
13TH MEETING OF THE FINANCE AND ADMINISTRATION COMMITTEE (FAC)

Panama City, Panama, 26 to 27 February 2026

FAC 13 – Doc 08 Accumulated Surplus Account *Secretariat*

1. Summary and recommendations

This paper summarises the status of the SPRFMO Accumulated Surplus Account, makes recommendations on the use of the excess over three months operating costs, and invites views on the future methodology for calculating the accumulated surplus.

The FAC is invited to:

- **Note** the Accumulated Surplus Account balance of \$877,066.
- **Note** the Accumulated Surplus Account excess funds of \$421,691 over the target level of three months operating costs.
- **Recommend** that the Commission credit this \$421,691 excess to the Contingency Fund and/or return it to Members via the budget process to reduce their annual contributions next financial year.
- **Comment** on the current methodology for calculating the accumulated surplus and interest in considering alternative methodologies e.g. a cash-based calculation.

2. Account Purpose and Review

The Financial Regulations establish an Accumulated Surplus Account that 'may be used temporarily to the extent necessary to finance appropriations pending receipt of annual payments by members of the Commission' (Regulation 4.1).

The income credited to the Accumulated Surplus Account shall include:

- a) excess of receipts over expenditures at the end of the financial year;
- b) the balance of any unexpended appropriations at the end of the 12-month period specified in Regulation 3.2;
- c) refunds, from any source, of prior year's expenditures of the Organisation.

(Regulation 4.3)

The FAC and Commission review the amount available in the Account during each annual meeting and attempt to maintain it at a level sufficient to finance operations during the first three months of the financial year. Any funds in the Account that exceed this level shall be returned to Members unless decided otherwise by the Commission (Regulation 4.4).

In practice, these excess funds in the Accumulated Surplus Account have been deducted from the forthcoming financial year's budget total to reduce Members' annual contributions. Excess funds have also been credited to the Contingency Fund as per Financial Regulations Annex 3 paragraph 7.



3. Reporting Approach

In previous years the status of the Account has been succinctly included in the financial statements. This standalone FAC paper has been drafted instead, consistent with the reporting on other SPRFMO funds, for enhanced transparency and visibility for Members, especially for considering how to use any excess funds. This change in reporting has not changed the auditing approach, as all the elements featuring in the accounting continue to be fully audited.

The status of the account is reported for the end of last financial year (2024-25), consistent with the audit. It is calculated on the same basis as previous years i.e. closed retained earnings less non-current assets, committed funds and 3 months operational costs under the last financial year's budget (2024-25).

4. Account Balance and Excess Funds

The amount in the Account at the end of last financial year was \$877,066. This makes available \$421,691, the excess of three months' operating costs, for the Commission to return to Members through the budget process unless they decide otherwise. An alternative option is crediting funds to the Contingency Fund as per Financial Regulations Annex 3 paragraph 7 (refer FAC13-Doc09).

Table 1: Status of the Accumulated Surplus in accordance with Financial Regulation 4.3

	30/06/2025	30/06/2024
Closing Retained Earnings for the Financial Year	1 715 986	1 308 218
Less:		
Non-Current Assets	354 829	192 438
Special Purposes Fund - Scientific Support Fund	40 862	127 328
Trust Account Fund - Developing States Fund	210 716	191 620
Contingency Fund	232 513	197 816
Sustaining 3 months operational costs	455 375	481 625
Accumulated Surplus Excess	421 691	117 391

5. Accounting Methodology

Since providing the SPRFMO finance function, Findex has conducted various reviews and improvements to the accounting and finance processes. When reviewing the Accumulated Surplus methodology and calculation, a query arose around the appropriateness of the formula.

The existing methodology uses retained earnings as a base, minus non-current assets and committed funds. Retained earnings represents the accumulated unspent income of the organisation. Non-current assets are assets of the organisation, such as all office equipment and the database, which cannot be quickly converted to cash. Committed funds are bank accounts which contain cash being held for specific purposes outside of budget items.

While this methodology has worked historically, it presents questions in relation to the purpose of the Fund under Regulation 4.4 which provides for the return of funds to the Members. For example, the methodology does not take into account where the financial information is coming from, which means expenses SPRFMO has not paid yet, and income it has not received yet, are being included in the Net Total. This risks an over reimbursement to Members of funds that are already committed or not yet received.



The Secretariat would welcome the views of FAC on the basis and any preferences for the current methodology, and whether it would be receptive to considering an alternative methodology such as a 'cash-based' approach that more realistically reflects the availability of surplus funds.

The historical methodology is used this year for consistency and comparability with previous years. An alternative methodology can be explored and presented to FAC next year once there is more supporting data to test options and confirm if a new approach would be more beneficial.