

**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, 2019 AND 2018**

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Years Ended September 30, 2019 and 2018  
Table of Contents

	<u>Page No.</u>
I. INDEPENDENT AUDITORS' REPORT	1
II. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
III. FINANCIAL STATEMENTS	
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	14
IV. INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	26
Unresolved Prior Year Findings	28

## 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, 2019 and 2018, 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, 2019 and 2018, 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 Matter***

### ***COVID-19***

As discussed in Note 13 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 this matter.

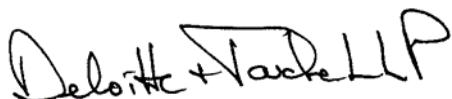
## ***Other Matters***

### ***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 June 17, 2020, 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.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is fluid and cursive, with "Deloitte" on the left and "& Touche LLP" on the right, separated by a small ampersand.

June 17, 2020

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

### Management's Discussion and Analysis September 30, 2019 and 2018

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, 2019. 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 2019, 2018 and 2017.

#### **Financial Operations**

##### Statements of Net Position

	<u>2019</u>	<u>2018</u>	(%) <u>Change</u>	<u>2017</u>
<b>ASSETS:</b>				
Current and other assets	\$ 27,103,373	\$ 25,963,219	4%	\$ 25,170,217
Capital assets	4,201,373	3,842,778	9%	1,965,793
Investment in JV	<u>5,222,356</u>	<u>4,917,702</u>	6%	<u>6,209,153</u>
Total Assets	<u>\$ 36,526,911</u>	<u>\$ 34,723,699</u>	5%	<u>\$ 33,345,163</u>
<b>LIABILITIES:</b>				
Current Liabilities	<u>\$ 846,420</u>	<u>\$ 903,041</u>	(6%)	<u>\$ 909,837</u>
<b>NET POSITION:</b>				
Investment in capital assets	4,201,373	3,842,778	9%	1,965,793
Restricted	430,995	742,780	(41%)	692,160
Unrestricted	<u>31,048,123</u>	<u>29,235,100</u>	6%	<u>29,777,373</u>
Total Net Position	<u>35,680,491</u>	<u>33,820,658</u>	5%	<u>32,435,326</u>
	<u>\$ 36,526,911</u>	<u>\$ 34,723,699</u>	5%	<u>\$ 33,345,163</u>

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

	<u>2019</u>	<u>2018</u>	(%) <u>Change</u>	<u>2017</u>
<b>REVENUES:</b>				
Operating Revenues	\$ 34,597,266	\$ 33,938,061	1%	\$ 34,057,424
Capital Revenues	-	153,875	(100%)	-
Non-Operating Revenues	<u>1,286,445</u>	<u>779,393</u>	65%	<u>2,047,217</u>
Total Revenues	<u>35,883,711</u>	<u>34,871,329</u>	3%	<u>36,104,641</u>
<b>EXPENSES:</b>				
Operating Expenses	4,882,750	4,030,989	21%	4,759,761
Non-operating expenses	<u>29,141,128</u>	<u>29,455,008</u>	(1%)	<u>40,138,929</u>
Total Expenses	<u>34,023,878</u>	<u>33,485,997</u>	2%	<u>44,898,690</u>
Changes in net position	1,859,833	1,385,332	34%	(8,794,049)
Net position at beginning of year	<u>33,820,658</u>	<u>32,435,326</u>	4%	<u>41,229,375</u>
Net position at end of year	<u>\$ 35,680,491</u>	<u>\$ 33,820,658</u>	5%	<u>\$ 32,435,326</u>

# MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis, Continued  
September 30, 2019 and 2018

## Overall Analysis

Management's Discussion and Analysis for the year ended September 30, 2018 is set forth in MIMRA's report on the audit of financial statements, which is dated June 5, 2019. That Management Discussion and Analysis explains the major factors impacting the 2018 financial statements and can be obtained from MIMRA's Administrator via the contact information in page 9.

<u>REVENUE:</u>	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>
<b>Operating Revenue</b>	\$ 34,597,266	\$ 33,938,061	\$ 659,205	\$ 34,057,424

Net operating revenue increased by 1%. Please see below details of the increase and decrease of revenue categories:

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>
VDS	\$ 28,143,896	\$ 25,842,384	\$ 2,301,512	\$ 25,389,600
Licensing/registration	2,573,000	2,320,700	252,300	2,508,792
Fishing rights	2,314,357	3,302,312	(987,955)	3,143,085
Observers fees	766,760	826,797	(60,037)	815,987
Transshipment fees	538,000	475,500	62,500	596,000
Fishing violation	200,000	550,000	(350,000)	715,000
Boat charter fees	-	700,000	(700,000)	700,000
Others	<u>73,253</u>	<u>176,904</u>	<u>(103,651)</u>	<u>196,430</u>
	<u>34,609,266</u>	<u>34,194,597</u>	<u>414,669</u>	<u>34,064,894</u>
Bad debts	<u>(12,000)</u>	<u>(256,536)</u>	<u>244,536</u>	<u>(7,470)</u>
	<b><u>\$ 34,597,266</u></b>	<b><u>\$ 33,938,061</u></b>	<b><u>\$ 659,205</u></b>	<b><u>\$ 34,057,424</u></b>

