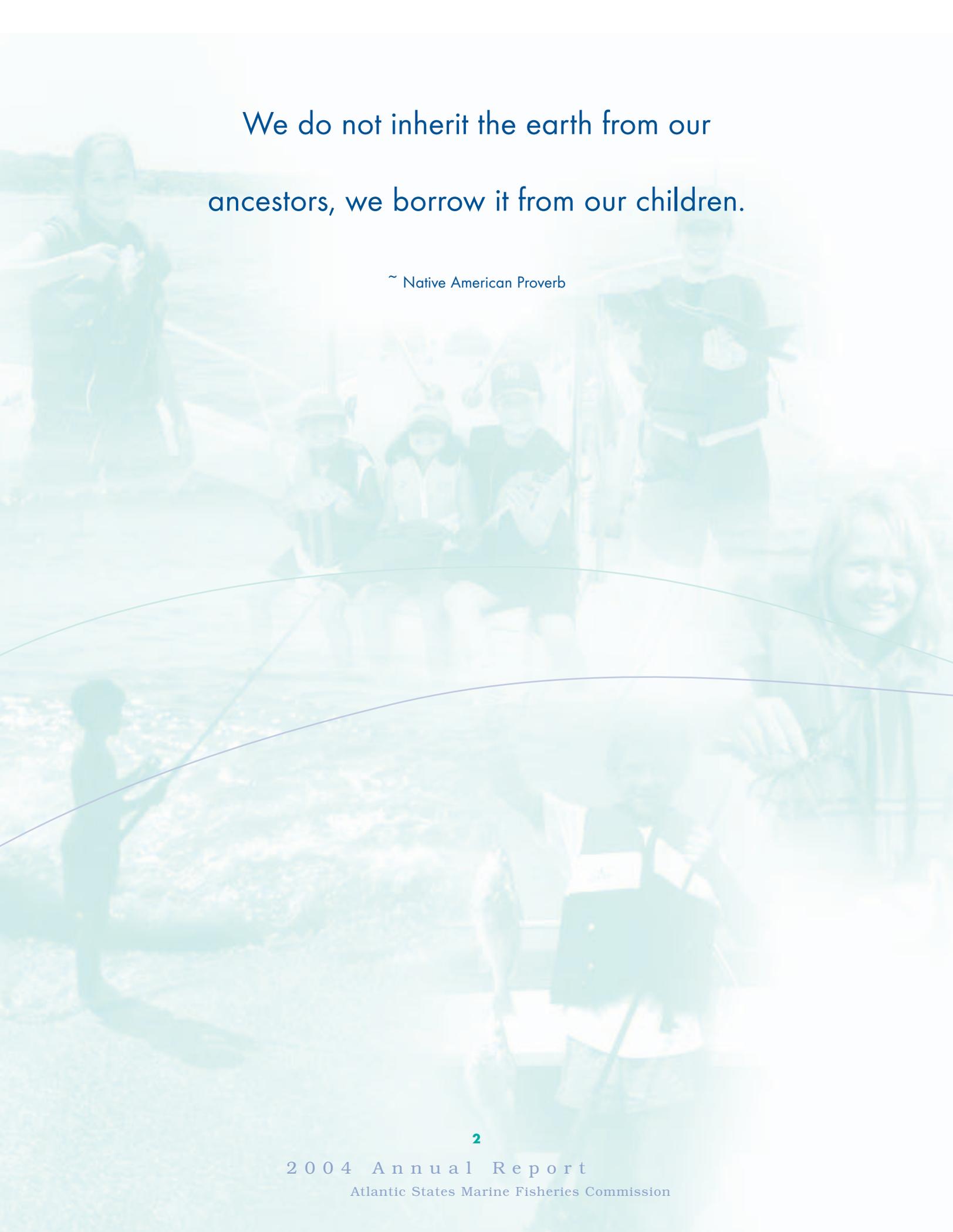
to the Congress of the United States and to the
Governors and Legislators of the Fifteen Compacting States

Presented in compliance with the terms of the Compact
and the state-enabling acts creating such Commission
and Public Law 539 - 77th Congress assenting thereto
(Chapter 283, Second Session, 77th Congress; 56 Stat. 267)
approved May 4, 1942, as amended by Public Law 721,
81st Congress, approved August 19, 1950.

John V. O'Shea, Executive Director
Tina L. Berger and Laura C. Leach, Editors

May 2005





We do not inherit the earth from our
ancestors, we borrow it from our children.

~ Native American Proverb

M I S S I O N

To promote cooperative management of fisheries — marine, shell, and diadromous — of the Atlantic coast of the United States by the protection and enhancement of such fisheries, and by the avoidance of physical waste of the fisheries from any cause.

V I S I O N

Healthy, self-sustaining fish populations for all Atlantic coast fish species or successful restoration well in progress by the year 2015.

G O A L S

1. Rebuild and restore depleted Atlantic coastal fisheries, and maintain and fairly allocate recovered fisheries through cooperative regulatory planning
2. Strengthen cooperative research capabilities and improve the scientific basis for stock assessments and fisheries management actions
3. Expand and fully utilize cooperative fisheries statistics programs
4. Improve stakeholder compliance with Commission fishery management plans
5. Enhance and cooperatively protect fisheries habitat
6. Strengthen congressional, stakeholder, and public support for the Commission's mission, vision, and actions
7. Respond efficiently and effectively to member states' needs
8. Develop and advance strategies to enhance learning and growth within the Commission
9. Provide efficient administration of the Commission's business affairs and ensure the Commission's financial stability

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John I. Nelson, Jr., Chair

Preston P. Pate, Jr., Vice-Chair



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Marine Resources
Representative Dennis
Damon
Patten D. White
Governor's Appointee

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Fish & Wildlife
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Ralph J. Balkcom
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FLORIDA

Gil McRae
Fish & Wildlife
Research Institute
Senator Mitch Needelman
Kathy Barco
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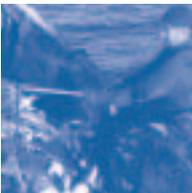
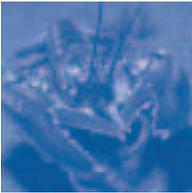
P R E F A C E

The Commission was formed by the 15 Atlantic coast states more than 60 years ago to assist in managing and conserving their shared coastal fishery resources. With the recognition that fish do not adhere to political boundaries, the states formed an Interstate Compact, which was approved by the U.S. Congress in 1942. The states have found that their mutual interest in sustaining healthy coastal fishery resources is best achieved by working together cooperatively, in collaboration with the federal government. Through this approach, the states uphold their collective fisheries management responsibilities in a cost-effective, timely, and responsive fashion.

The Commission's current budget is five million dollars. The base funding (\$408,964) comes from the member states' appropriations, which are determined by the value of respective commercial fishing landings and saltwater recreational trips. The bulk of the Commission's funding comes from a combination of state and federal grants; the largest being a line item in the National Marine Fisheries Service (NMFS) budget appropriated to implement the Atlantic Coastal Fisheries Cooperative Management Act of 1993. The Commission also receives funds from NMFS to carry out the mandates of the Interjurisdictional Fisheries Act of 1986 (P.L. 99-659). The U.S. Fish and Wildlife Service provides grant funding to the Commission through its Federal Aid in Sport Fish Restoration Program (Wallop/Breaux). Since 1999 the

Commission has overseen the administration of the Atlantic Coastal Cooperative Statistics Program, a state and federal partnership for Atlantic coastal fisheries data collection and management. Funding for this program is provided by the Atlantic Coastal Fisheries Cooperative Management Act.

The Commission serves as a deliberative body of the Atlantic coastal states, coordinating the conservation and management of nearshore fishery resources, including marine, shell, and diadromous species. The 15 member states of the Commission are (from north to south): Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, and Florida. Each state is represented on the Commission by three Commissioners: the director for the state's marine fisheries management agency, a state legislator, and an individual representing fishery interests, appointed by the state governor. These Commissioners participate in deliberations in the Commission's main policy arenas: interstate fisheries management, fisheries science, habitat conservation, and law enforcement. Through these activities, the states collectively ensure the sound conservation and management of Atlantic coastal fishery resources and the resultant benefits that accrue to their fishing and non-fishing public.



R E P O R T T O O U R S T A K E H O L D E R S

We are delighted to present this Annual Report to you – the friends, colleagues, overseers, and stakeholders of the Atlantic States Marine Fisheries Commission. It is intended to provide an overview of our activities and progress in carrying out our mission and public trust responsibilities. This report reflects the commitment of our Commissioners to hold themselves accountable to the public through performance measures that monitor progress and drive results.

The year 2004 was one of successes and challenges at the Commission. Our accomplishments are evidence of the states' collective commitment to act cooperatively in a way that is good for all rather than best for one.



John V. O'Shea, Executive Director

In our commitment to a transparent process, we maintain updated information

on all of our programs and activities on our website to facilitate your participation.

As with any organization, our capacity for success is a direct result of our staff. We continue to recruit energetic and talented staff that I am privileged to lead. They have great integrity, a strong sense of public service, and a deep interest in marine fisheries management and conservation. I am particularly proud of our former staff's success in obtaining higher-level positions in the course of their careers, reflecting the valuable professional experience and growth provided by the Commission.

We are also fortunate to have a dedicated group of Commissioners, who volunteer long hours of their time to stay informed about multiple issues, attend public

hearings, and participate in Commission meetings. More importantly, they collectively act with courage and wisdom in their difficult job of making decisions that are best for the long-term, while often confronted with the popular demand for short-term needs.

This Annual Report also responds to the requirement to report to Congress on the use of federal funds appropriated for Commission activities. The Commission recognizes that it has earned the trust and confidence of Congress through our results in restoring fisheries, and remains committed to continuing on this path. We are grateful for the interest and support from our congressional delegations and their staffs. The Commission will continue to maintain and build these relationships through positive results.

Looking forward, the Commission faces significant challenges in dealing with a number of emerging issues related to American lobster, Atlantic menhaden, red drum, fisheries data collection, and diadromous fish. These and other challenges present exciting opportunities for us to strengthen our cooperation to ensure that the natural resources under our care are passed on in an abundant and healthy condition to future generations. To all of you who participate in and support the Commission's activities,

thank you for your efforts and commitment to help us achieve our vision of healthy, self-sustaining populations for all Atlantic coast fish species or successful restoration well in progress by the year 2015.

THE YEAR IN REVIEW

As Chair, it is my duty and privilege to review the Commission's progress over the past year and to share my perspectives on what the future may hold.



John I. Nelson, Jr., Chair

2004 has been a busy and productive year for the Commission. We have maintained an ambitious schedule of technical committee, advisory panel, and management board meetings to support steady progress in fisheries management. Atlantic menhaden, northern shrimp, and horseshoe crabs are just a few of the managed species that, during this year, have new amendments or addenda to their respective interstate fishery management plans.

