

**MARSHALL ISLANDS MARINE RESOURCES  
AUTHORITY**

**(A COMPONENT UNIT OF THE REPUBLIC  
OF THE MARSHALL ISLANDS)**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Years Ended September 30, 2020 and 2019  
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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Marshall Islands Marine Resources Authority:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands (RepMar), which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MIMRA as of September 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

### *Purchase of Aquaculture Technologies of the Marshall Islands (ATMI) assets*

As discussed in Note 5 to the financial statements, MIMRA is planning to have the purchased assets from ATMI valued by independent and qualified individuals to determine historical or estimated historical costs.

### *COVID-19*

As discussed in Note 12 to the financial statements, MIMRA determined that restrictions caused by the COVID-19 pandemic, coupled by existing economic factors, are negatively impacting its business, results of operations and net position that would ultimately affect future contributions available to RepMar.

Our opinion is not modified with respect to these matters.

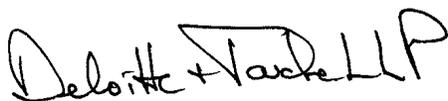
## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2021, on our consideration of MIMRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MIMRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MIMRA's internal control over financial reporting and compliance.



September 16, 2021

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

### Management's Discussion and Analysis September 30, 2020 and 2019

This section of the Marshall Islands Marine Resources Authority (MIMRA) annual financial report presents our discussion and analysis of MIMRA's financial performance for the fiscal year ending September 30, 2020. Please read it and verify any clarification to the financial statements, which follow this section. The below table summarizes the financial condition and operations of MIMRA for fiscal years ended September 30, 2020, 2019 and 2018.

#### Financial Operations

##### Statements of Net Position

A summary of MIMRA's Statements of Net Position is presented below:

#### Summary Statements of Net Position As of September 30

|                                  | 2020                 | 2019                 | \$ Change<br>2020-2019 | % Change<br>2020-2019 | 2018                 |
|----------------------------------|----------------------|----------------------|------------------------|-----------------------|----------------------|
| <b>Assets:</b>                   |                      |                      |                        |                       |                      |
| Current and other assets         | \$ 27,776,659        | \$ 27,103,182        | \$ 673,477             | 2.5%                  | \$ 25,963,219        |
| Investment in JV                 | 4,696,089            | 5,222,356            | (526,267)              | (10.1)%               | 4,917,702            |
| Capital assets                   | 5,413,423            | 4,201,373            | 1,212,050              | 28.8%                 | 3,842,778            |
| <b>Total assets</b>              | <b>37,886,171</b>    | <b>36,526,911</b>    | <b>1,359,260</b>       | <b>3.7%</b>           | <b>34,723,699</b>    |
| <b>Liabilities:</b>              |                      |                      |                        |                       |                      |
| Current and other liabilities    | 1,207,613            | 846,420              | 361,193                | 42.7%                 | 903,041              |
| <b>Net position:</b>             |                      |                      |                        |                       |                      |
| Net investment in capital assets | 5,413,423            | 4,201,373            | 1,212,050              | 28.8%                 | 3,842,778            |
| Restricted                       | 991,623              | 430,995              | 560,628                | 130.1%                | 742,780              |
| Unrestricted                     | 30,273,512           | 31,048,123           | (774,611)              | (2.5)%                | 29,235,100           |
| <b>Total net position</b>        | <b>\$ 36,678,558</b> | <b>\$ 35,680,491</b> | <b>\$ 998,067</b>      | <b>2.8%</b>           | <b>\$ 33,820,658</b> |

##### Statements of Revenue, Expenses and Changes in Net Position

A summary of MIMRA's Statements of Revenues, Expenses, and Changes in Net Position is presented below:

#### Summary Statements of Revenues, Expenses and Changes in Net Position Years Ended September 30

|                               | 2020              | 2019                | \$ Change<br>2020-2019 | % Change<br>2020-2019 | 2018                |
|-------------------------------|-------------------|---------------------|------------------------|-----------------------|---------------------|
| <b>Operating:</b>             |                   |                     |                        |                       |                     |
| Operating revenues            | \$ 35,199,282     | \$ 34,597,266       | \$ 602,016             | 1.7%                  | \$ 33,938,061       |
| Operating expenses            | 5,707,367         | 4,882,750           | 824,617                | 16.9%                 | 4,030,989           |
| <b>Operating income</b>       | <b>29,491,915</b> | <b>29,714,516</b>   | <b>(222,601)</b>       | <b>(0.7)%</b>         | <b>29,907,072</b>   |
| <b>Nonoperating:</b>          |                   |                     |                        |                       |                     |
| Earnings (loss) in JV         | (526,267)         | 304,654             | (830,921)              | (272.7)%              | 148,763             |
| Grant revenues                | 3,200,759         | 737,829             | 2,462,930              | 333.8%                | 492,906             |
| Interest income               | 151,959           | 242,962             | (91,003)               | (37.5)%               | 137,724             |
| Payments to RepMar            | (31,300,000)      | (29,141,128)        | (2,158,872)            | 7.4%                  | (29,440,214)        |
| Other revenue (expense)       | (20,299)          | 1,000               | (21,299)               | (2129.9)%             | (14,794)            |
|                               | (28,493,848)      | (27,854,683)        | (639,165)              | 2.3%                  | (28,675,615)        |
| <b>Change in net position</b> | <b>\$ 998,067</b> | <b>\$ 1,859,833</b> | <b>\$ (861,766)</b>    | <b>(46.3)%</b>        | <b>\$ 1,231,457</b> |

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Management’s Discussion and Analysis, Continued  
September 30, 2020 and 2019

**Overall Analysis**

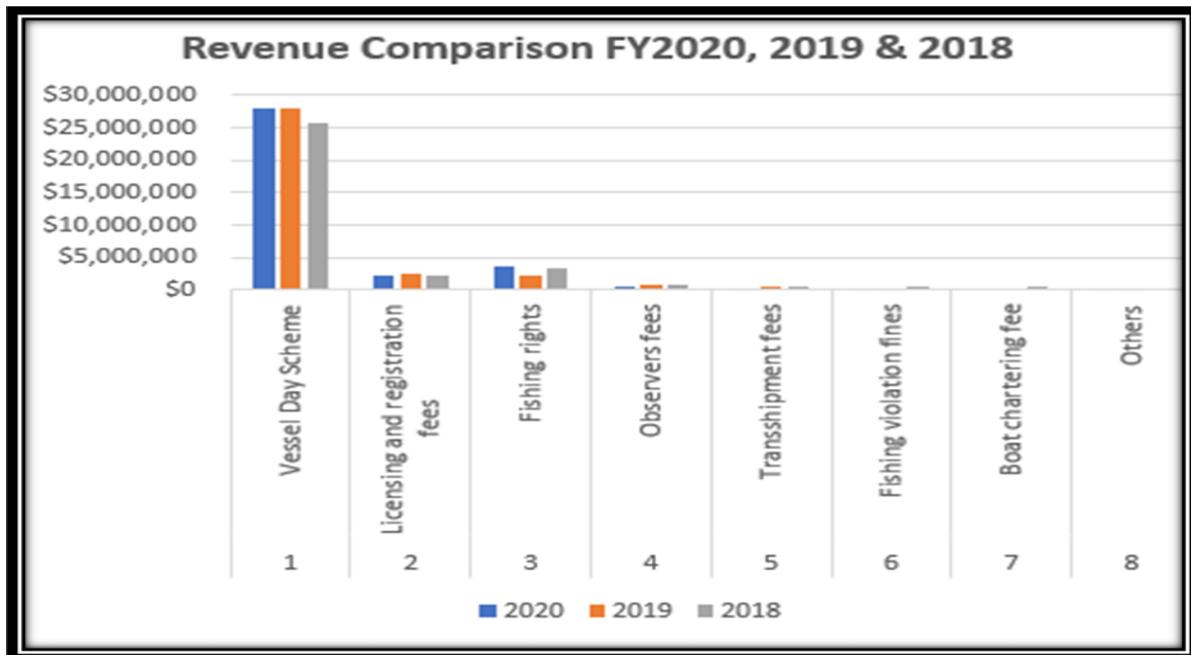
Management’s Discussion and Analysis for the year ended September 30, 2019 is set forth in MIMRA’s report on the audit of financial statements, which is dated June 17, 2020. That Management Discussion and Analysis explains the major factors impacting the 2019 financial statements and can be obtained from MIMRA’s Administrator via the contact information in page 10.

|                           |               |               |                  |               |
|---------------------------|---------------|---------------|------------------|---------------|
| <b>REVENUE:</b>           | <u>2020</u>   | <u>2019</u>   | <u>\$ Change</u> | <u>2018</u>   |
| <b>Operating Revenues</b> | \$ 35,199,282 | \$ 34,597,266 | \$ 602,016       | \$ 33,938,061 |