VDS revenues have increased by 8% due to the pooling of days in Parties to the Nauru Agreement (PNA) and Forum Fisheries Agency (FFA) with set prices at \$11,000 per day. This price is higher compared to prices in bilateral agreements. LICENSING AND REGISTRATION REVENUES have increased due to increase in the licensing of carrier vessels from 59 boats in 2018 to 70 boats in 2019, and purse seiner vessels from 127 boats in FY2018 to 130 boats in FY2019. Longline licenses have also increased by 4 boats during the year. The decrease in FISHING RIGHTS revenues is caused by the decline in the revenues from: FSM Arrangement (35%), FAA Treaty (34%) and Japan Bilateral (11%). OBSERVERS FEES have decreased by 7% due to lesser trips. TRANSSHIPMENT FEES have increased by 13% due to increase of transshipment activities at the Majuro port, from 468 boats in FY2018 to 531 boats in FY2019. FISHING VIOLATION FINES have decreased by 63%. This means that operators and master fishermen have been observing good fishing etiquette and lesser penalties were charged to fishing boats. BOAT CHARTER FEES agreement has stopped during the year. On the other hand, OTHERS REVENUES have decreased due to the decrease of export permits and dividends in FY2019.

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>(%) Change</u>
TRANSSHIPMENT:				
No. of boats (PS/Carrier)	531	468	63	13%

Transshipments have increased by 63 boats. This increase is attributable to the increase of fish demand for processing at Pan Pacific Fishing (RMI), Inc. (PPF). Transshipment charges depend whether the boat are licensed or unlicensed. Licensed vessels are charged \$1,000 while unlicensed boats are charged \$2,000.

# MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

## Management's Discussion and Analysis, Continued September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>(%) Percent</u>
<b>BOAT REGISTRATION:</b>				
a.) Foreign Boats (Purse Seiner):				
• CHINA	8	8	-	0%
• JAPAN	25	25	-	0%
• KOREA	33	26	7	27%
• PHILIPPINES (RD/TJ)	13	13	-	0%
• TAIWAN	23	23	-	0%
• PNG (Great Investment)	-	11	(11)	(100%)
• South Pacific	7	-	7	100%
• OTHERS	<u>10</u>	<u>11</u>	<u>(1)</u>	<u>(9%)</u>
<b>TOTAL</b>	<b><u>119</u></b>	<b><u>117</u></b>	<b><u>2</u></b>	<b><u>2%</u></b>
b.) Domestic Boats (Purse Seine):				
• KOO'S FISHING	4	4	-	0%
• MIFCO	1	1	-	0%
• PAN Pacific	<u>6</u>	<u>5</u>	<u>1</u>	<u>20%</u>
<b>TOTAL</b>	<b><u>11</u></b>	<b><u>10</u></b>	<b><u>1</u></b>	<b><u>9%</u></b>
c.) Japan Fisheries (Longline/Pole and Line):				
1. POLE and LINE	26	23	3	13%
2. LONGLINE	<u>10</u>	<u>9</u>	<u>1</u>	<u>11%</u>
<b>TOTAL</b>	<b><u>36</u></b>	<b><u>32</u></b>	<b><u>4</u></b>	<b><u>12.5%</u></b>
d.) DOMESTIC (Longline):				
1. China Overseas	9	8	1	13%
2. LianCheng Fisheries	<u>24</u>	<u>23</u>	<u>1</u>	<u>4%</u>
<b>TOTAL</b>	<b><u>33</u></b>	<b><u>31</u></b>	<b><u>2</u></b>	<b><u>6%</u></b>
e.) CARRIER/BUNKER:				
1. Bunker	14	14	-	0%
2. Carrier	70	59	11	19%
<b>TOTAL</b>	<b><u>84</u></b>	<b><u>73</u></b>	<b><u>11</u></b>	<b><u>15%</u></b>
<b>Grand Total</b>	<b><u>283</u></b>	<b><u>263</u></b>	<b><u>20</u></b>	<b><u>8%</u></b>

Above are the details of the boats registered in FY2019 and FY2018, which shows an increase of 20 boats registered in FY2019.

On the other hand, aside from paying license fees, China, Japan, Philippines, Taiwan and South Pacific (USA), have purchased fishing days for the current year amounting to \$6,248,000 (equal to 568 days). Korea was also involved in the bidding process by PNA of which VDS pooled days from member countries are offered. In the current year, the pooling days have contributed \$6,549,351 (equal to 525 days) to the revenues. US Treaty through FFA has also contributed \$3,031,828 revenues (equal to 250 days). Domestic-based companies such as Koo's Fishing, MIFCO (joint venture) and PPF have contributed to the total VDS fishing day income of \$11,900,000 (equal to 1,700 days).

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

### Management's Discussion and Analysis, Continued September 30, 2019 and 2018

Another domestic-based company Marshall Islands Fishing Venture (MIFV) that operates China Overseas and Lian Cheng Fisheries had two (2) more registered boats in FY019 and contributed \$328,000 compared to \$372,000 in FY2018. The amount is a little bit lower due to nine (9) boats that were only registered for three months compared in FY2018 were the boats are registered for one (1) year. Bunkers and carriers have registered eleven (11) more boats during the current year compared to FY2018 and realizing \$840,000 revenues compared to last fiscal year's \$730,000.

Overall, total revenues of \$35,883,711 (includes non-operating) exceeded estimated revenues by \$2,071,211, with FY2019 revenue budget at \$33,812,500. This is a favorable outcome even current year revenues decreased by 54% compared to last year's \$4,527,454 favorable result against the FY2018 budget of \$30,190,000.