With regard to American lobster, the most economically valuable species under Commission management, uncertainty continues to grow about the health of this stock. The Commission's Lobster Technical Committee is making steady progress on developing new models to better assess this stock. Given the importance of this fishery to our coastal communities, it is critical that we have sound scientific advice regarding the management of lobsters. I am cautiously optimistic that we will have a new stock assessment by the summer of 2005.

As the Commission moves forward, the 2004 - 2008 Strategic Plan serves as its compass to stay on course. The Commission maintained a concerted effort to engage all stakeholders in the development of the plan, and takes pride in the implementation of its goals with continual progress and foresight.

From a leadership perspective, I am pleased to report significant accomplishments in the improvement of Commission's processes. The Commission has implemented more detailed procedures for its appeals process and the appointment of proxies that will improve procedural transparency and consistency. We also clarified the process for amending and rescinding actions. The changes set a high bar for revisiting

an action, but allow for the correction of a glaring error.

We have also been sensitive to fluid situations such as the one involving spiny dogfish. When new information indicated the need for a change, Commissioners came forward to take action in a cooperative effort, implementing more conservative harvest limits. The Commission is to be commended for its initiative.

In addition to making the right choices, we need to impose self-discipline to make timely decisions and take prompt action. This means using up-to-date data and getting credible stock assessments completed within a reasonable timeframe. Given the overwhelming workload of our staff and scientists, we may need to look at alternative strategies for completing selected stock assessments. The Commission must be held accountable to its important deadlines.

Regarding science and management, we will continue to face controversial issues among various stakeholders, who will look to the Commission to address their respective concerns. Atlantic menhaden is the most recent example of a case in which our strategy must identify common ground based on sound science. While we foster diversity in information from all stakeholders, our best decisions are based

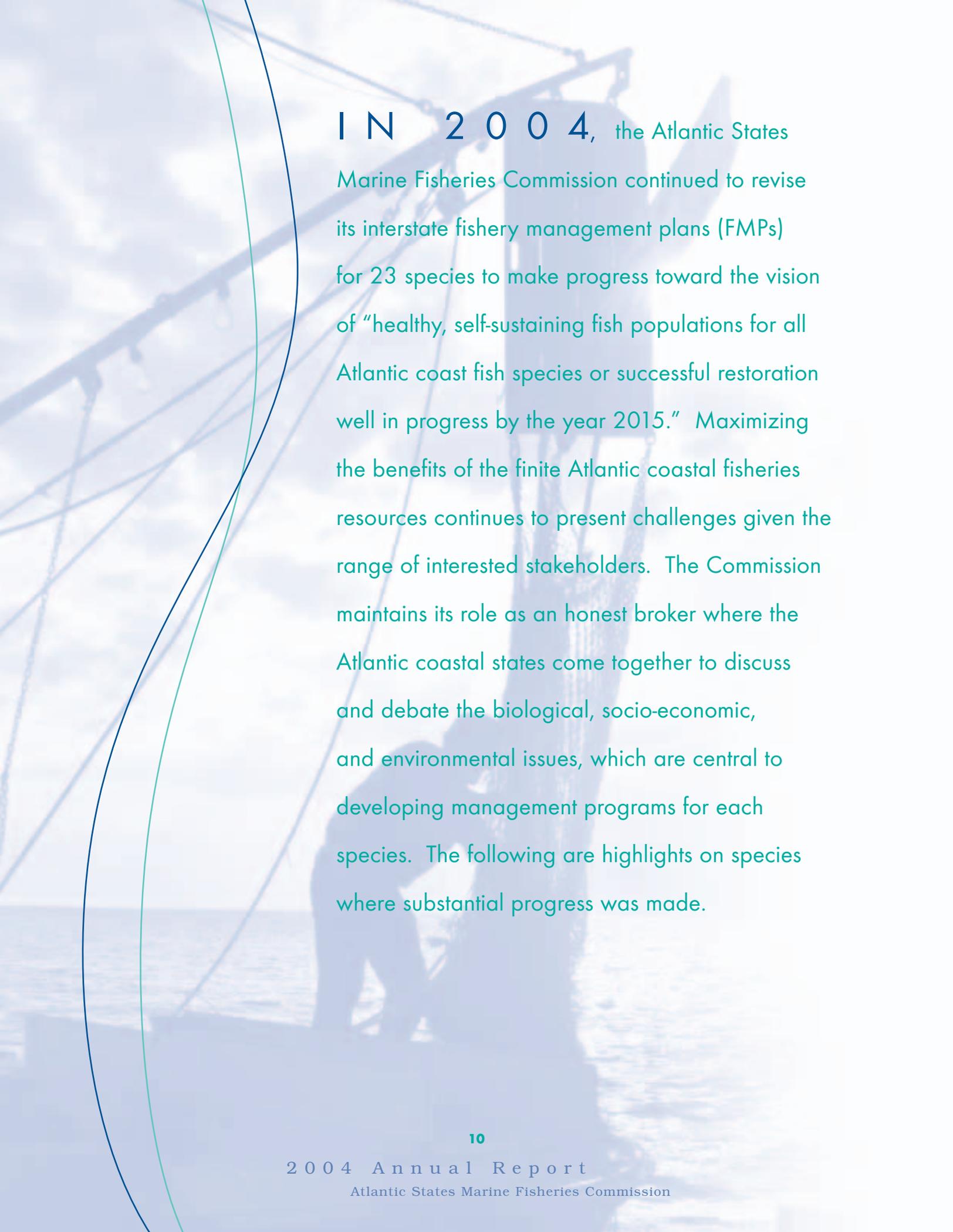
on sound science. Thus, we can move forward with confidence in our well-balanced decisions.

Looking towards the future, we face a number of challenges, including what some describe as the “gray wave.” As we approach retirement, we have a collective responsibility to groom, mentor, and nurture the next generation of marine resource managers. As such, the Commission must ensure that it imparts its historical knowledge and clearly defined processes to the next generation. In this regard, we have held workshops dealing with the responsibilities of Commissioners to further our common goals and objectives. We must remain committed to the growth and development of our Commissioners as prescribed in our Strategic Plan.

The coming year will likely be significant in the revision of U.S. ocean policy, as Congress, federal, state and local agencies, and other relevant stakeholders continue to debate and incorporate the recommendations of the U.S. Commission on Ocean Policy and Pew Oceans Commission. Governance will be a key issue, with strong pressure to change our present system. The Commission has proven the effectiveness of the present structure through its delivery of management results that demonstrate the ability to restore and maintain healthy

stocks. We must continue on this path through goal-oriented timelines, timely reporting systems to enable credible stock assessments, and discipline to operate on schedules that are effectively integrated with our data collection systems.

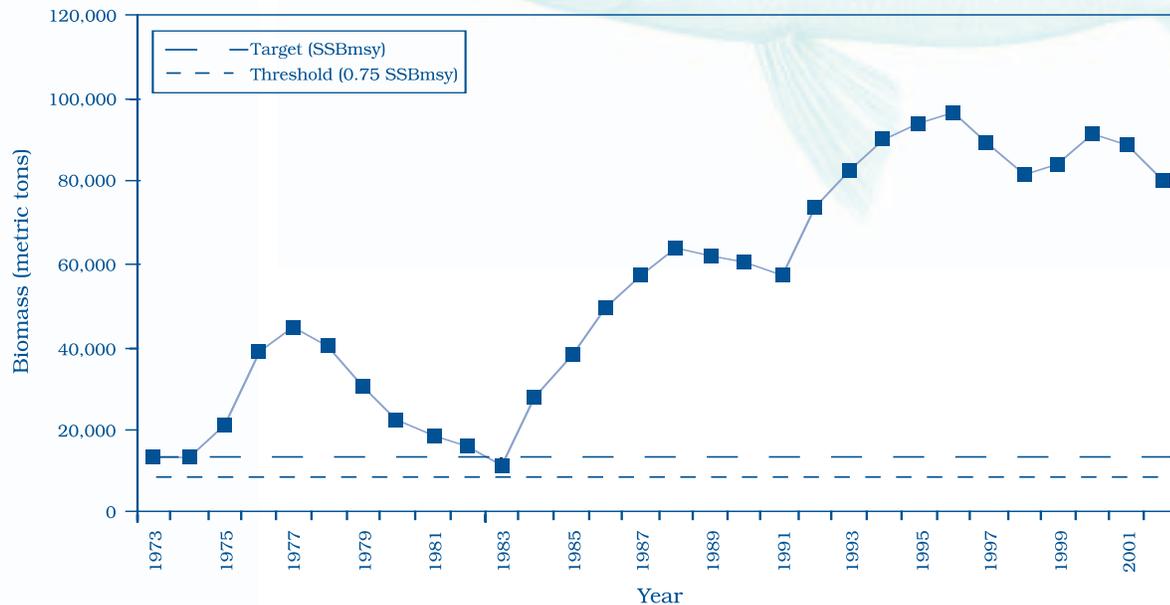
I have mentioned some of the steps we have taken to be pro-active and effective. Our Strategic Plan and Annual Action Plan provide the critical framework for the Commission to stay focused on goals and measure progress. With this approach and our proven track record of accomplishments through cooperation, I am confident we can face the future with great optimism. Our accomplishments have been achieved through painstaking work and creativity in the spirit of cooperation, as well as a strong sense of responsibility to the public resources entrusted to the Commission. It is now up to us to move forward in that same spirit as we collectively work to restore Atlantic coastal fisheries.



I N 2 0 0 4, the Atlantic States Marine Fisheries Commission continued to revise its interstate fishery management plans (FMPs) for 23 species to make progress toward the vision of “healthy, self-sustaining fish populations for all Atlantic coast fish species or successful restoration well in progress by the year 2015.” Maximizing the benefits of the finite Atlantic coastal fisheries resources continues to present challenges given the range of interested stakeholders. The Commission maintains its role as an honest broker where the Atlantic coastal states come together to discuss and debate the biological, socio-economic, and environmental issues, which are central to developing management programs for each species. The following are highlights on species where substantial progress was made.

ATLANTIC CROAKER

Atlantic Croaker (Mid-Atlantic Component) Spawning Stock Biomass
Source: ASMFC Atlantic Croaker Technical Committee, 2004



*The SSB target and threshold limits shown above were recommended for inclusion in the new amendment by the Atlantic Croaker Technical Committee & Southeast Data Assessment and Review process in 2004.