Net operating revenue increased by 2%. Please see below details of the increase/(decrease) in revenue categories:

|                        | <u>2020</u>          | <u>2019</u>          | <u>\$ Change</u><br><u>2020-2019</u> | <u>% Change</u><br><u>2020-2019</u> | <u>2018</u>          |
|------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|----------------------|
| Revenues:              |                      |                      |                                      |                                     |                      |
| Vessel Day Scheme      | \$ 28,112,074        | \$ 28,143,896        | \$ (31,822)                          | (0.1)%                              | \$ 25,842,384        |
| Fishing rights         | 3,579,787            | 2,314,357            | 1,265,430                            | 54.7%                               | 3,302,312            |
| Licensing/registration | 2,300,800            | 2,573,000            | (272,200)                            | (10.6)%                             | 2,320,700            |
| Observer fees          | 660,594              | 766,760              | (106,166)                            | (13.8)%                             | 826,797              |
| Transshipment fees     | 319,000              | 538,000              | (219,000)                            | (40.7)%                             | 475,500              |
| Fishing violation      | 100,000              | 200,000              | (100,000)                            | (50.0)%                             | 550,000              |
| Boat charter fees      | -                    | -                    | -                                    |                                     | 700,000              |
| Other                  | 127,584              | 73,253               | 54,331                               | 74.2%                               | 176,904              |
|                        | <u>35,199,839</u>    | <u>34,609,266</u>    | <u>590,573</u>                       | <u>1.7%</u>                         | <u>34,194,597</u>    |
| Bad debts              | (557)                | (12,000)             | 11,443                               | (95.4)%                             | (256,536)            |
|                        | <u>\$ 35,199,282</u> | <u>\$ 34,597,266</u> | <u>\$ 602,016</u>                    | <u>1.7%</u>                         | <u>\$ 33,938,061</u> |

A graphical comparison of MIMRA’s operating revenues for 2020, 2019 and 2018 follows:



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Management's Discussion and Analysis, Continued  
September 30, 2020 and 2019

VESSEL DAY SCHEME revenues have decreased by 0.11% due to decrease in the pooling of days in Parties to the Nauru Agreement (PNA) and Forum Fisheries Agency (FFA) with set prices at \$11,000 per day, offset by the increased revenues in Parties Allowable Efforts (PAE's) bilateral agreements as shown below:

|                          | <u>2020</u>          | <u>2019</u>          | <u>\$ Change<br/>2020-2019</u> | <u>% Change<br/>2020-2019</u> | <u>2018</u>          |
|--------------------------|----------------------|----------------------|--------------------------------|-------------------------------|----------------------|
| Vessel Day Scheme:       |                      |                      |                                |                               |                      |
| PAE's Bilateral          | \$ 21,955,500        | \$ 18,562,720        | \$ 3,392,780                   | 18.3%                         | \$ 18,496,450        |
| PSVDS Pooling Days (PNA) | 4,485,600            | 6,549,351            | (2,063,751)                    | (31.5)%                       | 3,861,168            |
| Pooling Days (FFA)       | 1,670,974            | 3,031,825            | (1,360,851)                    | (44.9)%                       | 3,484,766            |
|                          | <u>\$ 28,112,074</u> | <u>\$ 28,143,896</u> | <u>\$ (31,822)</u>             | <u>(0.1)%</u>                 | <u>\$ 25,842,384</u> |

The increase in FISHING RIGHTS revenues is caused by the increments in the revenues from: FSM Arrangement at 152%, FFA Treaty at 12% and Japan Bilateral at 36%. LICENSING AND REGISTRATION REVENUES have decreased due to a decrease in the licensing of carrier vessels from 70 boats in FY2019 to 63 boats in FY2020, and purse seine vessels from 130 boats in FY2019 to 110 boats in FY2020. However, Pole and line and Longline licenses increased by 20 boats during the current year. OBSERVERS FEES decreased by 14% due to fewer trips caused by COVID-19 precautionary measures and restrictions implemented. TRANSSHIPMENT FEES decreased by 41% due to a decrease in transshipment activities at the Majuro port, from 531 boats in FY2019 to 316 boats in FY2020. FISHING VIOLATION FINES decreased by 50%. This means that operators and master fishermen have been observing good fishing etiquette and fewer penalties were charged to fishing boats. BOAT CHARTER FEES agreement with Pan Pacific Fishing (RMI), Inc. (PPF) ceased commencing FY2019 hence no charter revenue has been recognized in 2019 and 2020. On the other hand, OTHER REVENUES increased due to the increase in export permits and reimbursement of FY2016-2019 audit fees from RepMar.

|                           | <u>2020</u> | <u>2019</u> | <u>Change</u> | <u>(%) Change</u> |
|---------------------------|-------------|-------------|---------------|-------------------|
| TRANSSHIPMENT:            |             |             |               |                   |
| No. of boats (PS/Carrier) | 316         | 531         | (215)         | (41%)             |

Transshipments decreased by 215 boats. This decrease is attributable to the decrease in fish demand for processing at PPF. Transshipment charges depend on whether boats are licensed or unlicensed. Licensed vessels are charged \$1,000 while unlicensed boats are charged \$2,000.

|                                  | <u>2020</u> | <u>2019</u> | <u>Change</u> | <u>(%) Change</u> |
|----------------------------------|-------------|-------------|---------------|-------------------|
| BOAT REGISTRATION:               |             |             |               |                   |
| a.) Foreign Boats (Purse Seine): |             |             |               |                   |
| • CHINA                          | 8           | 8           | -             | 0%                |
| • JAPAN                          | 27          | 25          | 2             | 8%                |
| • KOREA                          | 19          | 33          | (14)          | (42%)             |
| • PHILIPPINES (RD/TJ)            | 16          | 13          | 3             | 23%               |
| • TAIWAN                         | 18          | 23          | (5)           | (22%)             |
| • PNG (Great Investment)         | 1           | -           | 1             | 100%              |
| • South Pacific                  | -           | 7           | (7)           | (100%)            |
| • OTHERS                         | <u>10</u>   | <u>10</u>   | <u>-</u>      | <u>0%</u>         |
| TOTAL                            | <u>99</u>   | <u>119</u>  | <u>(20)</u>   | <u>(17%)</u>      |

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Management's Discussion and Analysis, Continued  
September 30, 2020 and 2019

|   |            |            |            |             |
|---|------------|------------|------------|-------------|
| b.) Domestic Boats (Purse Seine):             |            |            |            |             |
| • KOO'S FISHING                               | 4          | 4          | -          | 0%          |
| • MIFCO                                       | 1          | 1          | -          | 0%          |
| • PAN Pacific                                 | <u>6</u>   | <u>6</u>   | -          | <u>0%</u>   |
| TOTAL   | <u>11</u>  | <u>11</u>  | -          | <u>0%</u>   |
| c.) Japan Fisheries (Longline/Pole and Line): |            |            |            |             |
| 1. POLE and LINE                              | 32         | 26         | 6          | 23%         |
| 2. LONGLINE                                   | <u>13</u>  | <u>10</u>  | <u>3</u>   | <u>30%</u>  |
| TOTAL   | <u>45</u>  | <u>36</u>  | <u>9</u>   | <u>25%</u>  |
| d.) DOMESTIC (Longline):                      |            |            |            |             |
| 1. China Overseas                             | 14         | 9          | 5          | 56%         |
| 2. LianCheng Fisheries                        | 29         | 24         | 5          | 21%         |
| 3. Ralik Ratak                                | <u>1</u>   | <u>0</u>   | <u>1</u>   | <u>100%</u> |
| TOTAL   | <u>44</u>  | <u>33</u>  | <u>11</u>  | <u>33%</u>  |
| e.) CARRIER/BUNKER:                           |            |            |            |             |
| 1. Bunker                                     | 14         | 14         | -          | 0%          |
| 2. Carrier                                    | <u>63</u>  | <u>70</u>  | <u>(7)</u> | (10%)       |
| TOTAL   | <u>77</u>  | <u>84</u>  | <u>(7)</u> | <u>(8%)</u> |
| Grand Total                                   | <u>276</u> | <u>283</u> | <u>(7)</u> | <u>(2%)</u> |

Above are the details of boats registered in FY2020 and FY2019, which show a net decrease of 7 boats registered in FY2020. License fees charged per category is as follows: purse seine foreign boats at \$5,000, purse seine domestic boats at \$25,000, carrier/bunker at \$10,000, and domestic longline boats at \$12,000 annual fee, or \$7,000 six-month fee or \$4,000 three-month fee.