In FY2019, total operating expense is reported at \$4,882,750, which represents an increase of 21% from previous year, equivalent to a \$851,761 difference. \$167,479 of the operating expense pertains to World Bank (WB) project expenses for operation and other projects such as Rei-Maanlok, boat charter, travel (overseas & domestic), consultancy fees, meetings, conference and training. Thus, the net expenses for MIMRA's operations were \$4,715,271, which are still higher compared to FY2018 expenses. Almost all of the operating expenses have gone up during the year except for boarding and observer fees (decreased by \$24,552), membership dues and subscriptions (decreased by \$17,557), travel (decreased by \$33,899), PNA administrative fees (decreased by \$24,539) and miscellaneous expenses (decreased by \$6,559).

Contributions to RepMar in FY2019 amounting to \$29,141,128 did not change significantly compared to the FY2018 transfer of \$29,440,214 (a decrease of 1%). The decrease contributed to MIMRA's net profit of \$1,859,833 during the year. This is a 34% increase compared to the FY2018 change in net position of \$1,385,332.

MIMRA's financial condition as shown by the change in net position at end of the year shows an overall increase of 5% compared to FY2018.

#### **Fund Analysis**

At the end of FY2019, MIMRA's combined funds (savings and current account) amounted to \$24,458,060 which was higher by 30% compared to \$18,710,050 at the end of FY2018. The increase can be attributed to collections from the domestic based fishing companies and to the slight increase in fishing day prices. The Contributions to RepMar decreased by \$299,086 from \$29,440,214 in FY2018 to \$29,141,128 in FY2019. This decrease, together with the increase in operating and non-operating revenues, contributed to the increase of the overall fund balance of MIMRA during the current year. Equity earnings from the joint venture increased by 6% compared to FY2018. Dividends from the Joint Venture are directly paid to RepMar and are recorded in MIMRA's books as an addition to the annual contributions to RepMar's General Fund. Grants amounted to \$737,829 (WB Grant \$582,829 and TNC Grant \$155,000) in FY2019, which increased by 49% in comparison to the \$492,906 in FY2018. Interest income amounted to \$242,962 during the current year, which is higher by 76% compared to the \$137,724 in FY2018, which also affected the overall fund balances of MIMRA in FY2019.

#### **Budget Variances**

Actual total revenues, including both operating and non-operating revenues, generated in FY2019, were reported at \$35,883,711. Compared to the budgeted total revenues in FY2019 of \$33,812,500, the result was favorable by as much as \$2,071,211 and is 6% higher compared to the final budget of the same year. Actual expenses, including the contribution out to RepMar and other contribution, in FY2019 amounted to \$34,023,878. When compared to the budget of \$32,614,683, the result was unfavorable variance of \$1,409,195 or 4%.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis, Continued  
September 30, 2019 and 2018

### Capital Assets

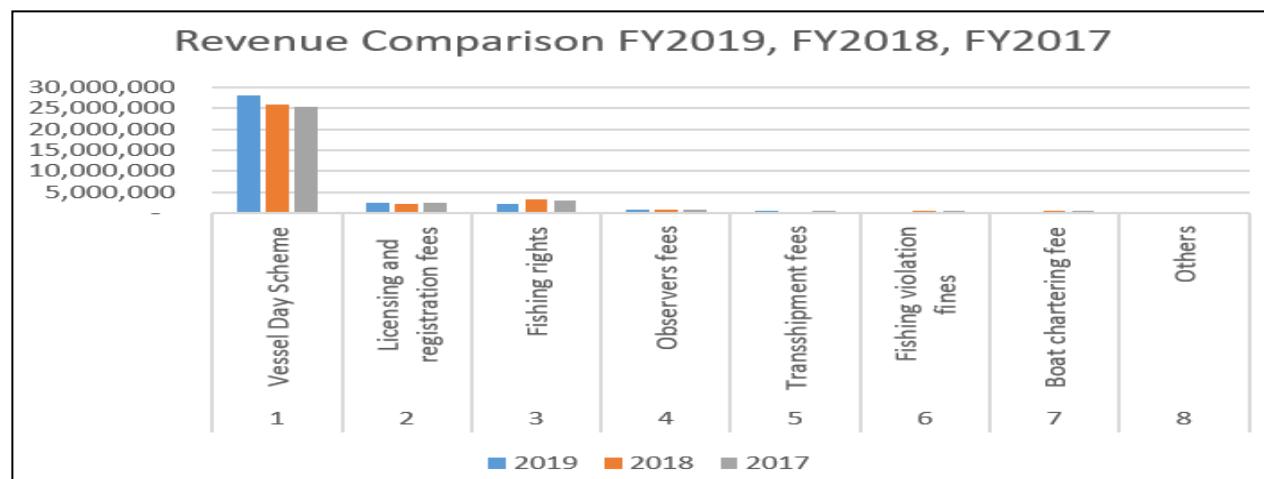
At the end of the FY2019, MIMRA has a net investment in capital assets of \$4,201,373 compared to \$3,842,778 in FY2018. This is a 9% increase equal to \$358,595. The table below indicates an excellent standing of the MIMRA capital assets. Details of addition and disposal are also shown at the table below.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Buildings	\$ 3,197,735	\$ -	\$ -
Building improvements	210,874	210,874	210,874
Equipment improvements	109,270	109,270	96,052
Vehicles	371,264	374,764	289,080
Equipment	1,211,416	691,046	91,089
Furniture and fixtures	66,171	43,218	43,218
Motorboats	<u>163,912</u>	<u>163,912</u>	<u>158,512</u>
Less: Accumulated Depreciation	5,330,642 <u>(1,129,269)</u>	1,593,084 <u>(966,206)</u>	1,388,825 <u>(940,790)</u>
Construction in Progress	4,201,373 <u>-</u>	626,878 <u>3,215,900</u>	448,035 <u>1,517,758</u>
	<u>\$ 4,201,373</u>	<u>\$ 3,842,778</u>	<u>\$ 1,965,793</u>