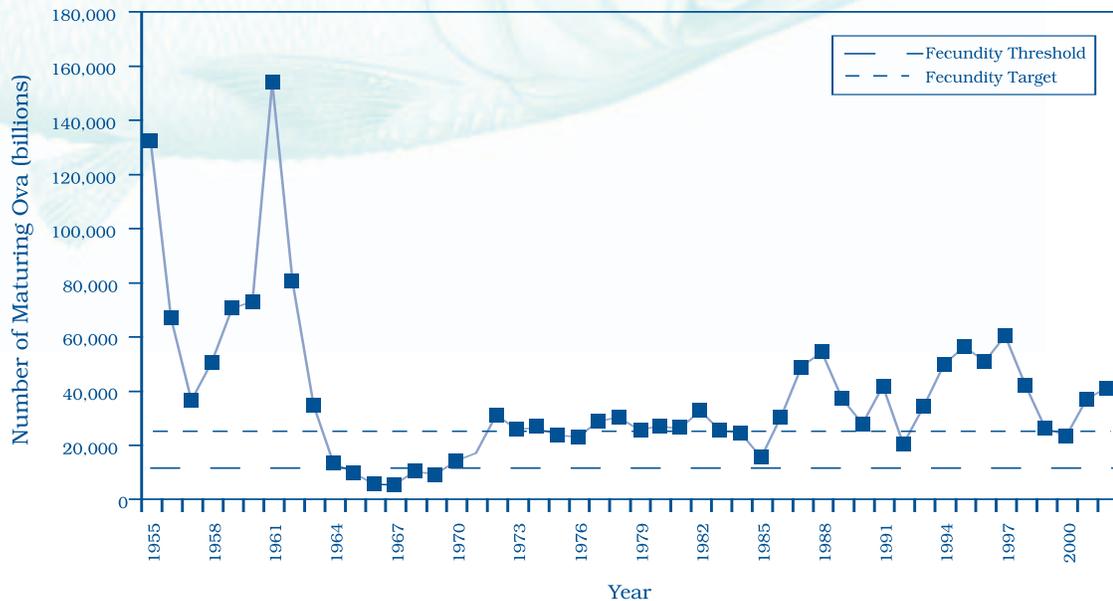
In 2004, the Commission's benchmark Atlantic croaker stock assessment was peer reviewed and approved by the Southeast Data Assessment and Review (SEDAR) process. Due to significant data limitations for the South Atlantic component of the stock (Florida through South Carolina), the assessment was only able to estimate stock status for the Mid-Atlantic region (North Carolina and through New Jersey). The assessment determined that fishing mortality rates for Atlantic croaker exhibit a cyclical trend over time. From 1977 to 1979 fishing mortality rose rapidly, reaching a maximum of 0.5 in 1979. For the next 12 years, fishing mortality quickly declined, reaching its lowest level in 1992. Since 1993, fishing mortality has gradually increased, and over the last few years (1997 – 2002) has remained fairly stable at 0.11.

Based on the information contained in the peer reviewed stock assessment, the South Atlantic State/Federal Fisheries Management Board initiated the development of Amendment 1 to the Atlantic Croaker FMP. Amendment 1 will establish biological reference points for the Mid-Atlantic stock of croaker and a data collection program for the South Atlantic stock. The Amendment will also update the FMP to make it consistent with the standards of the Atlantic Coastal Fisheries Cooperative Management Act. It is anticipated that this Amendment will be completed in 2005.

ATLANTIC MENHADEN

Atlantic Menhaden Population Fecundity (Number of maturing ova)

Source: ASMFC Atlantic Menhaden Technical Committee, 2003



The latest peer-reviewed stock assessment, completed in 2003, indicated that the menhaden stock is not overfished and overfishing is not occurring on a coastwide basis. However, certain stakeholder groups have expressed concern that directed fishing on menhaden may be causing localized depletion within the Chesapeake Bay. These groups have also suggested that the current rate of removals may be having a negative impact on striped bass and other species that feed on menhaden.

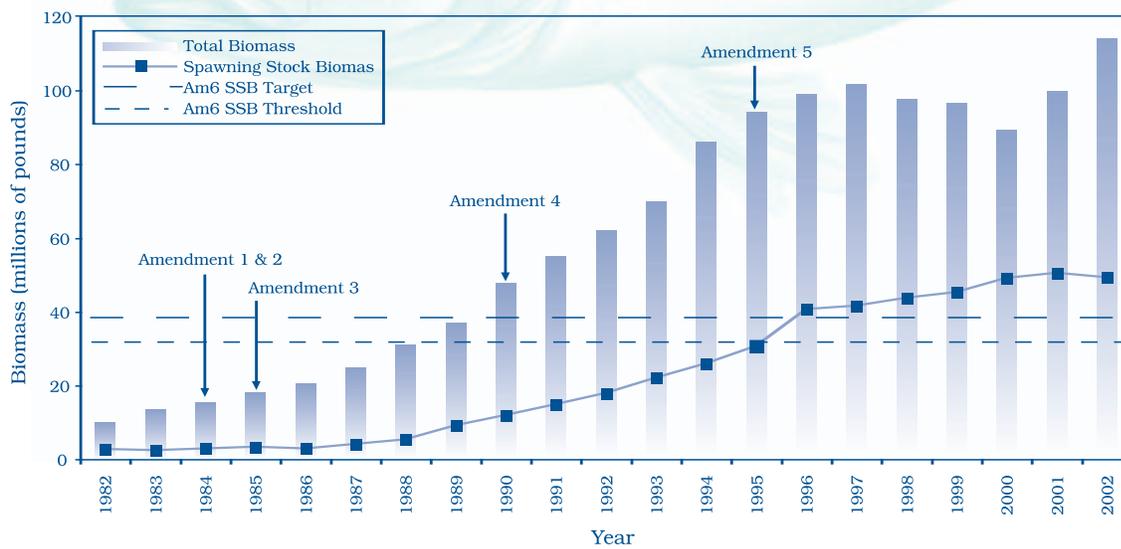
In response to these concerns, the Commission's Atlantic Menhaden Technical Committee has outlined a prioritized list of research projects necessary to determine if localized depletion is occurring. In addition, the Commission sponsored a multi-disciplined workshop to review the current scientific information related to the ecological role of menhaden. Participants concluded there is not adequate scientific evidence to determine if menhaden abundance is sufficient to provide forage to Bay populations of striped bass and other predators. They did agree on the value of further study and the Commission has committed to support and help coordinate research activities related to both localized depletion and forage base issues.

Atlantic menhaden are currently managed under Amendment 1 to the Interstate FMP. In 2004, the Management Board approved Addendum I to Amendment 1, which revised the biological reference points based on the 2003 stock assessment, changed the frequency of stock assessments to every three years, and updated the habitat section.

Estimated population fecundity (number of maturing ova) in 2002 (40.6 trillion eggs) was well above the target (26.6 trillion eggs) and threshold (13.3 trillion eggs) levels that define overfished status. Estimated fishing mortality in 2002 (0.79) was slightly above the target (0.75), but well below the limit or threshold (1.18) that defines overfishing.

ATLANTIC STRIPED BASS

Atlantic Striped Bass Total and Female Spawning Stock Biomass, 1982-2002
Source: ASMFC Technical Committee, 2003



The recovery of the Atlantic striped bass continues to be one of the great success stories in fisheries management. Within 18 years of enactment of the Atlantic Striped Bass Conservation Act, the resource has rebuilt from a historic low of about 20 million pounds to a historic high of 114 million pounds. Fishermen from Maine through North Carolina are enjoying the benefits of this historic abundance.

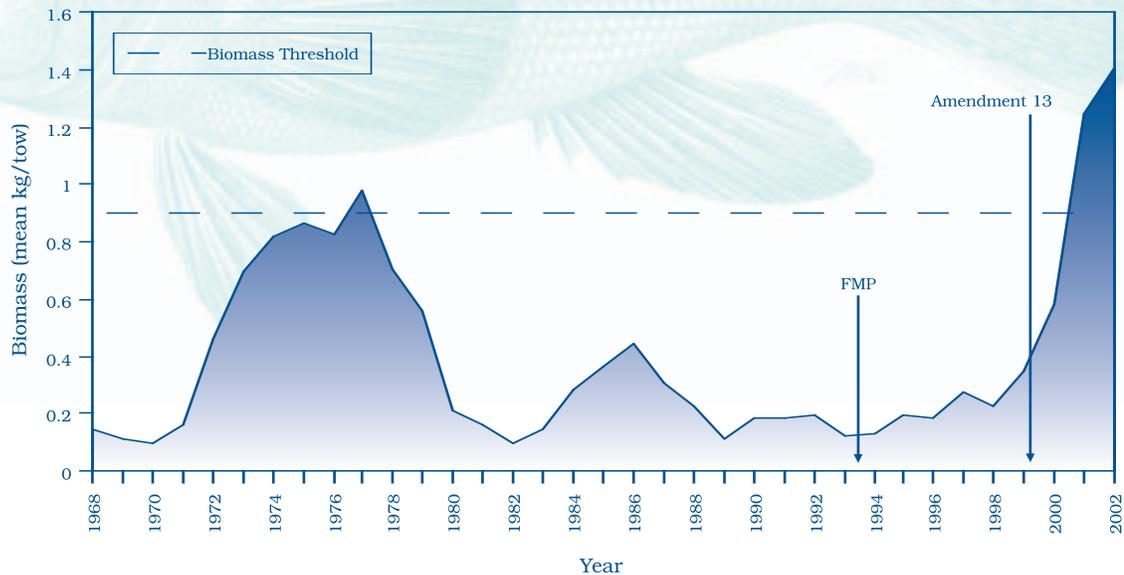
Based on the 2003 stock assessment, the spawning stock biomass remained near record level (49.2 million pounds), considerably above the target of 38.6 million pounds and the threshold of 30.9 million pounds. Fishing mortality was estimated to be 0.35, above the Amendment 6 target of 0.30 but significantly below the fishing mortality threshold of 0.41. During 2004, the Management Board completed the implementation of Amendment 6 to the Interstate FMP.

The stock assessment was updated in 2004. However, due to considerable uncertainty in the findings, the Management Board determined that it was most appropriate to continue managing based on the 2003 assessment. The 2004 update indicated that there may be a considerable increase in fishing mortality. Data were collected from the recreational

fishery during January and February for the first time in the Mid-Atlantic region. This effort yielded a significant harvest that had not been accounted for in previous assessments. In 2005, the Technical Committee will incorporate the additional recreational landings and work to minimize uncertainty in the assessment.