Purse seine boats registered this year decreased by 17% while domestic boats maintained a status quo at eleven (11) boats that generated \$770,000 compared to \$820,000 in FY2019. Japan Fisheries registered nine (9) more boats in FY2020, which represents a 25% increase compared to FY2019 registered boats. Another domestic-based company, Marshall Islands Fishing Venture (MIFV), that operates China Overseas and Lian Cheng Fisheries, had ten (10) more registered boats in FY2020, and contributed \$401,000 compared to \$328,000 in FY2019. There were ten (10) boats registered for three months, seven (7) boats registered for six months and twenty-seven (27) boats for one year in FY2020. Bunkers and carriers registered seven (7) boats less when compared to FY2019 and realized \$770,000 of revenues compared to last fiscal year's \$840,000.

In the current year, aside from paying license fees, China, Japan, Philippines, Taiwan and South Pacific (USA), purchased fishing days amounting to \$2,893,000 (or equal to 263 days), which is less than the prior year \$6,248,000 (or equal to 568 days). Korea was also involved in the bidding process by PNA of which VDS pooled days from member countries were offered. As shown earlier, the pooling days (PNA) contributed \$4,485,600 (or equal to 356 days) to revenues. Furthermore, U.S. Treaty through FFA also contributed \$1,670,974 to revenues (or equal to 128 days). Domestic-based companies such as Koo's Fishing, MIFCO (joint venture) and PPF contributed to the total VDS fishing days revenue of \$11,977,000 (equal to 1,704 days).

Actual FY2020 total revenues, including both operating and non-operating revenues, were reported at \$38,552,000 and is higher compared to total revenues in FY2019 of \$35,883,711. The result was favorable by \$2,668,289 or by 7%.

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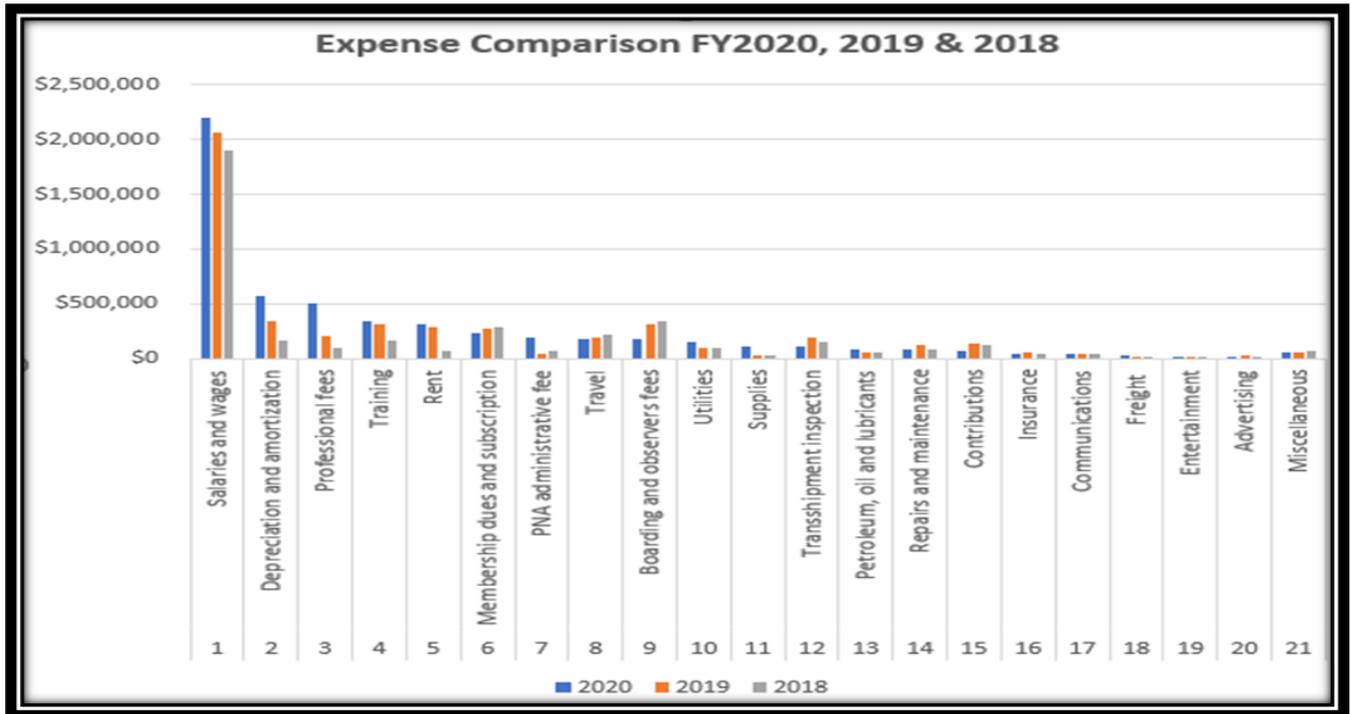
Management’s Discussion and Analysis, Continued  
September 30, 2020 and 2019

|                           |              |              |               |              |
|---------------------------|--------------|--------------|---------------|--------------|
| <u>EXPENSE:</u>           | <u>2020</u>  | <u>2019</u>  | <u>Change</u> | <u>2018</u>  |
| <b>Operating Expenses</b> | \$ 5,707,367 | \$ 4,882,750 | \$ 824,617    | \$ 4,030,989 |

Operating expenses increased by 17%. Please see below details of the increase/(decrease) in expense categories:

|                        | 2020                | 2019                | \$ Change<br>2020-2019 | % Change<br>2020-2019 | 2018                |
|------------------------|---------------------|---------------------|------------------------|-----------------------|---------------------|
| Expenses:              |                     |                     |                        |                       |                     |
| Salaries and wages     | \$ 2,202,099        | \$ 2,069,591        | \$ 132,508             | 6.4%                  | \$ 1,905,768        |
| Depreciation           | 572,596             | 343,414             | 229,182                | 66.7%                 | 160,414             |
| Boarding/observer fees | 178,878             | 316,273             | (137,395)              | (43.4)%               | 340,825             |
| Training               | 346,366             | 307,364             | 39,002                 | 12.7%                 | 163,779             |
| Rent                   | 309,689             | 292,723             | 16,966                 | 5.8%                  | 65,844              |
| Membership dues        | 232,716             | 269,401             | (36,685)               | (13.6)%               | 286,978             |
| Professional fees      | 497,615             | 200,219             | 297,396                | 148.5%                | 96,122              |
| Claims                 | 204,001             | -                   | 204,001                |                       | -                   |
| Other                  | 1,163,407           | 1,083,765           | 79,642                 | 7.3%                  | 1,011,259           |
|                        | <u>\$ 5,707,367</u> | <u>\$ 4,882,750</u> | <u>\$ 824,617</u>      | 16.9%                 | <u>\$ 4,030,989</u> |

A graphical comparison of MIMRA’s operating expenses for 2020, 2019 and 2018 follows:



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### Management's Discussion and Analysis, Continued September 30, 2020 and 2019

In FY2020, total operating expense increased by 17% compared with the previous year. Of total operating expense, \$1,392,640 pertains to FY2020 projects expense funded by World Bank (WB) grants, compared with \$167,479 in FY2019, including expenses for the Rei-Maanlok project as well as operational expenses including boat charter, travel (overseas and domestic), consultancy fees, meetings, conference and training. Thus, net expenses for MIMRA's operations pertaining to non-WB grants were \$4,314,727, which is lower compared to FY2019 expenses of \$4,715,271 by \$400,544. Among operating expenses, the following have increased during the current year compared with prior year: salaries and wages (increased by 6%), depreciation and amortization (increased by 67%), training and research (increased by 12%), rent (increased by 6%), professional fees (increased by 149%), utilities (increased by 51%), petroleum, oil and lubricants (increased by 50%), PNA administrative fee (increased by 312%), supplies (increased by 209%), freight (increased by 70%) and entertainment (increased by 42%), while other expenses decreased during the current year compared with prior year: boarding and observers fees (decreased by 43%), membership dues and subscription (decreased by 14%), transshipment inspection (decreased by 46%), travel (decreased by 5%), contributions (decreased by 44%), repairs and maintenance (decreased by 32%), insurance (decreased by 19%), communications (decreased by 1%), advertising (decreased by 62%) and miscellaneous expenses (decreased by 6%).

Total contributions to RepMar in FY2020 amounted to \$31,300,000, which is an increase from FY2019 by \$2,158,872 (an increase of 7%). This increase in contributions to RepMar contributed to a decrease in MIMRA's change in net position from \$1,859,833 in FY2019 to \$998,067 in FY2020 representing a decrease of \$861,766 or 46% year on year.

MIMRA's financial condition as shown by the change in net position at end of the year shows an overall increase of 3% compared to FY2019.