FY2019 capital asset additions and disposals include:

	<u>Addition</u>	<u>Disposal</u>	<u>Net</u>
1. Building	\$ 3,197,735	\$ -	\$ 3,197,735
2. Equipment	643,933	123,563	520,370
3. Vehicles	20,495	23,995	(3,500)
4. Furniture and fixtures	<u>55,746</u>	<u>32,793</u>	<u>22,953</u>
Depreciation	3,917,909 <u>(343,414)</u>	(180,351) 180,351	3,737,558 <u>(163,063)</u>
Non-depreciable asset	<u>214,640</u>	<u>(3,430,540)</u>	<u>-</u>
	<u>\$ 3,789,135</u>	<u>\$ (3,430,540)</u>	<u>\$ 3,574,495</u>

For additional info concerning capital assets, please see note 6 to the financial statements.



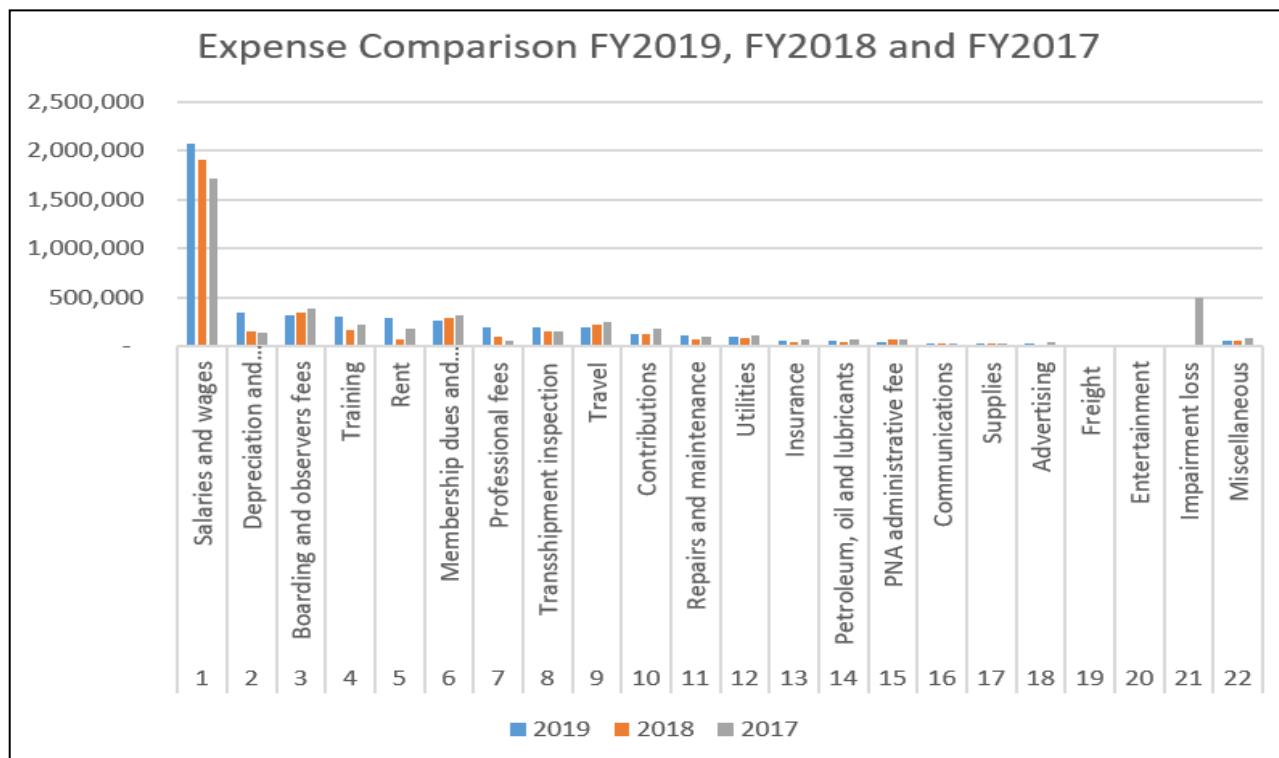
# MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

## Management's Discussion and Analysis, Continued September 30, 2019 and 2018

		2019	2018	2017
1	Vessel Day Scheme	\$28,143,896	\$25,842,384	\$25,389,600
2	Licensing and registration fees	2,573,000	2,320,700	2,508,792
3	Fishing rights	2,314,357	3,302,312	3,143,085
4	Observers fees	766,760	826,797	815,987
5	Transshipment fees	538,000	475,500	596,000
6	Fishing violation fines	200,000	550,000	715,000
7	Boat chartering fee	-	700,000	700,000
8	Others	73,253	176,904	196,430
	Total Revenues	34,609,266	34,194,597	34,064,764
	Bad debt expense	(12,000)	(256,536)	(7,470)
	Net Revenues	<u>\$34,597,266</u>	<u>\$33,938,061</u>	<u>\$34,064,764</u>