BLACK SEA BASS

Three-Year Moving Average of Catch-Per-Tow of Black Sea Bass
 Source: NMFS NE Fisheries Science Center Spring Trawl Survey, 1968-2002



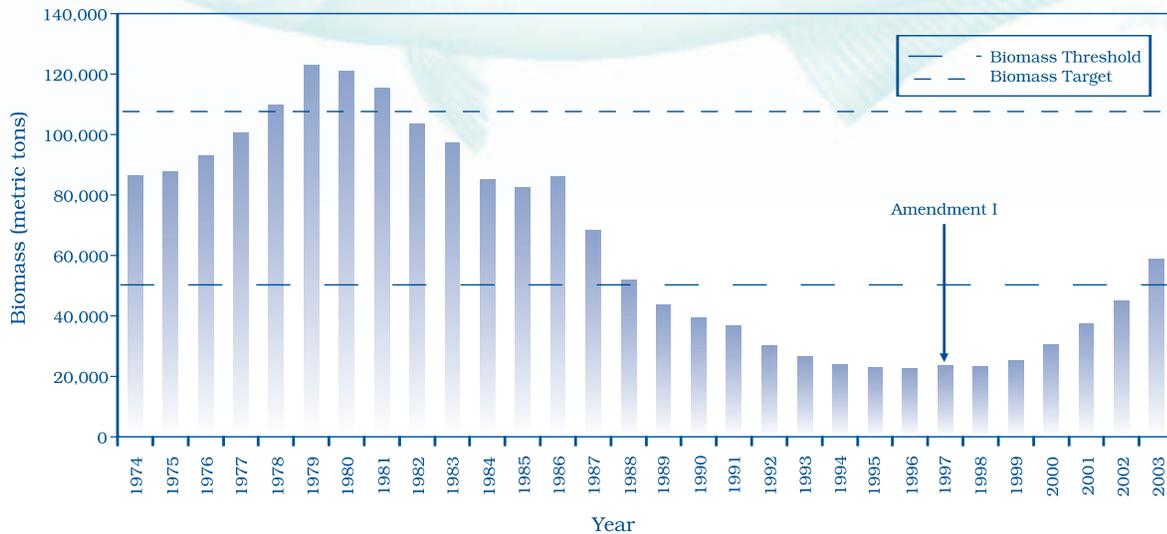
The Commission and the Mid-Atlantic Fishery Management Council have jointly managed the black sea bass stock north of Cape Hatteras since 1996. In 2004, the black sea bass stock assessment was peer reviewed through the Northeast Regional Stock Assessment Review Committee (SARC) process. The assessment determined that black sea bass is not overfished and overfishing is not occurring.

The estimated fishing mortality rate for 2003 was 0.26, well below the overfishing threshold of 0.33. The FMP establishes a biomass threshold based on a three-year running average of the Northeast Fisheries Science Center Spring Trawl Survey. The 2003 average of 1.4 kg/tow was well above the threshold of 0.9 kg/tow.

In 2004, the Management Board approved two addenda to the FMP. The first addendum allowed the Management Board to establish quotas for up to three years. This action provides the Board with the flexibility to forego the annual specification setting process if there is sufficient scientific basis to support setting quotas for multiple years. The second addendum established a state-by-state allocation system for the commercial fishery for 2005, 2006, and 2007.

B L U E F I S H

Estimated Bluefish Biomass, 1974 - 2002
Source: Lee 2003 (ASMFC)



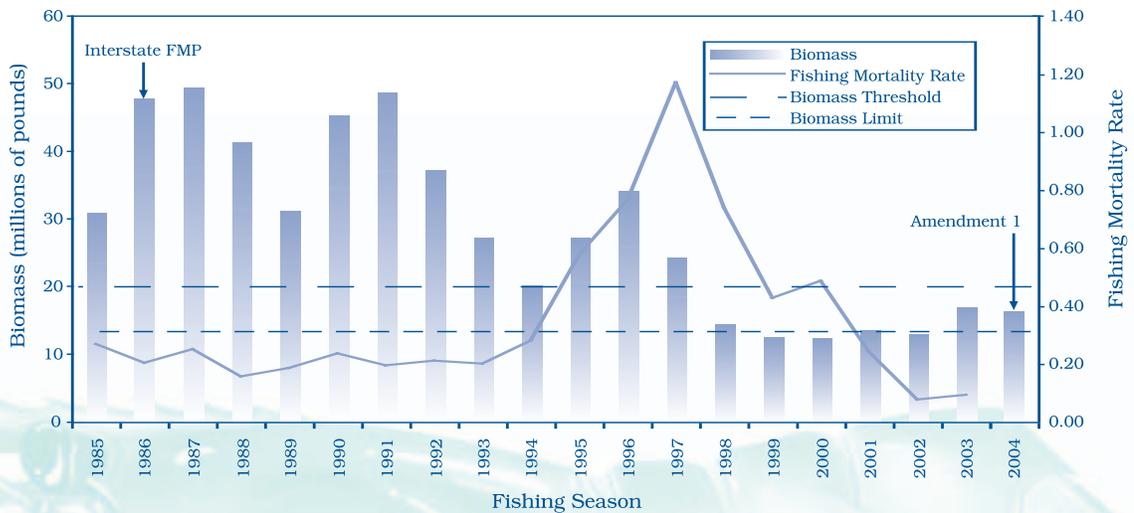
The Commission and the Mid-Atlantic Fishery Management Council jointly manage bluefish through Amendment 1 to the Bluefish FMP (1998). The Amendment includes commercial and recreational management programs, as well as a rebuilding schedule to achieve a fully restored biomass by 2008. The commercial fishery is controlled through state-specific quotas, while the recreational fishery is constrained by a maximum possession limit.

The bluefish stock assessment, updated in 2003, indicated that the stock is no longer overfished and overfishing is not occurring. In 2003, the biomass (58,680 mt/129 million pounds) exceeded the biomass threshold (53,750 mt/127 million pounds) for the first time since 1988. The fishing mortality was estimated to be 0.18 well below the target and threshold of 0.31 and 0.40, respectively.

In 2004, a benchmark stock assessment was attempted but was not upheld by the SARC review. Managers held the quotas and management measures constant based on fishery landings and indicators from fishery-independent surveys. These indicators suggested that no significant change in the population had occurred.

N O R T H E R N S H R I M P

Northern shrimp present unique fishery management challenges, given the species' unusual life history characteristics. Over the past few years, there has been increasing concern for the status of the stock and the ability of the resource to sustain recent



harvest levels. The existing stock provides a small but valuable fishery for the States of Maine and New Hampshire, and the Commonwealth of Massachusetts. In May 2004, the Commission approved Amendment 1 to the Interstate FMP for Northern Shrimp. Amendment 1, which entirely replaced the original FMP, establishes biological reference points for the first time in the shrimp fishery and expands the tools available to manage the fishery.

The 2004 stock assessment update determined that northern shrimp is overfished and overfishing is not occurring. The biomass was estimated to be at an all time low of 12.4 million pounds in 2000. While biomass was estimated to have risen to 17.4 million pounds in 2004, it is still below the Amendment 1 biomass threshold of 19.8 million pounds and above the biomass limit of 13.2 million pounds. The 2004 estimate of fishing mortality equals the fishing mortality target of 0.22 and is significantly below the fishing mortality limit of 0.6. Based on these findings and continued concern for the resource, the Northern Shrimp Section set the 2004 fishing season at 40 days.

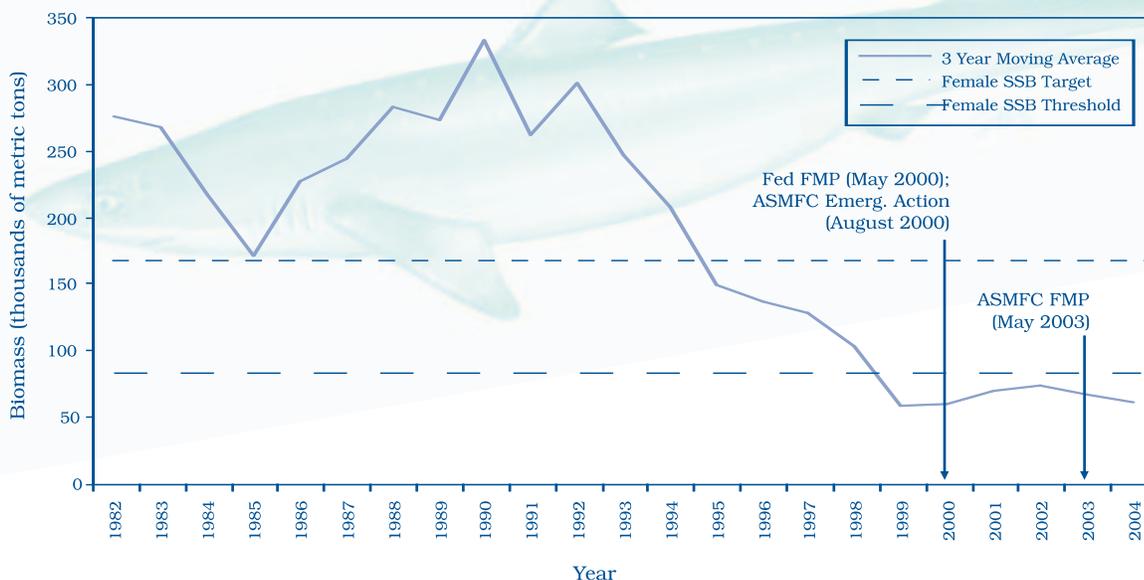
SPINY DOGFISH

The Commission and the Mid-Atlantic Fishery Management Council have developed complementary management plans for spiny dogfish. During the 1990s, the tremendous growth in the commercial fishery exceeded the availability of the resource, resulting in the implementation of stringent fishery management measures in state and federal waters.

In 2003, the spiny dogfish stock assessment was updated and went through the SARC peer review process. The peer review determined that the spiny dogfish stock is overfished. In 2004, the assessment was updated using data through 2003. It determined that overfishing is not occurring on the spiny dogfish population. The estimated fishing mortality

Spiny Dogfish Female Spawning Stock Biomass (>=80 cm)

Source: 37th Stock Assessment Review Committee, 2003



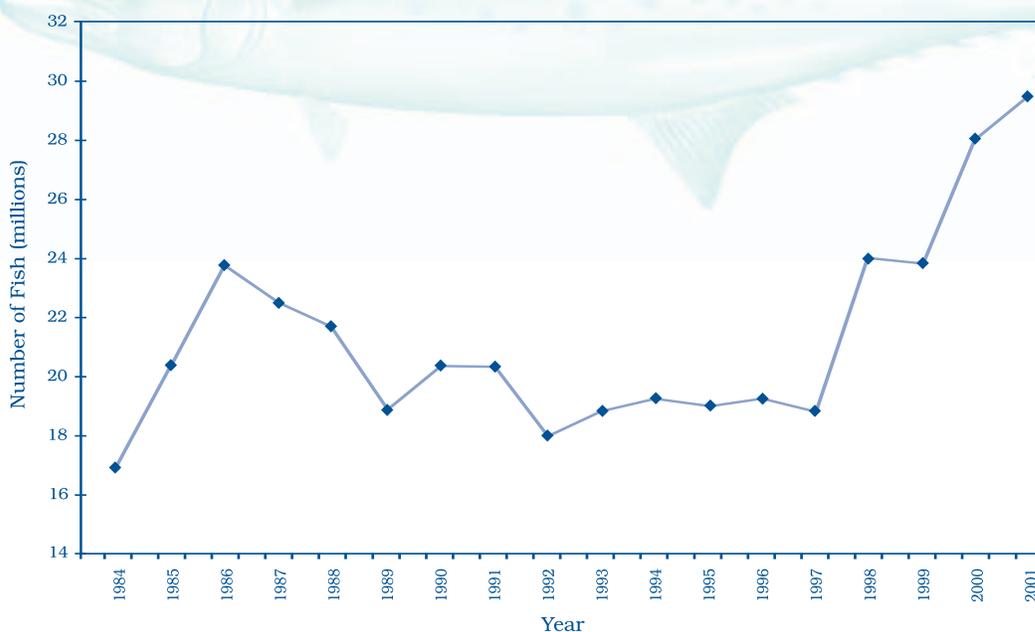
rate in 2003 (0.044) is below the threshold (0.11) and target (0.08), but $F_{rebuild}$ was not maintained at 0.03, as required by the Interstate FMP. The female spawning stock biomass has declined by about 75% since 1998 and is at 32% of the biomass target.