#### **Fund Analysis**

At the end of FY2020, MIMRA's combined funds (cash and time certificates of deposit) amounted to \$18,991,417, which was lower by 22% compared to \$24,458,060 at the end of FY2019. The decrease can be attributed to a decrease in collections from the domestic-based fishing companies and to the decrease in fishing day prices. The contributions to RepMar increased by \$2,158,872 (or 7%) from \$29,141,128 in FY2019 to \$31,300,000 in FY2020. This increase, together with the increase in operating expenses, contributed to the decrease of the overall fund balance of MIMRA during the current year. Equity earnings from the joint venture decreased by 273% in FY2020 compared to FY2019. Total grants received in FY2020 of \$3,200,759 (WB Grant \$3,140,819, The Nature Conservancy [TNC] Grant of \$10,000 and Chinese Taipei Grant \$49,940) increased by \$2,462,930 compared to \$737,829 (WB Grant \$582,829 and TNC Grant \$155,000) in FY2019. Interest income amounted to \$151,959 in FY2020, which decreased by 37% compared to the \$242,962 in FY2019, also affected by the overall decrease in fund balances of MIMRA in FY2020.

#### **Budget Variances**

Overall, FY2020 total revenues of \$38,552,000 (both operating and non-operating) exceeded estimated revenues by \$4,105,500. The budget was set at \$34,446,500. This is a favorable outcome in the current year wherein FY2020 operating revenues of \$35,199,282 increased by 2% compared to FY2019 operating revenues of \$34,597,266 (or \$784,766 favorable result against the FY2019 budget of \$33,812,500). Actual total expenses in FY2020, including the contributions to RepMar, amounted to \$37,349,932, which is an increase of \$3,326,054 compared to \$34,023,878 in FY2019.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

### Management's Discussion and Analysis, Continued September 30, 2020 and 2019

#### **Capital Assets**

At the end of FY2020, MIMRA has a net investment in capital assets of \$5,413,423 compared to \$4,201,373 in FY2019 resulting in an overall 29% or \$1,212,050 increase. The table below presents a summary of MIMRA's capital assets as follows:

|                            | 2020                | 2019                | \$ Change<br>2020-2019 | % Change<br>2020-2019 | 2018                |
|----------------------------|---------------------|---------------------|------------------------|-----------------------|---------------------|
| Buildings and improvements | \$ 3,516,170        | \$ 3,408,609        | \$ 107,561             | 3.2%                  | \$ 210,874          |
| Equipment improvements     | 109,270             | 109,270             | -                      | 0.0%                  | 109,270             |
| Vehicles                   | 370,114             | 371,264             | (1,150)                | (0.3)%                | 374,764             |
| Equipment                  | 2,367,475           | 1,211,416           | 1,156,059              | 95.4%                 | 691,046             |
| Furniture and fixtures     | 67,682              | 66,171              | 1,511                  | 2.3%                  | 43,218              |
| Motorboats                 | 421,557             | 163,912             | 257,645                | 157.2%                | 163,912             |
|                            | 6,852,268           | 5,330,642           | 1,521,626              | 28.5%                 | 1,593,084           |
| Accumulated depreciation   | (1,438,845)         | (1,129,269)         | (309,576)              | 27.4%                 | (966,206)           |
|                            | 5,413,423           | 4,201,373           | 1,212,050              | 28.8%                 | 626,878             |
| Construction in progress   | -                   | -                   | -                      |                       | 3,215,900           |
|                            | <u>\$ 5,413,423</u> | <u>\$ 4,201,373</u> | <u>\$ 1,212,050</u>    | 28.8%                 | <u>\$ 3,842,778</u> |

During the year ended September 30, 2020, MIMRA purchased a building and equipment from Aquaculture Technologies of the Marshall Islands (ATMI). In addition, numerous project equipment was acquired by MIMRA under World Bank programs financed by the International Development Association and the Global Environment Facility.

For additional information concerning capital assets, please see note 5 to the financial statements.

#### **Economic Factors and Next Year Budgets and Rates**

The FY2021 budget has been formulated and approved by the MIMRA Board. Projected revenues, both operating and non-operating, are \$34,082,724 breakeven with the projected expenses including contributions to RepMar. Projected expenses are detailed as follows: \$26,000,000 for contribution to the RMI General Fund and \$1,853,168 for Administrative, \$921,188 for Coastal, \$1,180,465 for Oceanic, \$781,128 for PPS, \$100,000 for Protected Area Network, \$50,000 for FAD, \$197,275 for Competent Authority and \$100,000 for Aquaculture operating and capital expenditures. There is also a supplemental budget amounting to \$2,899,500 that was approved and shall be used for the MIMRA headquarters extension for Competent Authority laboratory/offices, and for the renovation of different outer-island fish markets. Travel expenses, both international and domestic, will depend on how such are funded; however, for unfunded trips, MIMRA will shoulder the cost. Some domestic travel is covered by grants that were approved and released to MIMRA in previous years that will be utilized in FY2021. WB Project has extended its term for another year and it is moving toward its completion in FY2021.

The Marshall Islands still has the highest fuel prices in the Micronesia region, which averaged \$5.50 per gallon during the current year and were reflective of the 15% increase in on-island pump prices. Commodity costs in the islands continue to increase compared to that in previous years, including the cost of utilities. MIMRA's cost saving and conservation measures adopted in FY2011 are still adopted in the formulation of the FY2021 budget. Some positions are still to be filled; thus, a budget for new hires is also provided.

## **MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Management's Discussion and Analysis, Continued  
September 30, 2020 and 2019

Climate change is a continuing factor that would affect MIMRA's revenue generation, FAD closure is also an aspect that affects MIMRA revenue collections, especially transshipment revenue. FAD closure means fewer boats berthing in Majuro. Bilateral agreements between MIMRA and other countries, including Japan, China, Taiwan, PNG and Philippines, were signed with matching Fishing Days incorporated therein as part of the agreements. Korea did not register the members' vessels under the Korea Fishing Association as practiced, but instead, the members registered their vessels as individual companies and preferred to be in the VDS pooling. The companies also signed an agreement with MIMRA. These will boost revenue generation by MIMRA for FY2021.

The COVID-19 pandemic has affected MIMRA's revenues when RepMar Government has decided to regulate the arrival of boats berthing the Marshall Islands. Transshipment activities continue to decline from last year's operation of at least 41%. However, the RMI National Disaster Committee's lifting of the 14-day quarantine requirement for incoming purse seiners at the start of May is seeing to have positive impact in MIMRA's revenue generation. There are still no observer activities to this date, since April 2020 when activities were suspended. During the formulation of Budget FY2021, MIMRA has anticipated to generate income of \$750,000 from US Treaty through FFA, however, this did not materialize. Furthermore, as of August 16, 2021, MIMRA has unsold 35 VDS fishing days which is equivalent to \$385,000 (at \$11,000 per day). If the pandemic continues and if MIMRA will not able to sell the remaining days, then MIMRA FY2021 budget will have to be re-constructed.

### **Contacting MIMRA's financial management**

This financial report is designed to provide our beneficiaries and others a general overview of MIMRA's finances and to demonstrate its accountability for the money it collects. If you have questions about this report or need additional financial information, contact the Administrator, P.O. Box 175, Majuro, MH 96960 or via our website [mimra.com](http://mimra.com).

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Statements of Net Position  
September 30, 2020 and 2019

|   | <u>2020</u>                         | <u>2019</u>          |
|---|-------------------------------------|----------------------|
|   | <u>ASSETS</u>                       |                      |
| Current assets:                                 |                                     |                      |
| Cash  | \$ 4,972,933                        | \$ 3,227,987         |
| Time certificates of deposit                    | <u>14,018,484</u>                   | <u>21,230,073</u>    |
| Receivables:                                    |                                     |                      |
| Affiliates                                      | 718,907                             | 703,807              |
| Trade   | 1,483,138                           | 1,514,694            |
| Due from PNA Office                             | 7,048,506                           | 1,284,566            |
| Due from World Bank                             | 322,573                             | -                    |
| Accrued interest                                | 64,628                              | 84,900               |
| Other   | <u>93,567</u>                       | <u>124,546</u>       |
|   | 9,731,319                           | 3,712,513            |
| Less allowance for doubtful accounts            | <u>(1,067,391)</u>                  | <u>(1,067,391)</u>   |
|   | 8,663,928                           | 2,645,122            |
| Prepayments                                     | <u>121,314</u>                      | <u>-</u>             |
| Total current assets                            | <u>27,776,659</u>                   | <u>27,103,182</u>    |
| Capital assets, net of accumulated depreciation | 5,413,423                           | 4,201,373            |
| Investment in joint venture                     | <u>4,696,089</u>                    | <u>5,222,356</u>     |
|   | <u>10,109,512</u>                   | <u>9,423,729</u>     |
|   | <u>\$ 37,886,171</u>                | <u>\$ 36,526,911</u> |
|   | <u>LIABILITIES AND NET POSITION</u> |                      |
| Current liabilities:                            |                                     |                      |
| Accounts payable                                | \$ 387,671                          | \$ 174,079           |
| Contracts payable                               | 157,633                             | 157,633              |
| Payable to affiliates                           | 262,577                             | 332,041              |
| Other liabilities and accruals                  | <u>399,732</u>                      | <u>182,667</u>       |
| Total liabilities                               | <u>1,207,613</u>                    | <u>846,420</u>       |
| Commitments and contingencies                   |                                     |                      |
| Net position:                                   |                                     |                      |
| Net investment in capital assets                | 5,413,423                           | 4,201,373            |
| Restricted                                      | 991,623                             | 430,995              |
| Unrestricted                                    | <u>30,273,512</u>                   | <u>31,048,123</u>    |
| Total net position                              | <u>36,678,558</u>                   | <u>35,680,491</u>    |
|   | <u>\$ 37,886,171</u>                | <u>\$ 36,526,911</u> |

See accompanying notes to financial statements.