Overall change FY2019 vs FY2018

\$659,205      1.94%



## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

### Management's Discussion and Analysis, Continued September 30, 2019 and 2018

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	2019	2018	2017
1 Salaries and wages	\$2,069,591	\$1,905,768	\$1,721,637
2 Depreciation and amortization	343,414	160,414	140,754
3 Boarding and observers fees	316,273	340,825	391,391
4 Training	307,364	163,779	221,444
5 Rent	292,723	65,844	186,968
6 Membership dues and subscription	269,401	286,978	322,266
7 Professional fees	200,219	96,122	51,550
8 Transshipment inspection	192,400	154,800	157,200
9 Travel	191,427	225,326	245,248
10 Contributions	131,748	127,997	177,160
11 Repairs and maintenance	117,055	76,624	97,359
12 Utilities	99,516	90,240	116,532
13 Insurance	59,653	47,399	70,445
14 Petroleum, oil and lubricants	54,201	49,011	69,295
15 PNA administrative fee	45,354	69,893	77,978
16 Communications	36,959	36,619	34,315
17 Supplies	34,556	25,464	33,377
18 Advertising	33,205	21,048	40,096
19 Freight	16,580	13,947	11,018
20 Entertainment	13,300	8,521	11,869
21 Impairment loss	-	-	500,000
22 Miscellaneous	57,811	64,370	81,859
Total Operating Expense	<u>\$4,882,750</u>	<u>\$4,030,989</u>	<u>\$4,759,761</u>
Overall change (FY2019 vs FY 2018)	<u>\$ 851,761</u>	<u>21%</u>	

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

The budget has been formulated and approved by the MIMRA Board for FY2020. Projected revenues, both operating and non-operating, are \$34,446,500, while projected expenses, including contributions to RepMar, are \$35,738,465. Projected expenses are detailed as follows: \$30,000,000 for contribution to the RMI General Fund, \$4,639,060 for MIMRA OPEX and \$1,099,405 for WB expenses and capital expenditures. In FY2019, the Board of Directors approved a 20% increase in operating expenses, due to the expected increase in expenses in relation to the new office transfer. The 15% across the board increase approved by the Board is to fund employee contract renewals and new contracts during FY2020. Travel expenses, both international and domestic, will depend on how it will be funded, but for unfunded trips, MIMRA will shoulder the cost. Some domestic travel covered by grants that were approved and released to MIMRA in previous years, will be used in FY2020. A supplemental budget amounting to \$2,117,500 for FY2020 has also been 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. The funds will be taken out from the enforcement fund as discussed by the Board during a board meeting.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

### Management's Discussion and Analysis, Continued September 30, 2019 and 2018

The continuing up and down prices of fuel in the world market also affected the Marshall Islands. Marshall Islands still has the highest fuel prices in the Micronesia which has an average of \$5.50 per gallon during the year. It is higher by at least 15% of the pump prices. Commodities in the island continue to have high prices compared to that in the previous years, including the cost of utilities. MIMRA's cost saving and conservation measures adopted in FY11 is still adopted in the formulation of the FY2020 budget. As mentioned above, salaries and wages and operating expenses have an approved increase of 15% and 20%, respectively. Some positions are still to be filled; thus, a budget for new hires is also provided.

Though 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 Japan, China, Taiwan, PNG and Philippines were signed with matching Fishing Days incorporated therein as part of the agreement. 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 for FY2020.

The MIMRA FY2020 budget as discussed above was approved before the COVID-19 pandemic. The pandemic has affected MIMRA's revenues when RepMar Government has decided to regulate the arrival of boats berthing the Marshall Islands. Transshipment activities declined, from a monthly average of 45 boats in FY2019 to 22 boats from January 1 to May 30, 2020. This represents a decline by at least 50%. Observer activities has also stopped 100%. Furthermore, as of May 30, 2020, MIMRA has unsold 797 VDS fishing days which is equivalent to \$8,767,000 (at \$11,000 per day). If the pandemic continues and if MIMRA will not able to sell the remaining days, then MIMRA FY2020 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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 3,227,987	\$ 11,840,709
Time certificates of deposit	<u>21,230,073</u>	<u>6,869,341</u>
Receivables:		
Affiliates	703,807	704,407
Trade	1,514,694	1,583,453
Due from PNA Office	1,284,566	5,804,788
Accrued interest	84,900	84,624
Other	<u>124,546</u>	<u>134,796</u>
	3,712,513	8,312,068
Less allowance for doubtful accounts	<u>(1,067,391)</u>	<u>(1,058,899)</u>
	2,645,122	7,253,169
Total current assets	<u>27,103,182</u>	<u>25,963,219</u>
Capital assets:		
Nondepreciable capital assets	-	3,215,900
Capital assets, net of accumulated depreciation	4,201,373	626,878
Investment in joint venture	<u>5,222,356</u>	<u>4,917,702</u>
	9,423,729	8,760,480
	<u>\$ 36,526,911</u>	<u>\$ 34,723,699</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
Current liabilities:		
Accounts payable	\$ 174,079	\$ 136,025
Contracts payable	157,633	335,949
Payable to affiliates	332,041	271,569
Other liabilities and accruals	<u>182,667</u>	<u>159,498</u>
Total liabilities	<u>846,420</u>	<u>903,041</u>
Commitments		
Net position:		
Net investment in capital assets	4,201,373	3,842,778
Restricted	430,995	742,780
Unrestricted	<u>31,048,123</u>	<u>29,235,100</u>
Total net position	<u>35,680,491</u>	<u>33,820,658</u>
	<u>\$ 36,526,911</u>	<u>\$ 34,723,699</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Vessel Day Scheme	\$ 28,143,896	\$ 25,842,384
Licensing and registration fees	2,573,000	2,320,700
Fishing rights	2,314,357	3,302,312
Observer fees	766,760	826,797
Transshipment fees	538,000	475,500
Fishing violation fines	200,000	550,000
Boat charter fees	-	700,000
Other	73,253	176,904
Total operating revenues	34,609,266	34,194,597
Bad debts expense	<u>(12,000)</u>	<u>(256,536)</u>
Total net operating revenues	<u>34,597,266</u>	<u>33,938,061</u>
Operating expenses:		
Salaries and wages	2,069,591	1,905,768
Depreciation and amortization	343,414	160,414
Boarding and observer fees	316,273	340,825
Training	307,364	163,779
Rent	292,723	65,844
Membership dues and subscriptions	269,401	286,978
Professional fees	200,219	96,122
Transshipment inspection	192,400	154,800
Travel	191,427	225,326
Contributions	131,748	127,997
Repairs and maintenance	117,055	76,624
Utilities	99,516	90,240
Insurance	59,653	47,399
Petroleum, oil and lubricants	54,201	49,011
PNA administrative fee	45,354	69,893
Communications	36,959	36,619
Supplies	34,556	25,464
Advertising	33,205	21,048
Freight	16,580	13,947
Entertainment	13,300	8,521
Miscellaneous	57,811	64,370
Total operating expenses	<u>4,882,750</u>	<u>4,030,989</u>
Operating income	<u>29,714,516</u>	<u>29,907,072</u>
Nonoperating revenues (expenses):		
Equity in earnings of joint venture	304,654	148,763
World Bank grants	582,829	467,906
Nature Conservancy grant	155,000	25,000
Interest income	242,962	137,724
Gain (loss) on sale of asset	1,000	(14,794)
Contributions to RepMar	<u>(29,141,128)</u>	<u>(29,440,214)</u>
Total nonoperating revenues (expenses), net	<u>(27,854,683)</u>	<u>(28,675,615)</u>
Income before capital contributions	1,859,833	1,231,457
Capital contributions	<u>-</u>	<u>153,875</u>
Change in net position	1,859,833	1,385,332
Net position at beginning of year	<u>33,820,658</u>	<u>32,435,326</u>
Net position at end of year	<u>\$ 35,680,491</u>	<u>\$ 33,820,658</u>