Given the reproductive biology of spiny dogfish, the recent reductions in spawning stock biomass cannot be replaced quickly. The rebuilding of spiny dogfish populations will take at least 15 years under the most optimistic scenario.

SPANISH MACKEREL

Estimated Atlantic Spanish Mackerel Stock Abundance

Source: 2003 Report of the Mackerel Stock Assessment Panel



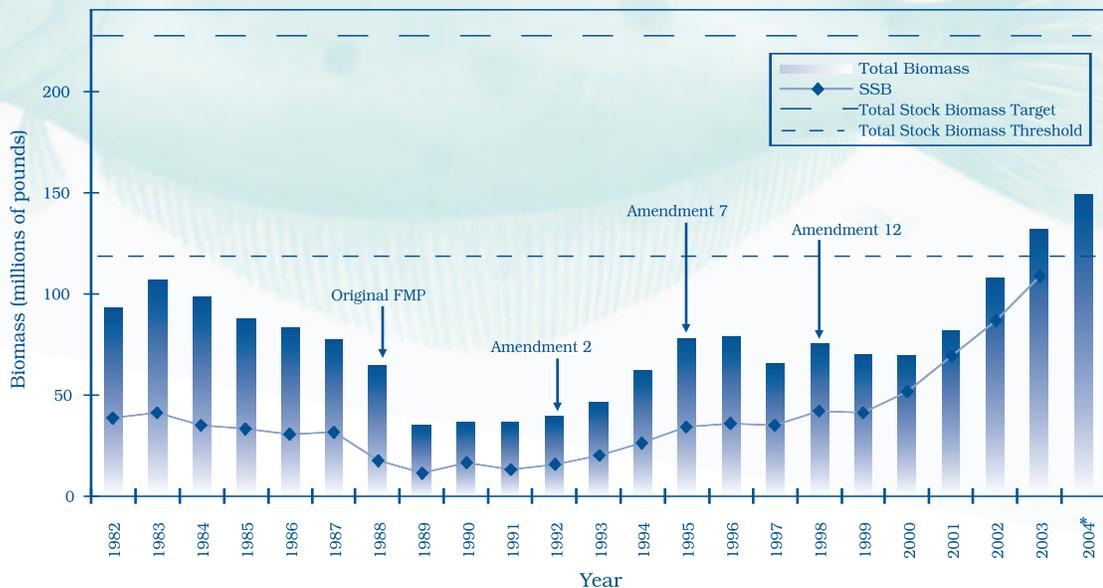
The Commission and the South Atlantic Fishery Management Council cooperatively manage Spanish mackerel. This species supports thriving recreational and commercial fisheries in the South Atlantic waters and is gaining importance in the Mid-Atlantic. Since adoption of the Interstate FMP in 1990, states from New York through Florida have implemented bag and size limits, or provisions for seasonal closures to complement the Council's measures implemented in federal waters. These actions have resulted in stock rebuilding, with the species currently designated as not overfished and overfishing not occurring.

The latest stock assessment, conducted in 2003, indicated that stock abundance has more than doubled since 1995, reaching a high of 24 million fish in 1999. This information is consistent with last year's Annual Report.

S U M M E R F L O U N D E R

Summer Flounder Total and Spawning Stock Biomass

Source: Northeast Regional Stock Assessment Workshop Southern Demersal Working Group, 2004



* 2004 data are based on model projections.

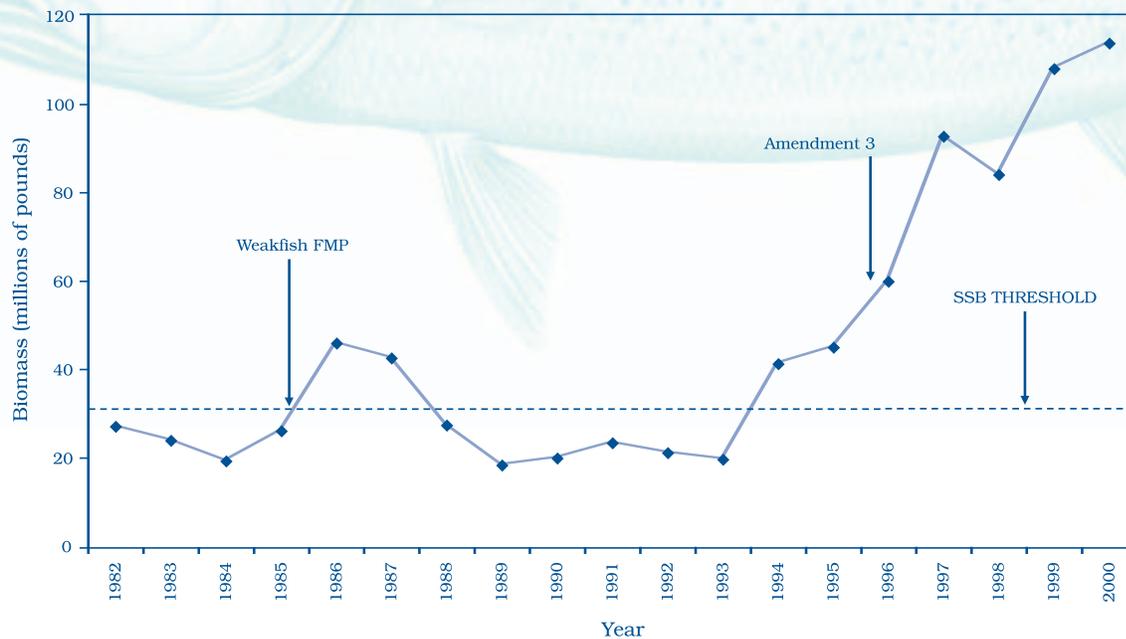
The Commission and the Mid-Atlantic Fishery Management Council have jointly managed summer flounder for nearly 20 years. The benefits of this management program are being realized as the population has expanded to near record levels. The 2004 stock assessment indicates that the stock is no longer overfished though overfishing did occur in 2004. The stock is projected to continue to rebuild to the biomass target if the fishing mortality rate is reduced below the target.

The total stock biomass threshold established in Amendment 12 is 117 million pounds and the 2004 estimate of total biomass is 148 million pounds. The total biomass

target for summer flounder is 234 million pounds, an amount that will support nearly twice the current harvest. The current estimate of the fishing mortality rate (0.29) is above the target and threshold fishing mortality rates of 0.26.

WEAKFISH

Weakfish Spawning Stock Biomass
Source: Kahn 2002



Weakfish are currently managed under Amendment 4 to the Interstate FMP. This Amendment includes updated biological reference points, a new recreational management program, and adjustments to the bycatch provisions for the commercial fisheries. The management measures in this Amendment are designed to continue rebuilding the stock while allowing fishermen access to the available biomass.

The weakfish stock expanded during the 1990s, with increases in both total number of fish and spawning stock biomass. These improvements were primarily the result of reduced fishing pressure over the last decade and the commitment of recreational and commercial fishermen to forego short-term benefits for the long-term success of the fishery.

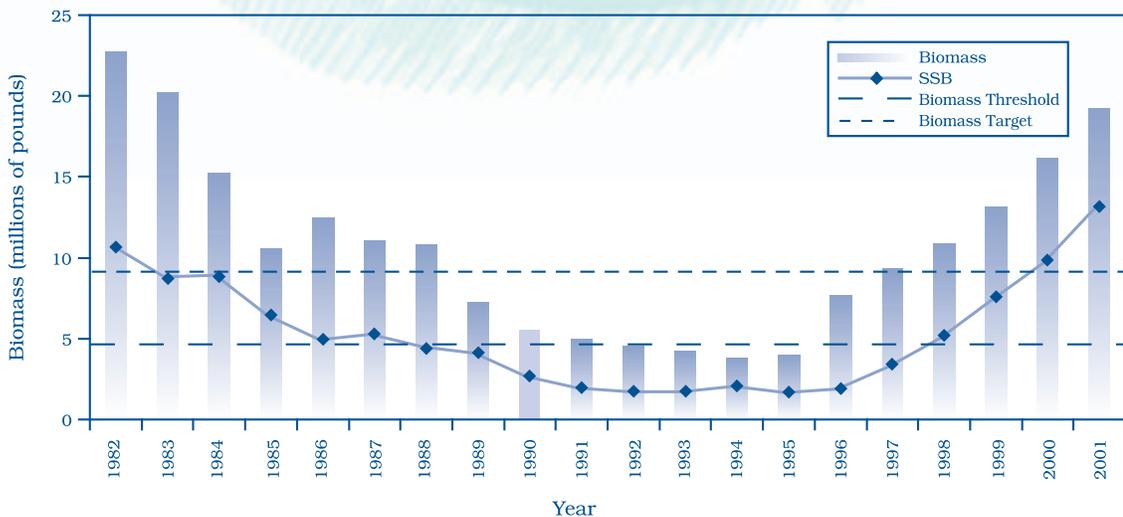
In 2004, a benchmark stock assessment was initiated but was unable to be completed due to data limitations and the conflicting signals in the existing data. The analysis to date was reviewed by the 41st SARC, which provided additional guidance on completing the stock assessment. Managers are concerned about the continued decline in commercial and recreational landings in the Mid-Atlantic region.

In 2005, the Commission will focus on resolving the assessment issues with the goal of providing guidance on future management to the Management Board.

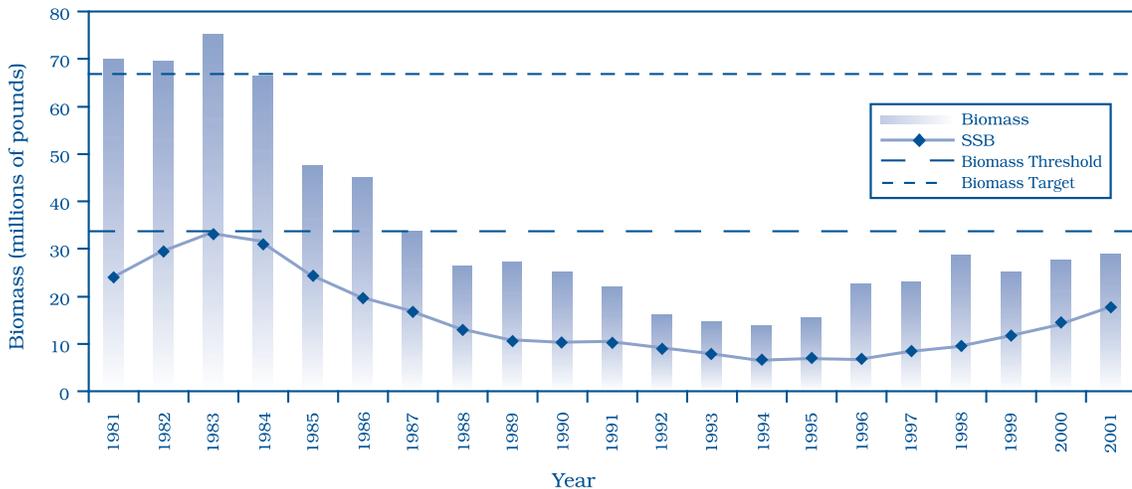
The most recent weakfish stock assessment (2002) indicated that weakfish were not overfished and overfishing was not occurring. While there is considerable uncertainty in the most recent estimate of spawning stock biomass (SSB), the 2002 estimate of SSB was well above the threshold of 31.8 million pounds. However, the 2002 stock assessment report indicated that the current assessment approach tends to overestimate biomass and underestimate fishing mortality.