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2020 and 2019

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| Operating revenues:                         |                      |                      |
| Vessel Day Scheme                           | \$ 28,112,074        | \$ 28,143,896        |
| Fishing rights                              | 3,579,787            | 2,314,357            |
| Licensing and registration fees             | 2,300,800            | 2,573,000            |
| Observer fees                               | 660,594              | 766,760              |
| Transshipment fees                          | 319,000              | 538,000              |
| Fishing violation fines                     | 100,000              | 200,000              |
| Other                                       | <u>127,584</u>       | <u>73,253</u>        |
| Total operating revenues                    | 35,199,839           | 34,609,266           |
| Bad debts expense                           | <u>(557)</u>         | <u>(12,000)</u>      |
| Total net operating revenues                | <u>35,199,282</u>    | <u>34,597,266</u>    |
| Operating expenses:                         |                      |                      |
| Salaries and wages                          | 2,202,099            | 2,069,591            |
| Depreciation and amortization               | 572,596              | 343,414              |
| Professional fees                           | 497,615              | 200,219              |
| Training and research                       | 345,366              | 307,364              |
| Rent  | 309,689              | 292,723              |
| Membership dues and subscriptions           | 232,716              | 269,401              |
| Claims                                      | 204,001              | -                    |
| PNA administrative fee                      | 186,956              | 45,354               |
| Travel                                      | 182,515              | 191,427              |
| Boarding and observer fees                  | 178,878              | 316,273              |
| Utilities                                   | 150,380              | 99,516               |
| Supplies                                    | 106,946              | 34,556               |
| Transshipment inspection                    | 104,800              | 192,400              |
| Petroleum, oil and lubricants               | 81,232               | 54,201               |
| Repairs and maintenance                     | 79,598               | 117,055              |
| Contributions                               | 73,370               | 131,748              |
| Insurance                                   | 48,052               | 59,653               |
| Communications                              | 36,506               | 36,959               |
| Freight                                     | 28,170               | 16,580               |
| Entertainment                               | 18,903               | 13,300               |
| Advertising                                 | 12,686               | 33,205               |
| Miscellaneous                               | <u>54,293</u>        | <u>57,811</u>        |
| Total operating expenses                    | <u>5,707,367</u>     | <u>4,882,750</u>     |
| Operating income                            | <u>29,491,915</u>    | <u>29,714,516</u>    |
| Nonoperating revenues (expenses):           |                      |                      |
| Equity in earnings (loss) of joint venture  | (526,267)            | 304,654              |
| World Bank grants                           | 3,140,819            | 582,829              |
| Nature Conservancy grant                    | 10,000               | 155,000              |
| Chinese Taipei grant                        | 49,940               | -                    |
| Interest income                             | 151,959              | 242,962              |
| Gain (loss) on asset disposal               | (20,299)             | 1,000                |
| Contributions to RepMar                     | <u>(31,300,000)</u>  | <u>(29,141,128)</u>  |
| Total nonoperating revenues (expenses), net | <u>(28,493,848)</u>  | <u>(27,854,683)</u>  |
| Change in net position                      | 998,067              | 1,859,833            |
| Net position at beginning of year           | <u>35,680,491</u>    | <u>33,820,658</u>    |
| Net position at end of year                 | <u>\$ 36,678,558</u> | <u>\$ 35,680,491</u> |

See accompanying notes to financial statements.

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Statements of Cash Flows  
Years Ended September 30, 2020 and 2019

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| Cash flows from operating activities:   |                      |                      |
| Cash received from customers  | \$ 29,361,464        | \$ 39,205,589        |
| Cash payments to suppliers for goods and services                                       | (2,582,012)          | (2,549,328)          |
| Cash payments to employees for services   | (2,191,567)          | (2,046,629)          |
| Net cash provided by operating activities   | <u>24,587,885</u>    | <u>34,609,632</u>    |
| Cash flows from noncapital financing activities:  |                      |                      |
| Operating grants received   | 2,878,186            | 737,829              |
| Payments made to RepMar   | (31,300,000)         | (29,141,128)         |
| Net cash used for noncapital financing activities                                       | <u>(28,421,814)</u>  | <u>(28,403,299)</u>  |
| Cash flows from capital and related financing activities:                               |                      |                      |
| Acquisition of capital assets   | (1,816,395)          | (702,009)            |
| Proceeds from sale of capital assets  | 11,450               | 1,000                |
| Net cash used for capital and related financing activities                              | <u>(1,804,945)</u>   | <u>(701,009)</u>     |
| Cash flows from investing activities:   |                      |                      |
| Net (additions to) withdrawal from time certificates of deposit                         | 7,211,589            | (14,360,732)         |
| Interest received on time certificates of deposit                                       | 172,231              | 242,686              |
| Net cash provided by (used for) investing activities                                    | <u>7,383,820</u>     | <u>(14,118,046)</u>  |
| Net change in cash  | 1,744,946            | (8,612,722)          |
| Cash at beginning of year   | <u>3,227,987</u>     | <u>11,840,709</u>    |
| Cash at end of year   | <u>\$ 4,972,933</u>  | <u>\$ 3,227,987</u>  |
| Reconciliation of operating income to net cash provided by operating activities:        |                      |                      |
| Operating income  | \$ 29,491,915        | \$ 29,714,516        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                      |                      |
| Depreciation and amortization   | 572,596              | 343,414              |
| Bad debts expense   | 557                  | 12,000               |
| (Increase) decrease in assets:  |                      |                      |
| Receivables:  |                      |                      |
| Affiliates  | (15,100)             | 600                  |
| Trade   | 30,999               | 65,251               |
| Due from PNA Office   | (5,763,940)          | 4,520,222            |
| Other   | 30,979               | 10,250               |
| Prepayments   | (121,314)            | -                    |
| Increase (decrease) in liabilities:   |                      |                      |
| Accounts payable  | 213,592              | (140,262)            |
| Payable to affiliates   | (69,464)             | 60,472               |
| Other liabilities and accruals  | 217,065              | 23,169               |
| Net cash provided by operating activities   | <u>\$ 24,587,885</u> | <u>\$ 34,609,632</u> |
| Summary of noncash financing activities:  |                      |                      |
| Income from equity share investment:  |                      |                      |
| Increase (decrease) in investment in joint venture                                      | \$ 526,267           | \$ (304,654)         |
| Equity (loss) in earnings of joint venture  | (526,267)            | 304,654              |
|   | <u>\$ -</u>          | <u>\$ -</u>          |

See accompanying notes to financial statements.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2020 and 2019

### (1) Organization

The Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands (RepMar), was created under Public Law 1997-60, the Marshall Islands Marine Resources Act of 1997. This legislation repealed Public Law 1988-12, the Marshall Islands Marine Resources Authority Act, 1988, and transferred all assets, liabilities, rights and obligations of the former Marshall Islands Marine Resources Authority (established under Public Law 1988-12) to MIMRA, effective October 2, 1997. MIMRA's principal line of business is to facilitate the sustainable and responsible use of the marine resources in the Marshall Islands. Access to the fishery waters of the Marshall Islands, including transshipment related activities, is granted by MIMRA to foreign and domestic-based fishing vessels through an access agreement, for which certain fees and licenses are levied.

MIMRA is governed by a seven-member Board of Directors, including three members consisting of the Minister of Natural Resources and Commerce, the Secretary of Foreign Affairs and Trade, and the Secretary of Internal Affairs, and other four members appointed by the President of RepMar.

MIMRA's financial statements are incorporated into the financial statements of RepMar as a component unit.