See accompanying notes to financial statements.

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Statements of Cash Flows  
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 39,205,589	\$ 34,570,216
Cash payments to suppliers for goods and services	(2,549,328)	(2,298,637)
Cash payments to employees for services	<u>(2,046,629)</u>	<u>(1,857,483)</u>
Net cash provided by operating activities	<u>34,609,632</u>	<u>30,414,096</u>
Cash flows from noncapital financing activities:		
Operating grants received	737,829	492,906
Payments made to RepMar	<u>(29,141,128)</u>	<u>(28,000,000)</u>
Net cash used for noncapital financing activities	<u>(28,403,299)</u>	<u>(27,507,094)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(702,009)	(1,636,006)
Proceeds from sale of capital assets	<u>1,000</u>	<u>16,437</u>
Net cash used for capital and related financing activities	<u>(701,009)</u>	<u>(1,619,569)</u>
Cash flows from investing activities:		
Net (additions to) withdrawal from time certificates of deposit	(14,360,732)	4,510,899
Interest received on time certificates of deposit	<u>242,686</u>	<u>112,047</u>
Net cash provided by (used for) investing activities	<u>(14,118,046)</u>	<u>4,622,946</u>
Net change in cash	(8,612,722)	5,910,379
Cash at beginning of year	<u>11,840,709</u>	<u>5,930,330</u>
Cash at end of year	<u>\$ 3,227,987</u>	<u>\$ 11,840,709</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 29,714,516	\$ 29,907,072
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	343,414	160,414
Bad debts expense	12,000	256,536
(Increase) decrease in assets:		
Receivables:		
Affiliates	600	2,687,480
Trade	65,251	(1,316,205)
Due from PNA Office	<u>4,520,222</u>	<u>(977,405)</u>
Other	<u>10,250</u>	<u>(18,251)</u>
Increase (decrease) in liabilities:		
Accounts payable	(140,262)	(311,726)
Payable to affiliates	<u>60,472</u>	<u>(1,784)</u>
Other liabilities and accruals	<u>23,169</u>	<u>27,965</u>
Net cash provided by operating activities	<u>\$ 34,609,632</u>	<u>\$ 30,414,096</u>
Summary of noncash financing activities:		
Income from equity share investment:		
Decrease in investment in joint venture	\$ (304,654)	\$ (148,763)
Equity in earnings of joint venture	<u>304,654</u>	<u>148,763</u>
	<u>\$ -</u>	<u>\$ -</u>
Dividends paid directly to RepMar:		
Decrease in investment in joint venture	\$ -	\$ 1,440,214
Contributions to RepMar	<u>-</u>	<u>(1,440,214)</u>
	<u>\$ -</u>	<u>\$ -</u>
Donated capital assets:		
Increase in capital assets	\$ -	\$ (153,875)
Capital contributions	<u>-</u>	<u>153,875</u>
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

# MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

## Notes to Financial Statements September 30, 2019 and 2018

### (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 Attorney General and 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, 2019 and 2018, 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, 2019 and 2018, MIMRA has expendable net position as follows:

	<u>2019</u>	<u>2018</u>
World Bank (International Development Association)	\$ 262,676	\$ 666,920
The Nature Conservancy (tuna fisheries improvement)	150,000	32,555
Chinese Taipei Trust Fund	13,319	43,305
The Nature Conservancy (Tuna Co)	<u>5,000</u>	-
	<u>\$ 430,995</u>	<u>\$ 742,780</u>

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2019 and 2018

### (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, 2019 and 2018, the carrying amount of cash and time certificates of deposit were \$24,458,060 and \$18,710,050, respectively, and the corresponding bank balances were \$24,546,783 and \$18,769,241, respectively. Of the bank balances, \$2,161,356 and \$11,384,614, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$22,385,427 and \$7,384,627, respectively, were maintained in a financial institution not subject to depository insurance. As of September 30, 2019 and 2018, 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.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2019 and 2018

### (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. 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.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2019 and 2018

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

#### 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.

#### 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, 2019 and 2018, the accumulated vacation leave liability totals \$92,033 and \$78,769, 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.