W I N T E R F L O U N D E R

Winter Flounder, GOM Total & Spawning Stock Biomass
 Source: 36th Northeast Regional Stock Assessment Workshop, NEFSC 2002



Winter Flounder, SNE/MA Total & Spawning Stock Biomass
 Source: 36th Northeast Regional Stock Assessment Workshop, NEFSC 2002



Winter flounder continue to be an important commercial and recreational fish throughout New England and the Mid-Atlantic, although both fisheries are at a fraction of what they once were historically. Overfishing and inshore habitat degradation have contributed to serious stock declines. However, the complementary management efforts of the Commission and the New England Fishery Management Council have allowed the stock to begin to recover.

The last stock assessment update and peer review were conducted in 2002. The assessment indicated that the Gulf of Maine (GOM) winter flounder stock was not overfished and overfishing was not occurring. The biomass for the GOM stock was estimated to be 13 million pounds, which is above the B_{msy} value of nine million pounds. The fishing mortality rate was estimated to be 0.14, well below F_{msy} (0.43).

The Southern New England/Mid-Atlantic (SNE/MA) stock complex is overfished and overfishing is occurring. The estimated 2001 fishing mortality rate (0.51) was substantially above the F_{msy} (0.32). The spawning stock biomass (16.8 million pounds) is about 25% of the spawning stock biomass necessary to support the maximum sustainable yield (66.4 million pounds).

In response to the need to rebuild the SNE/MA stock, the Commission developed Amendment 1 to the Interstate FMP to update the commercial and recreational regulations in state waters for both stock complexes. Concurrently, the New England Fishery Management Council completed Amendment 13 to the federal Groundfish FMP. It is anticipated that this Amendment will have the greatest impact on overall commercial landings.

Some studies have indicated that while the population is managed as two stocks, the stock units may be made up of many small sub-stocks with little intermingling. The limited intermixing suggests that protecting the nearshore stocks will provide direct benefits to the states and their recreational fishing constituents. Amendment 1 is scheduled for final approval in 2005.

STOCK STATUS OVERVIEW

The Commission has had a number of fishery management successes. However, there is still hard work ahead to rebuild the valuable Atlantic coastal fishery resources. The following table summarizes the status of the species that are managed by the Commission. For this summary, “overfishing” is defined as removing fish from the population at a rate that exceeds the targets established in a plan, while the “overfished” determination is based on whether or not a stock biomass exceeds the threshold established in the plan. Improving these stocks while protecting healthy ones will take time and continued commitment by the Commission, our partners, and stakeholders.

QUICK GUIDE TO ASMFC SPECIES STOCK STATUS

✓ Healthy

↑ Rebuilding

↓ Depleted

? Unknown

STATUS/ TRENDS	SPECIES	OVERFISHED	OVERFISHING	REBUILDING STATUS & SCHEDULE
✓	Atlantic Striped Bass	N	N	Rebuilt since 1995
✓	Atlantic Herring	N	N	Rebuilt
✓	Atlantic Menhaden	N	N	Rebuilt
✓	Winter Flounder (Gulf of Maine)	N	N	Rebuilt
✓	Atl. Croaker (Mid-Atlantic)	N	N	Mid-Atlantic stock component rebuilt
↑	Spanish Mackerel	N	N	Continuing to rebuild until stock biomass >B _{MSY}
↑	Bluefish	N	N	Status based on 2003 assessment; scheduled to be rebuilt by 2008
↑	Black Sea Bass	N	N	Biomass exceeded survey index threshold since 2003; scheduled to be rebuilt by 2010
↑	Summer Flounder	N	Y	Biomass exceeded threshold since 2003; scheduled to be rebuilt by 2010
↑	Scup	N	Unknown	Exceeded survey index threshold in 2002; scheduled to be rebuilt by 2010
↑	Atlantic Sturgeon	Y	N	40+ year moratorium; to be rebuilt by ~2038
↑	Spiny Dogfish	Y	N	The time necessary to rebuild the female portion of the spawning stock biomass at F = 0.03
↑	Northern Shrimp	Y	N	Management action triggered when F > 0.22 or biomass < 19.8 million lbs.
↓	Tautog	Y	Y	No rebuilding schedule
↓	Winter Flounder (So. New England/Mid-Atlantic)	Y	Y	Scheduled to be rebuilt by 2015
?	American Lobster	Unknown	Y	Restore egg production above overfishing definition by 2008
?	Red Drum	Unknown	Y	No rebuilding schedule
?	Weakfish	Unknown	Unknown	6-year rebuilding period if spawning stock biomass < threshold level; assessment to be completed by May 2005
?	Atl. Croaker (South Atlantic)	Unknown	Unknown	No rebuilding schedule
?	American Eel	Unknown	Unknown	2005 benchmark assessment & peer review pending
?	Horseshoe Crab	Unknown	Unknown	No rebuilding schedule
?	Shad & River Herring	Unknown	Unknown	2005 benchmark assessment & peer review pending
?	Spot	Unknown	Unknown	No rebuilding schedule
?	Spotted Seatrout	Unknown	Unknown	No rebuilding schedule

SUPPORTING FISHERIES MANAGEMENT THROUGH SCIENCE

Fisheries management cannot be successful without accurate science and technical input and, to that end, the Commission's science program has been working on several projects. The Commission approved a guidance document on "Stakeholder Input Into the Commission's Technical Processes" in order to increase the public involvement in the Commission's science activities. This document details stakeholder input into Commission technical activities, including data evaluation and compilation, stock assessment development, evaluation of regulatory options, and stock assessment peer reviews. Based on the successful pilot program in 2003, the Commission continued to hold technical meeting weeks to improve communication and exchange of information among technical personnel involved in Commission activities. These technical meeting weeks have also provided considerable cost savings as compared to numerous individual technical meetings.

In 2004, four Commission stock assessments were evaluated through various peer review processes. The bluefish and weakfish assessments were reviewed through the Northeast Regional SAW/SARC process, and Atlantic croaker was reviewed through the SEDAR process. The Commission conducted a comprehensive external technical review on a series of models that are being explored for use in assessing the American lobster population. The review provided input on the most appropriate combination of models to be used in the upcoming benchmark stock assessment. The Commission's species management boards have relied on the scientific and technical information provided by these peer reviews to evaluate stock status and develop fishery regulations based on the best science available.

The Commission moved forward on several projects focused on evaluating alternative sources of mortality. The Commission completed an internal peer review of the extended multispecies virtual population analysis (MSVPA-X) model that examines the trophic interactions of Atlantic menhaden, striped bass, weakfish, and bluefish on the Atlantic coast. The review determined that the model formulation and data inputs were acceptable. Information on mortality of age-0 and age-1 Atlantic menhaden was used in the stock assessment for Atlantic menhaden. Progress was also made on the





development of a multispecies spatial model, which will allow evaluation of environmental influences on these species.

The Commission continued coordination of Atlantic coast fisheries-independent data collection programs. The Southeast Area Monitoring and

Assessment Program (SEAMAP) continued collecting abundance and distribution data on a variety of important commercial and recreational species, finalized protocols for mapping fish habitat in order to support essential fish habitat protection in the South Atlantic region, and initiated program expansion to incorporate all state, federal, and university fisheries-independent data collection programs in the region.

Considerable progress was made on the development of the Northeast Area Monitoring and Assessment Program (NEAMAP). NEAMAP's goal is to coordinate existing fisheries-independent data collection programs in the Northeast and develop new programs to address gaps in sampling. The NEAMAP Nearshore Trawl Survey Design document was completed, setting the groundwork for the implementation of a nearshore trawl survey for the Northeast.

The SEAMAP and NEAMAP programs are being coordinated with the Atlantic Coastal Cooperative Statistics Program (ACCSP) in order to collect and manage all data necessary to support Atlantic coast stock assessments and fisheries management activities.

The Commission made significant progress on the creation of an American lobster stock assessment database. Once completed, the database, which will use data from ACCSP, the states, and NEAMAP, will automate the development of the catch-at-length matrix to support the American lobster stock assessment. Scheduled for completion in early 2005, the database will greatly assist the American Lobster Stock Assessment Subcommittee and Technical Committee in compiling and manipulating data for the 2005 lobster stock assessment, significantly shortening the time necessary to conduct the assessment.

A W A R D S

During 2004 the Commission had the privilege of presenting awards to several deserving individuals who have directly contributed to furthering the Commission's vision of healthy, self-sustaining populations for all Atlantic coast fish species or successful restoration well in progress by the year 2015.

Captain David H. Hart Award

Dr. William Hogarth, NOAA's Assistant Administrator for Fisheries, was presented the 14th Annual Captain David H. Hart Award at the Commission's Annual Meeting in New Castle, New Hampshire. Dr. Hogarth has been in the forefront of interstate fisheries management on the Atlantic coast for the past 15 years. He served as Director for the North Carolina Division of Marine Fisheries for eight years, bringing innovative approaches for developing, managing, and monitoring the state's fisheries resources while ensuring their protection for future generations. In particular, he promoted state legislation enhancing management of coastal fisheries through revisions to the licensing system, improved fisheries data collection, and established a restructured governing board and new species advisory committees.

As ASMFC Chair, Dr. Hogarth led the Commission through the establishment of the Atlantic Coastal Fisheries Cooperative Management Act and the creation of the ISFMP Charter. Under his leadership, the Commission moved forward with important measures to protect and conserve weakfish.

As Assistant Administrator for Fisheries, he has emphasized teambuilding and partnerships. He has worked tirelessly to improve relations between stakeholders and managers by fostering open communications between fishing constituents and his agency, and promoting cooperative state/federal management efforts. He has a keen ability to resolve fisheries issues, willingly involving managers, stakeholders, and the public when making critical decisions. He is an avid supporter of the states, vigorously promoting state/federal partnerships. A steadfast advocate for sustainable fisheries management,



Dr. William Hogarth



Captain Herb Drake



Mr. Artie Odlin



Major Bruce Buckson

Dr. Hogarth has earned the respect of all those involved in living marine resource management.

Annual Awards of Excellence

MANAGEMENT, POLICY & LEGISLATIVE

Captain Herb Drake and Mr. Artie Odlin, two prominent New England fishing industry leaders and conservation advocates, received the Commission's Annual Award of Excellence in the areas of Management, Policy & Legislative and Scientific, Technical & Advisory, respectively.