### (2) Summary of Significant Accounting Policies

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, establish financial reporting standards for governmental entities which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB Statement No. 34, equity is presented in the following net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted - nonexpendable net position subject to externally imposed stipulations that requires MIMRA to maintain such permanently. At September 30, 2020 and 2019, MIMRA does not have nonexpendable net position. Expendable net position whose use by MIMRA is subject to externally imposed stipulations that can be fulfilled by actions of MIMRA pursuant to those stipulations or that expire by the passage of time. At September 30, 2020 and 2019, MIMRA has expendable net position as follows:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| World Bank (International Development Association)  | \$ 809,027        | \$ 262,676        |
| The Nature Conservancy (tuna fisheries improvement) | 108,224           | 150,000           |
| Chinese Taipei Trust Fund                           | 47,768            | 13,319            |
| World Bank (Global Environment Facility)            | 26,274            | -                 |
| The Nature Conservancy (Tuna Co.)                   | <u>330</u>        | <u>5,000</u>      |
|   | <u>\$ 991,623</u> | <u>\$ 430,995</u> |

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2020 and 2019

### (2) Summary of Significant Accounting Policies, Continued

- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

#### Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the fund are included in the statements of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. MIMRA considers operating revenues to include activities that have the characteristics of exchange transactions, such as (1) fishing rights, Vessel Day Scheme revenues, licensing, transshipment, and other fees, and (2) other local revenues. Revenues and expenses related to other activities are considered to be nonoperating.

#### Cash and Time Certificates of Deposit

Custodial credit risk is the risk that in the event of a bank failure, MIMRA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. MIMRA does not have a deposit policy for custodial credit risk.

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. As of September 30, 2020 and 2019, the carrying amount of cash and time certificates of deposit were \$18,991,417 and \$24,458,060, respectively, and the corresponding bank balances were \$19,028,501 and \$24,546,783, respectively. Of the bank balances, \$3,608,576 and \$2,161,356, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$15,419,925 and \$22,385,427, respectively, were maintained in a financial institution not subject to depository insurance. As of September 30, 2020 and 2019, bank deposits in the amount of \$250,000 were FDIC insured. MIMRA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

#### Receivables

All receivables are uncollateralized and are due from customers, both governmental agencies and businesses, located within the Republic of the Marshall Islands and the Pacific region, including Japan, Korea and Taiwan. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluation of the collectability of these accounts and prior collection experience. The allowance is established through a provision for losses on accounts receivable charged to expense.

#### Prepayments

Certain payments to vendors or persons for goods and services, primarily related to membership dues and subscriptions, reflect costs applicable to future accounting periods and are recorded as prepayments in the accompanying statements of net position.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2020 and 2019

### (2) Summary of Significant Accounting Policies, Continued

#### Capital Assets

MIMRA has not adopted a formal capitalization policy for capital assets; however, items with a cost that equals or exceeds \$1,000 are generally capitalized. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets as follows:

|                        |          |
|------------------------|----------|
| Building               | 40 years |
| Building improvements  | 10 years |
| Equipment improvements | 10 years |
| Vehicles               | 3 years  |
| Equipment              | 4 years  |
| Furniture              | 4 years  |
| Motor boats            | 6 years  |

#### Investments

The investment in stock of an affiliate is carried at Net Asset Value (NAV) per share net of an impairment reserve of \$980,000. Investments of 20% or more of the voting stock of a joint venture investee are presumed to give the investor significant influence and are carried using the equity method. Under the equity method, the investor records, as earnings or loss, its proportionate share of the investee's earnings or loss.

#### Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. MIMRA has no items that qualify for reporting in this category.

#### Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. MIMRA has no items that qualify for reporting in this category.

#### Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. MIMRA is specifically exempt from this tax; however, all goods imported by MIMRA are subject to tax under the Import Duties Act, 1989.

#### Revenue Recognition

Fees with respect to services are recognized as the right to consideration accrues through the provision of the service to the customer. Licensing and other fees are recognized as revenue when paid based on the licensing period they pertain to. The Vessel Day Scheme (VDS) is a scheme where vessel owners can purchase and trade days fishing at sea in places subject to the Parties to the Nauru Agreement (PNA). Revenues from the VDS are recognized upon issuance of fishing days transfer notification.

Non-operating revenues and expenses primarily consist of equity earnings in joint venture, investment earnings, grants, and contributions to RepMar.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2020 and 2019

### (2) Summary of Significant Accounting Policies, Continued

#### Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. As of September 30, 2020 and 2019, the accumulated vacation leave liability totals \$95,594 and \$92,033, respectively, and is included within the statements of net position as other liabilities and accruals.

#### Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

#### New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2020 and 2019

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. Except for paragraphs 11b, 13, and 14, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021. The requirement in paragraphs 11b, 13, and 14 are effective for fiscal year ending September 30, 2022.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2020 and 2019

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

### (3) Risk Management

MIMRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MIMRA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

### (4) Investment in Joint Venture

In 2005, MIMRA entered into a joint venture agreement with Koo's Fishing Company, Ltd. (KFC) to form the Marshall Islands Fishing Company (MIFCO), an ongoing association for the purpose of engaging in the purse seine fishing business. The association was formally organized during fiscal year 2006 with the purchase of the vessel, RMI201. MIMRA and KFC's contributed capital at the time was \$2,940,000 and \$3,060,000, respectively, which represented a 49% and 51% interest, respectively, of the vessel's value of \$6,000,000. The parties agreed that the joint venture will be operated by KFC and MIMRA will not be liable to the joint venture.

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Notes to Financial Statements  
September 30, 2020 and 2019

**(4) Investment in Joint Venture, Continued**

A summary of financial information as of and for the years ended December 31, 2020 and 2019, for investees accounted for using the equity method of accounting for investments, are as follows:

|                     | <u>2020</u>           | <u>2019</u>          |
|---------------------|-----------------------|----------------------|
| Assets              | \$ <u>24,624,467</u>  | \$ <u>18,748,056</u> |
| Liabilities         | \$ <u>15,474,189</u>  | \$ <u>7,867,885</u>  |
| Net earnings (loss) | \$ <u>(1,729,893)</u> | \$ <u>893,623</u>    |

No dividend distribution was received in 2020 and 2019.

An analysis of the change in the investment in joint venture during the years ended September 30, 2020 and 2019 is as follows:

|                                    | <u>2020</u>         | <u>2019</u>         |
|------------------------------------|---------------------|---------------------|
| Beginning balance                  | \$ 5,222,356        | \$ 4,917,702        |
| Equity in earnings (loss) of MIFCO | <u>(526,267)</u>    | <u>304,654</u>      |
| Ending balance                     | \$ <u>4,696,089</u> | \$ <u>5,222,356</u> |

**(5) Capital Assets**

Capital asset activity for the years ended September 30, 2020 and 2019 is as follows:

|                               | <u>2020</u>                |                     |                           |                               |
|-------------------------------|----------------------------|---------------------|---------------------------|-------------------------------|
|                               | <u>October 1,<br/>2019</u> | <u>Additions</u>    | <u>Disposal/Transfers</u> | <u>September 30,<br/>2020</u> |
| Building                      | \$ 3,197,735               | \$ 318,435          | \$ -                      | \$ 3,516,170                  |
| Building improvements         | 210,874                    | -                   | (210,874)                 | -                             |
| Equipment                     | 1,211,416                  | 1,157,959           | (1,900)                   | 2,367,475                     |
| Equipment improvements        | 109,270                    | -                   | -                         | 109,270                       |
| Vehicles                      | 371,264                    | 80,845              | (81,995)                  | 370,114                       |
| Furniture and fixtures        | 66,171                     | 1,511               | -                         | 67,682                        |
| Motor boats                   | <u>163,912</u>             | <u>257,645</u>      | -                         | <u>421,557</u>                |
|                               | 5,330,642                  | 1,816,395           | (294,769)                 | 6,852,268                     |
| Less accumulated depreciation | <u>(1,129,269)</u>         | <u>(572,596)</u>    | <u>263,020</u>            | <u>(1,438,845)</u>            |
|                               | \$ <u>4,201,373</u>        | \$ <u>1,243,799</u> | \$ <u>(31,749)</u>        | \$ <u>5,413,423</u>           |

During the year ended September 30, 2020, MIMRA purchased a building and equipment of \$318,435 and \$181,565, respectively, from Aquaculture Technologies of the Marshall Islands (ATMI). MIMRA plans to have these purchased assets valued by independent and qualified individuals to determine historical or estimated historical costs. MIMRA will provide assistance to ATMI in its hatchery activities.