#### Reclassifications

Certain balances in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications had no impact on operating income, net position or cash flows as previously reported.

#### New Accounting Standards

During the year ended September 30, 2019, MIMRA implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these standards did not have a material effect on the accompanying financial statements.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2019 and 2018

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

#### New Accounting Standards, Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 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 and 91 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. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

### (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.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2019 and 2018

### (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.

A summary of financial information as of and for the years ended December 31, 2019 and 2018, for investees accounted for using the equity method of accounting for investments, are as follows:

	<u>2019</u>	<u>2018</u>
Assets	\$ <u>18,748,056</u>	\$ <u>15,156,141</u>
Liabilities	\$ <u>7,867,885</u>	\$ <u>5,169,593</u>
Net earnings (loss)	\$ <u>893,623</u>	\$ <u>(193,891)</u>

No dividend distribution was received in 2019. A dividend distribution of \$1,440,214 was received in 2018 and was paid directly to RepMar, which was recorded by MIMRA as a contribution to RepMar.

An analysis of the change in the investment in joint venture during the years ended September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 4,917,702	\$ 6,209,153
Equity in earnings of MIFCO	304,654	148,763
Dividend distribution from MIFCO	—————	(1,440,214)
Ending balance	\$ 5,222,356	\$ 4,917,702

### (5) Asset Held for Donation

In 2016, MIMRA purchased a \$500,000 building to donate to a third party. The donation was subsequently made during the year ended September 30, 2018. An impairment loss of \$500,000 was recorded in 2017 in relation to this building, which was subsequently demolished.

# MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2019 and 2018

## (6) Capital Assets

Capital asset activity for the years ended September 30, 2019 and 2018 is as follows:

	2019		
	October 1, 2018	Additions	Disposal/Transfers
Building	\$ -	\$ 3,197,735	\$ -
Building improvements	210,874	-	210,874
Equipment	691,046	643,933	(123,563)
Equipment improvements	109,270	-	109,270
Vehicles	374,764	20,495	(23,995)
Furniture and fixtures	43,218	55,746	(32,793)
Motor boats	<u>163,912</u>	<u>-</u>	<u>-</u>
	1,593,084	3,917,909	(180,351)
Less accumulated depreciation	<u>(966,206)</u>	<u>(343,414)</u>	<u>180,351</u>
	626,878	3,574,495	-
Non-depreciable capital assets	<u>3,215,900</u>	<u>214,640</u>	<u>(3,430,540)</u>
	<u>\$ 3,842,778</u>	<u>\$ 3,789,135</u>	<u>\$ (3,430,540)</u>
			\$ 4,201,373
	2018		
	October 1, 2017	Additions	Disposal/Transfers
Building improvements	\$ 210,874	\$ -	\$ 210,874
Equipment	591,089	226,736	(126,779)
Equipment improvements	96,052	13,218	-
Vehicles	289,080	125,134	(39,450)
Furniture and fixtures	43,218	-	43,218
Motor boats	<u>158,512</u>	<u>5,400</u>	<u>-</u>
	1,388,825	370,488	(166,229)
Less accumulated depreciation	<u>(940,790)</u>	<u>(160,414)</u>	<u>134,998</u>
	448,035	210,074	(31,231)
Non-depreciable capital assets	<u>1,517,758</u>	<u>1,698,142</u>	<u>-</u>
	<u>\$ 1,965,793</u>	<u>\$ 1,908,216</u>	<u>\$ (31,231)</u>
			\$ 3,842,778

During the year ended September 30, 2018, MIMRA received a \$153,875 capital contribution in-kind donation of capital assets from the Overseas Fishery Cooperation Foundation of Japan.

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

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2019 and 2018

### (7) 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, 2019 and 2018. No dividends were received during the years ended September 30, 2019 and 2018. As of September 30, 2019 and 2018, 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 in the accompanying financial statements.

### (8) 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, 2019 and 2018, MIMRA collected \$2,314,357 and \$3,302,312, respectively, under these treaties.

During the years ended September 30, 2019 and 2018, MIMRA provided cash contributions to RepMar's General Fund of \$29,141,128 and \$29,440,214, 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.

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, 2019 and 2018 and for the years then ended is as follows:

	2019			
	Revenues	Expenses	Payables	Receivables
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	-
Marshalls Energy Company, Inc.	-	101,563	10,810	-
RepMar	-	42,384	114,283	4,500
Tobolar Copra Processing Authority	-	200	-	50,000
Other	<u>—</u>	<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>	<u>703,807</u>
Less allowance for doubtful receivables				<u>(688,807)</u>
				<u>\$ 15,000</u>

# MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

## Notes to Financial Statements September 30, 2019 and 2018

### (8) Related Party Transactions, Continued

	2018			
	<u>Revenues</u>	<u>Expenses</u>	<u>Payables</u>	<u>Receivables</u>
Marshall Islands Fishing Company	\$ 912,500	\$ -	\$ -	\$ 64,525
Koo's Fishing Company, Ltd.	4,965,450	-	-	574,075
Marshall Islands Social Security Administration	-	212,354	94,858	-
Marshall Islands National Telecommunications Authority	-	39,982	-	-
Marshalls Energy Company, Inc.	-	86,463	23,803	-
RepMar	-	1,765	112,520	4,500
Tobolar Copra Processing Authority	-	-	-	50,000
Other	-----	42,150	40,388	11,307
	\$ 5,877,950	\$ 382,714	\$ 271,569	704,407
Less allowance for doubtful receivables				(688,807)
				\$ 15,600

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, 2019 and 2018, \$50,000 remains uncollected and due from Tobolar.