Captain Herb Drake, a life-long commercial and recreational fisherman, and a long-term supporter of the Commission's programs, received an award in the area of management, policy, and legislative efforts.



Captain Drake has dedicated his life to promoting fisheries conservation and management along the Atlantic coast. As someone who typifies the enduring image of a New England fisherman, he has always spoken out for what he thought was right for both the fishermen and the resource. Throughout his distinguished career in public service, he has represented the coastal communities of New Hampshire by serving on the New England Fishery Management Council and the Commission, and in the New Hampshire Legislature. Over the last decade, he has assisted the Commission as a liaison to Congress, educating congressional staff on the importance of the Commission's programs and the need for consistent, long-term funding for Atlantic coast fisheries conservation and management activities.

SCIENTIFIC, TECHNICAL & ADVISORY

Mr. Artie Odlin, a prominent New England fishing industry leader and conservation advocate, received an award in the areas of scientific, technical, and advisory contributions. Throughout his long fishing career, Mr. Odlin has balanced his passion for commercial fishing with a strong conservation ethic for the resources he has pursued. He has been an active participant in the New England Fishery Management Council and a longstanding member to the Commission's

Advisory Panels for Atlantic Herring and Northern Shrimp. A life-long fisherman, he has participated in a variety of fisheries. Most recently, he has been an aircraft spotter pilot for the menhaden and Atlantic herring fisheries. He was instrumental in introducing the Nordmore Grate, a proven gear technology to prevent the unwanted harvest of small fish to the New England shrimp industry. Today, the shrimp fishery is widely accepted as one of the cleanest fisheries in New England, saving millions of pounds of groundfish from being discarded as bycatch.

LAW ENFORCEMENT

Major Bruce Buckson of the Florida Fish and Wildlife Conservation Commission received an award in the area of law enforcement. Throughout his long career in law enforcement, Major Buckson has been a strong advocate for developing consistency in fisheries enforcement approaches and encouraging information sharing among state and federal agencies. He has consistently sought new ways to improve the effectiveness of fisheries regulations, working tirelessly with fishery managers and law enforcement representatives coastwide to ensure the enforceability of management measures. Major Buckson's expertise has been sought by Florida's congressional delegation regarding the state's marine fisheries enforcement needs, and he has assisted



the state legislature in developing regulatory language during its rule making process. As Chair of the Commission's Law Enforcement Committee, he secured dedicated staff support for the Committee, enabling it to more fully and efficiently address regulatory compliance issues along the Atlantic coast.

I N D E P E N D E N T A U D I T O R S ' R E P O R T

Chaconas & Wilson, P.C.

To the Executive Committee
Atlantic States Marine Fisheries Commission
Washington, D.C.

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We have audited the accompanying statements of financial position of the Atlantic States Marine Fisheries Commission as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Atlantic States Marine Fisheries Commission as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2004 on our consideration of Atlantic States Marine Fisheries Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules on pages 11 and 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards are required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

September 16, 2004

Atlantic States Marine Fisheries Commission

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2004 AND 2003

ASSETS	2004	2003
<i>CURRENT ASSETS:</i>		
Cash (Note 1)	\$ 370,713	\$ 257,575
Investments (Note 5)	169,741	173,674
Grants receivable	400,100	172,486
Accounts receivable	32,492	43,201
Prepaid expenses	98,036	44,895
Total Current Assets	\$ 1,071,082	\$ 691,831
 <i>PROPERTY AND EQUIPMENT, AT COST: (Note 1)</i>		
Office furniture and equipment	\$ 748,101	\$ 682,454
Capital lease equipment	58,500	69,066
Leasehold improvements	34,458	34,458
Total	\$ 841,059	\$ 785,978
Less, Accumulated depreciation	(492,892)	(394,301)
Property and Equipment, Net	\$ 348,167	\$ 391,677
 <i>OTHER ASSETS:</i>		
Security deposits	\$ 20,941	\$ 20,941
Investments (Note 5)	768,875	606,374
Total Other Assets	\$ 789,816	\$ 627,315
 <i>TOTAL ASSETS</i>	 \$ 2,209,065	 \$ 1,710,823
 LIABILITIES AND NET ASSETS		
<i>CURRENT LIABILITIES:</i>		
Accounts payable	\$ 184,213	\$ 203,750
Accrued vacation	179,415	143,440
Deferred revenue	87,528	76,445
Contract advances	66,415	122,772
Current portion of capital lease obligations (Note 4)	17,582	13,435
Total Current Liabilities	\$ 535,153	\$ 559,842
 <i>CAPITAL LEASE OBLIGATIONS (Note 4)</i>	 8,160	 14,362
 <i>TOTAL LIABILITIES</i>	 \$ 543,313	 \$ 574,204
 <i>UNRESTRICTED NET ASSETS</i>	 1,665,752	 1,136,619
 <i>TOTAL LIABILITIES AND NET ASSETS</i>	 \$ 2,209,065	 \$ 1,710,823

Atlantic States Marine Fisheries Commission

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004		Outside Contracts			
	Total	ASMFC	Wallop/Breaux	Other	ACCSP	ACFCMA
<i>REVENUE:</i>						
Contract reimbursements	\$4,865,372	\$ ---	\$ 185,720	\$1,218,484	\$1,603,489	\$1,857,679
Contributions from member states	389,409	389,409	---	---	---	---
Annual meeting fees	20,650	20,650	---	---	---	---
Investment income	33,733	33,733	---	---	---	---
<i>Total Revenue</i>	<u>\$5,309,164</u>	<u>\$ 443,792</u>	<u>\$ 185,720</u>	<u>\$1,218,484</u>	<u>\$1,603,489</u>	<u>\$1,857,679</u>
<i>EXPENSES:</i>						
Salaries	\$1,821,292	\$ 524,504	\$ 108,843	\$ 287,099	\$ 493,536	\$ 407,310
Travel	939,441	21,760	13,073	212,152	136,453	556,003
Subcontracts	677,677	76,058	---	337,369	168,228	96,022
Fringe benefits (Note 3)	421,258	111,591	24,437	69,390	114,265	101,575
Professional services	38,052	10,838	---	---	---	27,214
Rent	265,572	265,572	---	---	---	---
Equipment maintenance	248,255	60,896	---	2,901	175,972	8,486
Depreciation	127,424	127,424	---	---	---	---
Office	69,734	64,154	---	---	5,580	---
Printing	37,777	29,155	1,054	---	314	7,254
Meetings	32,768	32,768	---	---	---	---
Postage	29,312	29,312	---	---	---	---
Other	19,521	16,454	---	---	1,794	1,273
Dues and subscriptions	9,762	4,243	---	---	2,730	2,789
Telephone	16,633	16,633	---	---	---	---
Interest	2,849	2,849	---	---	---	---
Insurance	10,332	10,332	---	---	---	---
Outreach	12,372	---	---	---	12,372	---
Indirect cost allocation (Note 1)	---	(1,165,618)	35,946	185,975	415,721	527,976
<i>Total Expenses</i>	<u>\$4,780,031</u>	<u>\$ 238,925</u>	<u>\$ 183,353</u>	<u>\$1,094,886</u>	<u>\$1,526,965</u>	<u>\$1,735,902</u>
<i>CHANGE IN NET ASSETS</i>						
<i>NET ASSETS, BEGINNING OF YEAR</i>	\$ 1,136,619	\$ 204,867	\$ 2,367	\$ 123,598	\$ 76,524	\$ 121,777
<i>NET ASSETS, END OF YEAR</i>	<u>\$1,665,752</u>					

	2003		Outside Contracts			
	Total	ASMFC	Wallop/Breaux	Other	ACCSP	ACFCMA
<i>REVENUE:</i>						
Contract reimbursements	\$3,921,780	\$ ---	\$ 184,597	\$ 798,416	\$ 1,105,911	\$ 1,832,856
Contributions from member states	370,440	370,440	---	---	---	---
Annual meeting fees	18,645	18,645	---	---	---	---
Investment income	26,982	26,982	---	---	---	---
<i>Total Revenue</i>	<u>\$4,337,847</u>	<u>\$ 416,067</u>	<u>\$ 184,597</u>	<u>\$ 798,416</u>	<u>\$ 1,105,911</u>	<u>\$ 1,832,856</u>
<i>EXPENSES:</i>						
Salaries	\$ 1,725,596	\$ 484,904	\$ 109,913	\$ 228,892	\$ 450,677	\$ 451,210
Travel	893,550	30,072	11,477	109,668	106,616	635,717
Subcontracts	363,176	13,580	---	236,516	27,500	85,580
Fringe benefits (Note 3)	391,537	102,283	25,787	55,904	112,809	94,754
Professional services	158,539	106,300	---	---	---	52,239
Rent	222,405	222,405	---	---	---	---
Equipment maintenance	142,356	54,559	---	1,052	75,611	11,134
Depreciation	128,146	128,146	---	---	---	---
Office	81,851	56,776	---	---	25,075	---
Printing	38,178	12,426	---	2,969	2,178	20,605
Meetings	22,365	22,365	---	---	---	---
Postage	30,935	30,935	---	---	---	---
Other	34,635	16,588	---	---	18,047	---
Dues and subscriptions	2,847	2,815	---	---	---	32
Telephone	19,447	19,447	---	---	---	---
Interest	4,179	4,179	---	---	---	---
Insurance	9,722	9,722	---	---	---	---
Outreach	10,644	---	---	---	10,644	---
Indirect cost allocation (Note 1)	---	(961,811)	35,729	115,693	286,716	523,673
<i>Total Expenses</i>	<u>\$4,280,108</u>	<u>\$ 355,691</u>	<u>\$ 182,906</u>	<u>\$ 750,694</u>	<u>\$ 1,115,873</u>	<u>\$ 1,874,944</u>
<i>CHANGE IN</i>						
<i>NET ASSETS</i>	\$ 57,739	\$ 60,376	\$ 1,691	\$ 47,722	\$ (9,962)	\$ (42,088)
<i>NET ASSETS,</i>						
<i>BEGINNING OF YEAR</i>	<u>1,078,880</u>					
<i>NET ASSETS,</i>						
<i>END OF YEAR</i>	<u>\$ 1,136,619</u>					

Atlantic States Marine Fisheries Commission

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from members and contracts	\$4,992,602	\$4,255,161
Annual meeting fees	20,650	18,645
Investment income received	21,120	22,565
Cash paid to suppliers and employees	(4,680,692)	(4,038,514)
Interest paid	<u>(2,849)</u>	<u>(4,179)</u>
Net cash provided by operating activities	<u>\$ 350,831</u>	<u>\$ 253,678</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of furniture and equipment	\$ (76,183)	\$ (96,709)
Purchase of investments	(147,877)	(146,649)
Cash received from sales and maturities of investments	<u>1,922</u>	<u>---</u>
Net cash used in investing activities	<u>\$ (222,138)</u>	<u>\$ (243,358)</u>
<i>CASH FLOWS FROM FINANCING ACTIVITIES:</i>		
Capital lease obligations - payments	\$ (15,555)	\$ (16,977)
<i>NET INCREASE (DECREASE) IN CASH</i>	<u>\$ 113,138</u>	<u>\$ (6,657)</u>
<i>CASH, BEGINNING OF YEAR</i>	<u>257,575</u>	<u>264,232</u>
<i>CASH, END OF YEAR</i>	<u>\$ 370,713</u>	<u>\$ 257,575</u>
Reconciliation of change in net assets to net cash provided by operating activities (Note 6)		
<i>NONCASH TRANSACTIONS:</i>		
Equipment purchase with capital lease obligation	\$ 13,500	\$ ---

Atlantic States Marine Fisheries Commission
STATEMENTS OF
FINANCIAL POSITION
JUNE 30, 2004 AND 2003

Note 1. *Summary of Significant Accounting Policies*

ORGANIZATION:

The Atlantic States Marine Fisheries Commission (the Commission) (a nonprofit organization) was established in 1942 to represent the interests and needs of the marine fisheries of its member states (Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania, New Jersey, Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, Florida). Since the Commission is an instrumentality wholly owned by member states, it is exempt from income tax; therefore, an internal revenue code exemption is not required. The purpose of the Commission, as set forth by Congress in Article I of the Commission's Compact, is "to promote the better utilization of the fisheries, marine, shell, and anadromous, of the Atlantic seaboard by the development of a joint program for the promotion and protection of such fisheries."