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Notes to Financial Statements  
September 30, 2020 and 2019

(5) Capital Assets, Continued

|                               | 2019                |                     |                       |                       |
|-------------------------------|---------------------|---------------------|-----------------------|-----------------------|
|                               | October 1,<br>2018  | Additions           | Disposal/Transfers    | September 30,<br>2019 |
| Building                      | \$ -                | \$ 3,197,735        | \$ -                  | \$ 3,197,735          |
| Building improvements         | 210,874             | -                   | -                     | 210,874               |
| Equipment                     | 691,046             | 643,933             | (123,563)             | 1,211,416             |
| Equipment improvements        | 109,270             | -                   | -                     | 109,270               |
| Vehicles                      | 374,764             | 20,495              | (23,995)              | 371,264               |
| Furniture and fixtures        | 43,218              | 55,746              | (32,793)              | 66,171                |
| Motor boats                   | <u>163,912</u>      | <u>-</u>            | <u>-</u>              | <u>163,912</u>        |
|                               | 1,593,084           | 3,917,909           | (180,351)             | 5,330,642             |
| Less accumulated depreciation | <u>(966,206)</u>    | <u>(343,414)</u>    | <u>180,351</u>        | <u>(1,129,269)</u>    |
|                               | 626,878             | 3,574,495           | -                     | 4,201,373             |
| Construction in progress      | <u>3,215,900</u>    | <u>214,640</u>      | <u>(3,430,540)</u>    | <u>-</u>              |
|                               | <u>\$ 3,842,778</u> | <u>\$ 3,789,135</u> | <u>\$ (3,430,540)</u> | <u>\$ 4,201,373</u>   |

During the year ended September 30, 2019, construction of the \$3,197,735 MIMRA building was completed and placed in service.

(6) Investment in Stock of an Affiliated Entity

In 2014, MIMRA purchased 49,000 shares of Marshall Islands National Telecommunications Authority (MINTA), a component unit of RepMar, at \$20 per share. The investment in MINTA is recorded at NAV per share since MIMRA does not have a readily determinable fair value. The investment comprises approximately 15% of the outstanding shares of MINTA as of September 30, 2020 and 2019. No dividends were received during the years ended September 30, 2020 and 2019. As of September 30, 2020 and 2019, due to the investee's recurring losses and its inability to generate sufficient cash flows to meet its debt obligation, the investment is recorded at a \$0 carrying value, which is net of an impairment allowance of \$980,000 in the accompanying statements of net position.

(7) Related Party Transactions

MIMRA was created by the Nitijela of RepMar under Public Law 1997-60 and is thus considered a component unit of RepMar. Accordingly, MIMRA is affiliated with all RepMar-owned and affiliated entities, including Tobolar Copra Processing Authority (Tobolar).

MIMRA acts as an agent of RepMar for the purposes of collecting and remitting income received from sovereign nations in accordance with various international fishing rights treaties. During the years ended September 30, 2020 and 2019, MIMRA collected \$3,579,787 and \$2,314,357, respectively, under these treaties.

During the years ended September 30, 2020 and 2019, MIMRA provided cash contributions to RepMar's General Fund of \$31,300,000 and \$29,141,128, respectively, in accordance with annual legislative appropriations as enacted by the Nitijela. In 2016, the Nitijela of RepMar enacted the Marshall Islands Marine Resources Authority (MIMRA Surplus Funds Amendment) Act 2016, effective January 1, 2016, which provided a process for the transfer to RepMar's General Fund of any surplus funds from MIMRA.

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Notes to Financial Statements  
September 30, 2020 and 2019

**(7) Related Party Transactions, Continued**

MIMRA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions as of September 30, 2020 and 2019 and for the years then ended is as follows:

|  | 2020                |                   |                   |                    |
|--|---------------------|-------------------|-------------------|--------------------|
|  | <u>Revenues</u>     | <u>Expenses</u>   | <u>Payables</u>   | <u>Receivables</u> |
| Marshall Islands Fishing Company                       | \$ 1,294,500        | \$ -              | \$ -              | \$ 60,000          |
| Koo's Fishing Company, Ltd.                            | 4,376,000           | -                 | -                 | 588,000            |
| Marshall Islands Social Security Administration        | -                   | 211,376           | 98,139            | -                  |
| Marshall Islands National Telecommunications Authority | -                   | 36,130            | 4,616             | -                  |
| Marshall's Energy Company, Inc.                        | -                   | 173,956           | 41,891            | -                  |
| RepMar   | -                   | 23,789            | 114,499           | 4,500              |
| Tobolar Copra Processing Authority                     | -                   | -                 | -                 | 50,000             |
| Other  | -                   | <u>179,319</u>    | <u>3,432</u>      | <u>16,407</u>      |
|  | <u>\$ 5,670,500</u> | <u>\$ 624,570</u> | <u>\$ 262,577</u> | 718,907            |
| Less allowance for doubtful receivables                |                     |                   |                   | <u>(688,807)</u>   |
|  |                     |                   |                   | <u>\$ 30,100</u>   |
|  |                     |                   |                   |                    |
|  | 2019                |                   |                   |                    |
|  | <u>Revenues</u>     | <u>Expenses</u>   | <u>Payables</u>   | <u>Receivables</u> |
| Marshall Islands Fishing Company                       | \$ 1,441,500        | \$ -              | \$ -              | \$ 60,000          |
| Koo's Fishing Company, Ltd.                            | 4,447,500           | -                 | -                 | 578,000            |
| Marshall Islands Social Security Administration        | -                   | 219,673           | 116,078           | -                  |
| Marshall Islands National Telecommunications Authority | -                   | 35,187            | 2,507             | -                  |
| Marshall's Energy Company, Inc.                        | -                   | 101,563           | 10,810            | -                  |
| RepMar   | -                   | 42,384            | 114,283           | 4,500              |
| Tobolar Copra Processing Authority                     | -                   | 200               | -                 | 50,000             |
| Other  | -                   | <u>110,902</u>    | <u>88,363</u>     | <u>11,307</u>      |
|  | <u>\$ 5,889,000</u> | <u>\$ 509,909</u> | <u>\$ 332,041</u> | 703,807            |
| Less allowance for doubtful receivables                |                     |                   |                   | <u>(688,807)</u>   |
|  |                     |                   |                   | <u>\$ 15,000</u>   |

In 2013, MIMRA advanced \$100,000 to Tobolar for the purpose of assisting in funding the purchase of copra. The advance is uncollateralized and is non-interest bearing and is due and payable by Tobolar from the proceeds of oil sales. As of September 30, 2020 and 2019, \$50,000 remains uncollected and due from Tobolar.

**(8) Employee Retirement Plan**

Effective January 1, 2019, MIMRA implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least 3 months of service. Plan participants may contribute 5% up to 10% of their gross salaries to be matched 100% by MIMRA. Withdrawal from the Plan occurs upon termination of employment, retirement at age 65, permanent disability or death. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. MIMRA contributed \$73,680 and \$32,231, respectively, to Plan participant accounts during the years ended September 30, 2020 and 2019, and total plan assets were \$210,441 and \$66,089, respectively, as of September 30, 2020 and 2019.

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Notes to Financial Statements  
September 30, 2020 and 2019

(9) Financing

World Bank

In 2014, the World Bank approved funding to support the Pacific Islands Regional Oceanscape Program (PROP), a regional program of operations to strengthen the management of fisheries in the Pacific Islands. Various components and activities of the PROP are to be financed by the International Development Association (IDA) and the Global Environment Facility (GEF) Program. In 2015, MIMRA entered into a subsidiary agreement with RepMar for the purposes of executing the objectives of the PROP.

During the years ended September 30, 2020 and 2019, MIMRA received \$2,286,138 and \$558,138, respectively, from the World Bank in the form of financial support from IDA (Grant ID 0170) to support implementation of strengthening the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend. The grant closing date was originally September 30, 2020 but was extended to September 30, 2021. In addition, MIMRA received \$854,681 and \$24,691, respectively, from the World Bank in the form of financial support from GEF (TF 18606), of which \$322,573 is due and receivable from the World Bank at September 30, 2020. The grant closed on September 30, 2020; however, MIMRA was granted a 4-month extension to submit withdrawal applications and supporting documentation for grant expenses delivered, received, and accepted on or before September 30, 2020. A summary of these grant activities is as follows:

|   | <u>2020</u>        | <u>2019</u>       |
|---|--------------------|-------------------|
| IDA Grant ID 0170:                      |                    |                   |
| Balance at beginning of the year        | \$ 262,676         | \$ 666,920        |
| Grant funds received during the year    | 2,286,138          | 558,138           |
| Grant expenses incurred during the year | <u>(1,739,787)</u> | <u>(962,382)</u>  |
| Balance at end of the year              | \$ <u>809,027</u>  | \$ <u>262,676</u> |
| GEF Grant TF 18606:                     |                    |                   |
| Balance at beginning of the year        | \$ (817)           | \$ (2,642)        |
| Grant funds received during the year    | 854,681            | 24,691            |
| Grant expenses incurred during the year | <u>(827,590)</u>   | <u>(22,866)</u>   |
| Balance at end of the year              | \$ <u>26,274</u>   | \$ <u>(817)</u>   |

Management is of the opinion that the proceeds from the IDA and GEF grants have been expended in accordance with intended purposes specified in the respective grant agreements.