In 2018, MIMRA occupied certain office space and uses properties belonging to RepMar at no cost. No lease agreements have been executed to formalize these arrangements and no rental payments are anticipated. The fair value of these contributions is presently not determinable. Accordingly, the contributed use of facilities has not been recognized as revenue and expenses in the accompanying financial statements.

### (9) 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 \$32,231 to Plan participant accounts during the year ended September 30, 2019 and total plan assets was \$66,089 as of September 30, 2019.

### (10) 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.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2019 and 2018

### (10) Financing, Continued

#### World Bank, Continued

During the years ended September 30, 2019 and 2018, MIMRA received \$558,138 and \$363,370, 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. In addition, MIMRA received \$24,691 and \$104,536, respectively, from the World Bank in the form of financial support from GEF (TF 18606). A summary of these grant activities is as follows:

	<u>2019</u>	<u>2018</u>
IDA Grant ID 0170:		
Balance at beginning of the year	\$ 666,920	\$ 609,365
Grant funds received during the year	558,138	363,370
Grant expenses incurred during the year	<u>(962,382)</u>	<u>(305,815)</u>
Balance at end of the year	<u>\$ 262,676</u>	<u>\$ 666,920</u>
GEF Grant TF 18606:		
Balance at beginning of the year	\$ (2,642)	\$ (56,083)
Grant funds received during the year	24,691	104,536
Grant expenses incurred during the year	<u>(22,866)</u>	<u>(51,095)</u>
Balance at end of the year	<u>\$ (817)</u>	<u>\$ (2,642)</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 will be for a term of two years. A summary of grant activities follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of the year	\$ 32,555	\$ 32,855
Grant funds received during the year	-	25,000
Grant expenses incurred during the year	<u>(33,010)</u>	<u>(25,300)</u>
Balance at end of the year	<u>\$ (455)</u>	<u>\$ 32,555</u>

During the year ended September 30, 2019, MIMRA received \$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. In addition, MIMRA received \$5,000 grant from The Nature Conservancy to fund MIMRA's costs in the creation of a new legal entity (TunaCo) that will serve as alternative end-to-end tuna supply chain model. The grant expires on January 31, 2020. No related expenses were incurred from these grants during the year ended September 30, 2019.

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2019 and 2018

### (10) Financing, Continued

#### 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. On July 10, 2017, MIMRA received \$49,940 from Chinese Taipei Trust Fund (CTTF) who approved the funding of the project. A summary of grant activities follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of the year	\$ 43,505	\$ 49,940
Grant expenses incurred during the year	<u>(29,986)</u>	<u>(6,635)</u>
Balance at end of the year	<u>\$ 13,319</u>	<u>\$ 43,305</u>

### (11) 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, 2019 and 2018, MIMRA recognized revenues related to the VDS program of \$28,143,896 and \$25,842,384, respectively. As of September 30, 2019 and 2018, receivables due from the PNA Office associated with VDS revenues amounted to \$1,284,566 and \$5,804,788, respectively. During the years ended September 30, 2019 and 2018, MIMRA incurred administrative fees of \$45,354 and \$69,893, respectively, associated with administration of the VDS program by the PNA Office.

### (12) Commitments

#### Lease Commitments

MIMRA has assumed payment obligations under certain ground leases, which were previous obligations of RepMar's Ministry of Culture and Internal Affairs. In addition, MIMRA assumed the obligation for a ground lease, which was previously the obligation of an unrelated party. These ground leases have original terms ranging from five to twenty-five years, expiring in 2019 through 2037.

In 2016, MIMRA also purchased a building for the PNA Office and assumed obligation for an attendant lease, which expires in 2037 (see note 5).

## MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements  
September 30, 2019 and 2018

### (12) Commitments, Continued

#### Lease Commitments, Continued

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

Year ending <u>September 30,</u>	
2020	\$ 43,319
2021	32,816
2022	32,437
2023	32,437
2024	12,297
2025 - 2029	36,576
2030 - 2034	36,879
2035 - 2037	<u>15,548</u>
	 <u>\$ 242,309</u>

MIMRA has entered into lease agreements expiring over various years through December 15, 2022. Future minimum lease income for the subsequent years ending September 30 is as follows:

Year ending <u>September 30,</u>	
2020	\$ 20,265
2021	16,098
2022	<u>8,778</u>
	 <u>\$ 45,141</u>

### (13) Subsequent Events

In October 2019, MIMRA purchased \$500,000 of capital assets of Aquaculture Technologies of the Marshall Islands (ATMI). MIMRA will provide assistance to ATMI in its hatchery activities.

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. As of June 17, 2020 there has been no confirmed case of COVID-19 in the Marshall Islands. 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. Furthermore, fishing days of 757 remain unsold as of June 17, 2020 due to the combined impact of travel restrictions and low prices of tuna experienced at the beginning of 2020. 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, 2019, 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 June 17, 2020.

### **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) to determine the 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.

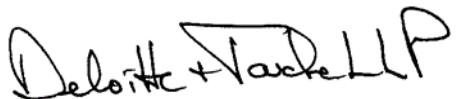
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 fluid and cursive, with "Deloitte" on the first line and "& Touche LLP" on the second line.

June 17, 2020

**MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**

Unresolved Prior Year Findings  
Year Ended September 30, 2019

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