BASIS OF ACCOUNTING:

The Commission prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Monies received under grants are accounted for separately. Revenue is recognized when funds are expended for the purposes specified in the grant. The Commission funds any excess of expense over revenue incurred in the performance of a grant project.

The accompanying statements of activities reflect expenses summarized on a functional basis. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Fringe benefits and administrative costs of the Commission have been prorated among the programs by various statistical bases.

FINANCIAL STATEMENT PRESENTATION:

Under SFAS No. 117, Financial Statements of Not-for-Profit Organizations, the Commission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Commission has only unrestricted net assets.

CASH:

Cash consists of deposits in checking and money market accounts. The Commission's demand deposits with financial institutions at times exceed federally insured limits. The Commission has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risks.

NOTES TO FINANCIAL STATEMENTS (CONT.)

INVESTMENTS:

Investments are carried at fair value.

PROPERTY AND EQUIPMENT:

Depreciation of property and equipment has been provided for using the straight-line method over useful lives of five years for computer equipment and ten years for other furniture and equipment. The Commission capitalizes equipment purchases with a unit cost exceeding \$500.

Leasehold improvements are recorded at cost and amortized using the straight-line method over the term of the office lease.

INDIRECT COST ALLOCATION:

Indirect costs are allocated to contracts based on the Commission's indirect cost allocation rate or the indirect cost allocation allowed by the contract.

BAD DEBTS:

The Commission recognizes bad debts when, in the opinion of management, an account becomes uncollectible.

ESTIMATES:

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

RECLASSIFICATIONS:

Certain 2003 amounts have been reclassified for comparison with the 2004 presentation.

Note 2. *Lease Commitments*

The Commission leases office space and postage equipment under noncancelable operating leases. The office lease provides for annual base rent increases of two percent plus annual adjustments for the Commission's proportionate share of operating expenses and real estate taxes.

The Commission also has two capital leases for copiers. (See Note 4). The minimum lease payments are included below.

Minimum lease payments are as follows for the years ending June 30:

	Office Space	Postage Equipment	Capital Leases	Minimum Lease Payments
2005	\$ 265,493	\$ 7,181	\$ 19,032	\$ 291,706
2006	279,431	6,583	6,019	292,033
2007	289,334	---	2,418	291,752
2008	295,120	---	---	295,120
2009	301,024	---	---	301,024
2010 and thereafter	410,065	---	---	410,065
	<u>\$1,840,467</u>	<u>\$ 13,764</u>	<u>\$ 27,469</u>	<u>\$1,881,700</u>
Less, interest			<u>1,727</u>	
Capital lease obligations			<u>\$ 25,742</u>	

Note 3. *Retirement Plans*

The Commission sponsors a defined contribution pension plan which covers all employees. The Commission contributes 7% of eligible wages to the plan. The Commission also matches employee contributions up to 3% of eligible wages under a Section 457 plan. Pension expense for the years ended June 30, 2004 and 2003 was \$162,530 and \$152,138, respectively.

Note 4. *Capital Lease Obligations*

The Commission has two capital leases secured by copiers. (See Note 2). Maturities are as follows for the years ended June 30,

2005	\$ 17,582
2006	5,775
2007	<u>2,385</u>
Total	\$ 25,742
Current portion	<u>17,582</u>
Capital lease obligations	<u>\$ 8,160</u>

NOTES TO FINANCIAL STATEMENTS (CONT.)

Note 5. *Investments*

At June 30, 2004 and 2003, investments consisted of the following:

	2004		
	Cost	Fair Value	Unrealized Gain (Loss)
Cash and money market fund	\$ 169,741	\$ 169,741	\$ ---
Bonds	603,924	598,696	(5,228)
Equities	156,499	170,179	13,680
Total Investments	\$ 930,164	\$ 938,616	\$ 8,452
	2003		
Cash and money market fund	\$ 173,674	\$ 173,674	\$ ---
Bonds	544,713	553,880	9,167
Equities	69,580	52,494	(17,086)
Total Investments	\$ 787,967	\$ 780,048	\$ (7,919)

Unrealized and realized gains included in investment income on the Statement of Activities totaled \$12,613 and \$4,417 for the years ended June 30, 2004 and 2003, respectively.

Note 6. *Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities*

	2004	2003
Change in Net Assets	\$ 529,133	\$ 57,739
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	127,424	128,146
Gain on disposition of equipment	5,769	6,286
Unrealized and realized gains on investments	(12,613)	(4,417)
(Increase) decrease in assets:		
Grants receivable	(227,614)	(110,491)
Accounts receivable	10,709	(43,201)
Prepaid expenses	(53,141)	(11,875)
Security deposits	---	(8,189)
Increase (decrease) in liabilities:		
Accounts payable	(19,537)	108,085
Accrued vacation	35,975	14,962
Deferred revenue	11,083	27,427
Contract advances	(56,357)	89,206
Net cash provided by operating activities	<u>\$ 350,831</u>	<u>\$ 253,678</u>

Note 7. *Concentrations*

The Commission received 68% and 69% of its revenue from the Atlantic Coastal Act Program for the years ended June 30, 2004 and 2003, respectively.

Atlantic States Marine Fisheries Commission
**SCHEDULE OF
 CONTRIBUTIONS**
 Requested and Received

FOR THE YEAR ENDED JUNE 30, 2004

	Requested 2003-2004	Received 7/1/03 - 6/30/04
Member States:		
Connecticut	\$ 18,963	\$ 18,963
Delaware	15,711	15,711
Florida	41,042	41,042
Georgia	16,318	16,318
Maine	35,240	31,425
Maryland	25,321	25,321
Massachusetts	40,998	40,998
New Hampshire	14,765	14,765
New Jersey	34,565	34,565
New York	28,161	---
North Carolina	34,000	34,000
Pennsylvania	12,965	12,965
Rhode Island	22,330	22,330
South Carolina	18,890	18,890
Virginia	30,140	30,140
Totals	\$ 389,409	\$ 357,443

Atlantic States Marine Fisheries Commission
SCHEDULE OF
EXPENDITURES of Federal Awards
 FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

Federal Grantor/ Program Description	Federal CFDA Number	Federal Expenditures	
		2004	2003
Department of Commerce:			
Interjurisdictional Fisheries Act	11.407	\$ 317,454	\$ 201,958
Atlantic Coastal Act	11.474	1,857,679	1,832,856
Atlantic Coastal Act	11.474	1,553,796	1,105,911
Atlantic Coastal Act	11.474	205,154	44,000
Southeast Area Monitoring and Assessment Program	11.435	75,101	66,864
Chesapeake Bay Studies	11.457	---	35,562
Unallied Science Project	11.472	---	<u>2,273</u>
Total Department of Commerce		<u>\$4,009,184</u>	<u>\$3,289,424</u>
Department of the Interior:			
Federal Aid in Sport Fish Restoration Act	15.605	<u>185,720</u>	<u>184,597</u>
Total Expenditures of Federal Awards		<u>\$4,194,904</u>	<u>\$3,474,021</u>

Atlantic States Marine Fisheries Commission

REPORT ON COMPLIANCE

and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Executive Committee
Atlantic States Marine Fisheries Commission
Washington, DC

We have audited the financial statements of Atlantic States Marine Fisheries Commission as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated September 16, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Atlantic States Marine Fisheries Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Atlantic States Marine Fisheries Commission in a separate letter dated September 16, 2004.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered Atlantic States Marine Fisheries Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Management, the Commissioners, the Department of Commerce and the Department of the Interior and is not intended to be and should not be used by anyone other than these specified parties.

September 16, 2004

Atlantic States Marine Fisheries Commission

REPORT ON COMPLIANCE

with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Executive Committee
Atlantic States Marine Fisheries Commission
Washington, DC

COMPLIANCE

We have audited the compliance of Atlantic States Marine Fisheries Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2004 and 2003. Atlantic States Marine Fisheries Commission's major federal program is identified in the summary of auditors' results in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Atlantic States Marine Fisheries Commission's management. Our responsibility is to express an opinion on Atlantic States Marine Fisheries Commission's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atlantic States Marine Fisheries Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination on Atlantic States Marine Fisheries Commission's compliance with those requirements.

In our opinion, Atlantic States Marine Fisheries Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2004 and 2003.

INTERNAL CONTROL OVER COMPLIANCE

The management of Atlantic States Marine Fisheries Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audits, we

REPORT ON COMPLIANCE (CONT.)

considered Atlantic States Marine Fisheries Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Management, the Commissioners, the Department of Commerce and the Department of the Interior and is not intended to be and should not be used by anyone other than these specified parties.

September 16, 2004

Atlantic States Marine Fisheries Commission
SCHEDULE OF
FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

1. The auditors' report expresses an unqualified opinion on the financial statements of Atlantic States Marine Fisheries Commission.
2. No reportable conditions relating to the audit of the financial statements of Atlantic States Marine Fisheries Commission are reported in the report on internal control over financial reporting based on an audit of financial statements.
3. No instances of noncompliance material to the financial statements of Atlantic States Marine Fisheries Commission were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program.
5. The auditors' report on compliance for the major Federal award programs for Atlantic States Marine Fisheries Commission expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for Atlantic States Marine Fisheries Commission.
7. Major programs tested included:
Department of Commerce:
 Atlantic Coastal Act 11.474
 Interjurisdictional Fisheries Act 11.407
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Atlantic States Marine Fisheries Commission was not determined to be a low-risk auditee.

COMMISSION STAFF



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Lena Kofas, Executive Assistant



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Cecilia Butler, Administrative Assistant
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