The Nature Conservancy

In 2017, The Nature Conservancy, a District of Columbia non-profit corporation, agreed to make a cooperative grant to RepMar, under the administration of MIMRA, whereby the parties will work together to improve the financial and environmental performance of the RMI's longline tuna fishery. The grant expires on September 30, 2020. A summary of the grant activities is as follows:

|   | <u>2020</u>     | <u>2019</u>     |
|---|-----------------|-----------------|
| Balance at beginning of the year        | \$ (455)        | \$ 32,555       |
| Grant expenses incurred during the year | <u>-</u>        | <u>(33,010)</u> |
| Balance at end of the year              | \$ <u>(455)</u> | \$ <u>(455)</u> |

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Notes to Financial Statements  
September 30, 2020 and 2019

(9) Financing, Continued

The Nature Conservancy, Continued

During the year ended September 30, 2019, MIMRA received a \$150,000 grant from The Nature Conservancy to fund the implementation of the 2019 Joint-Conservancy-Grantee Workplan in order to support the shared objectives of exploring options to diversify and increase RMI's earnings from tuna resources, eliminating illegal, unreported and unregulated fishing, marine spatial planning and assisting in the implementation of RMI National Oceans Policy. The grant expires on February 21, 2021. A summary of the grant activities is as follows:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| Balance at beginning of the year        | \$ 150,000        | \$ -              |
| Grant funds received during the year    | -                 | 150,000           |
| Grant expenses incurred during the year | <u>(41,776)</u>   | <u>-</u>          |
| Balance at end of the year              | \$ <u>108,224</u> | \$ <u>150,000</u> |

In addition, during the years ended September 30, 2020 and 2019, MIMRA received \$10,000 and \$5,000, respectively, from The Nature Conservancy to fund MIMRA's costs in the creation of a new legal entity (Tuna Co.) that will serve as alternative end-to-end tuna supply chain model. The grant expired on January 31, 2020. A summary of the grant activities is as follows:

|   | <u>2020</u>     | <u>2019</u>     |
|---|-----------------|-----------------|
| Balance at beginning of the year        | \$ 5,000        | \$ -            |
| Grant funds received during the year    | 10,000          | 5,000           |
| Grant expenses incurred during the year | <u>(14,670)</u> | <u>-</u>        |
| Balance at end of the year              | \$ <u>330</u>   | \$ <u>5,000</u> |

Chinese Taipei Trust Fund

In 2017, MIMRA received joint assistance from Pacific Community and Forum Fisheries Agency to improve data collection by the Observers and management. The purpose of the assistance is to build technical capacity at MIMRA for the efficiency of the National Observer Program. During the year ended September 30, 2020, MIMRA received \$49,940 from the Chinese Taipei Trust Fund to fund the operations of the project. A summary of the grant activities is as follows:

|   | <u>2020</u>      | <u>2019</u>      |
|---|------------------|------------------|
| Balance at beginning of the year        | \$ 13,319        | \$ 43,505        |
| Grant funds received during the year    | 49,940           | -                |
| Grant expenses incurred during the year | <u>(15,491)</u>  | <u>(30,186)</u>  |
| Balance at end of the year              | \$ <u>47,768</u> | \$ <u>13,319</u> |

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2020 and 2019

### (10) PNA Office

The PNA was established by eight sovereign nations (Federated States of Micronesia, Marshall Islands, Kiribati, Tuvalu, Solomon Islands, Nauru, Papua New Guinea, and Palau) in 1982. The PNA Office was established as a quasi-governmental organization in Majuro as the Head Office of the PNA and is responsible for administering of the VDS program, including collection of revenues associated with this program. During the years ended September 30, 2020 and 2019, MIMRA recognized revenues related to the VDS program of \$28,112,074 and \$28,143,896, respectively. As of September 30, 2020 and 2019, receivables due from the PNA Office associated with VDS revenues amounted to \$7,048,506 and \$1,284,566, respectively. During the years ended September 30, 2020 and 2019, MIMRA incurred administrative fees of \$186,956 and \$45,354, respectively, associated with administration of the VDS program by the PNA Office.

### (11) Commitments and Contingencies

#### Lease Commitments

MIMRA has assumed payment obligations under certain ground leases, which were previous obligations of RepMar's Ministry of Culture and Internal Affairs as well as payment obligations under certain ground leases, which were previously the obligation of unrelated parties. These ground leases have original terms ranging from five to twenty-five years, expiring in 2020 through 2037.

Total future minimum lease payments for subsequent years ending September 30, are as follows:

| <u>Year ending</u><br><u>September 30,</u> |                   |
|--|-------------------|
| 2021                                       | \$ 43,107         |
| 2022                                       | 43,394            |
| 2023                                       | 43,394            |
| 2024                                       | 23,255            |
| 2025                                       | 17,665            |
| 2026 - 2030                                | 67,336            |
| 2031 - 2035                                | 62,423            |
| 2036 - 2037                                | <u>27,167</u>     |
|  | \$ <u>327,741</u> |

MIMRA has entered into lease agreements expiring over various years through May 8, 2031. Future minimum lease income for the subsequent years ending September 30 is as follows:

| <u>Year ending</u><br><u>September 30,</u> |                  |
|--|------------------|
| 2021                                       | \$ 21,098        |
| 2022                                       | 19,265           |
| 2023                                       | 13,514           |
| 2024                                       | 12,000           |
| 2025                                       | 12,000           |
| 2026-2030                                  | 12,000           |
| 2031                                       | <u>7,000</u>     |
|  | \$ <u>96,877</u> |

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2020 and 2019

### (11) Commitments and Contingencies, Continued

#### Contingencies

MIMRA is a party to legal proceedings. MIMRA's management believes that the provision for any liability will not be material to the accompanying financial statements.

### (12) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On October 28, 2020, one confirmed case was identified in the Marshall Islands that was subsequently isolated and contained. On November 17, 2020, an additional three cases were identified, and which were isolated and contained. As of September 16, 2021, no community transmission has been identified. However, MIMRA has started implementing precautionary measures, which include the temporary suspension of all observer activities, in conjunction with government-imposed restrictions that negatively impact MIMRA's transshipment activities. The decline in revenues caused by these matters is expected to ultimately reduce MIMRA's future contributions to RepMar. Therefore, while MIMRA expects this matter to continuously impact its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Marshall Islands Marine Resources Authority:

We have audited, 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, the financial statements of Marshall Islands Marine Resources Authority (MIMRA), which comprise the statement of net position as of September 30, 2020, and the statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MIMRA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MIMRA's internal control. Accordingly, we do not express an opinion on the effectiveness of MIMRA's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2020-001 that we consider to be material weaknesses.

### **Compliance and Other Matters**

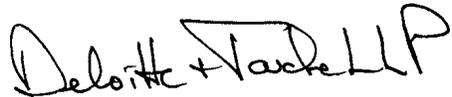
As part of obtaining reasonable assurance about whether MIMRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

## MIMRA's Responses to Findings

MIMRA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. MIMRA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of MIMRA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MIMRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, flowing style.

September 16, 2021

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

### Schedule of Findings and Responses Year Ended September 30, 2020

Finding No.: 2020-001  
Area: Capital Assets

Criteria: In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis- for State and Local Governments: Omnibus*, capital assets should be reported at historical cost.

Condition: In October 2019, MIMRA purchased a building and equipment for \$500,000. The purchase price was based on a valuation through the assistance of RepMar's Ministry of Public Works, Infrastructure and Utilities (PWIU) and the Aquaculture Division of MIMRA. Based on scrutiny of the valuation report, the assumptions, data and methodologies performed were not adequately documented. As a result, it is uncertain whether the purchased price represents historical cost or estimated historical cost.

Cause: The cause of the above condition is the lack of policies and procedures to properly value capital assets.

Effect: The effect of the above condition is possible misstatement of capital assets.

Recommendation: We recommend that management require asset valuations be performed by independent and qualified individuals or entities with necessary skills and credentials to perform such specialized work.

Auditee Response and Corrective Action Plan: MIMRA concurs with the auditor's recommendation. Since we do not have available appraisal offices and experts on island, MIMRA had engaged the services of RepMar's Ministry of Public Works, Infrastructure and Utilities (PWIU) to do the valuation and assessment of assets during the purchasing process. Currently, MIMRA is communicating with PWUI's executing engineer on available alternatives to resolve this finding.

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Unresolved Prior Year Findings  
Year Ended September 30, 2020

There are no unresolved audit findings from prior year audits of MIMRA.