

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

**(A GOVERNMENTAL FUND OF THE  
REPUBLIC OF THE MARSHALL ISLANDS)**

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**FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

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

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

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

Chairman  
Marshall Islands Scholarship Grant and Loan Board:

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

We have audited the accompanying financial statements of the Marshall Islands Scholarship Grant and Loan Board (MISGLB), a governmental fund of the Republic of the Marshall Islands, which comprise the balance sheets as of September 30, 2020 and 2019, and the related statements of revenues, expenditures, and changes in fund balance 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 MISGLB as of September 30, 2020 and 2019, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Reporting Entity*

As discussed in Note 1 to the financial statements, the financial statements referred to above present only MISGLB and are not intended to present fairly the financial position and results of operations of the Republic of the Marshall Islands in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information:*

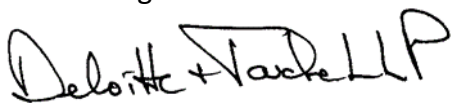
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining financial statement information on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of MISGLB's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the combining financial statement information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021, on our consideration of MISGLB'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 MISGLB'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 MISGLB's internal control over financial reporting and compliance.



September 27, 2021

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Balance Sheets  
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash	\$ 441,517	\$ 559,073
Time certificate of deposit	241,933	532,628
Interest receivable	15,569	1,755
Prepayment	21,115	-
	<u>\$ 720,134</u>	<u>\$ 1,093,456</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ <u>35,470</u>	\$ <u>3,636</u>
Contingency and commitment		
Fund balance:		
Restricted:		
Scholarships-Compact	475,585	436,672
Scholarships-Byrd Grant	1,500	1,500
Scholarships-Nitijela	<u>207,579</u>	<u>651,648</u>
Total fund balance	<u>684,664</u>	<u>1,089,820</u>
	<u>\$ 720,134</u>	<u>\$ 1,093,456</u>

See accompanying notes to financial statements.

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Statements of Revenues, Expenditures, and Changes in Fund Balance  
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues:		
Compact of Free Association	\$ 792,202	\$ 792,202
Nitijela appropriation	757,661	1,496,359
Interest	21,271	21,283
Other income	18,932	-
Total revenues	<u>1,590,066</u>	<u>2,309,844</u>
Expenditures:		
Scholarship assistance	1,742,669	1,831,495
Salaries and wages	128,169	115,877
Sitting fees	35,000	24,825
Communications	30,737	28,902
Office rental	15,840	15,840
Office supplies	12,451	11,128
Training and travel	9,463	34,837
Capital outlays	8,493	6,590
Meetings	3,522	2,281
POL	2,506	2,150
Printing and reproduction	2,303	3,743
Miscellaneous	4,069	4,882
Total expenditures	<u>1,995,222</u>	<u>2,082,550</u>
Net change in fund balance	(405,156)	227,294
Fund balance at the beginning of the year	<u>1,089,820</u>	<u>862,526</u>
Fund balance at the end of the year	<u><u>\$ 684,664</u></u>	<u><u>\$ 1,089,820</u></u>

See accompanying notes to financial statements.

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Notes to Financial Statements  
September 30, 2020 and 2019

**(1) Organization**

The Marshall Islands Scholarship Grant and Loan Board (MISGLB), a governmental fund of the Republic of the Marshall Islands (RepMar), was established pursuant to the Scholarship Assistance Act of 1997 (the Act), as amended. MISGLB was established to develop and administer a financial assistance program for those qualified applicants who cannot pursue educational and training opportunities because of financial inability. In accordance with the Act, RepMar established the Scholarship Fund Account, a governmental fund accounted for within RepMar's Treasury. This Fund accounts for funds appropriated by the Nitijela (the RepMar Legislature) for scholarship assistance, including funding under the Compact of Free Association, as Amended (the Compact).

The accompanying financial statements relate solely to those accounting records maintained by MISGLB, and do not incorporate any accounts related to RepMar's Scholarship Fund Account or any other departments or agencies of RepMar that may be accounted for by RepMar's Treasury. MISGLB is considered to be a blended component unit (a governmental fund) of RepMar and is governed by a nine-member Board appointed by the Cabinet of RepMar.

**(2) Summary of Significant Accounting Policies**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of MISGLB's accounting policies are described below.

**Measurement Focus and Basis of Accounting**

MISGLB reports its financial position and the results of its operations in one special revenue fund. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain MISGLB functions or activities.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

MISGLB's special revenue fund consists of the following:

- i. Compact Scholarship Fund - This fund was established to account for monies received by MISGLB that were appropriated by RepMar under the Compact.
- ii. Byrd Grant Scholarship Fund - This fund was established to account for monies received by MISGLB under the Robert C. Byrd Honors Scholarship Program sector grant.
- iii. Nitijela Fund - This fund was established to account for monies received by MISGLB that were appropriated by the Nitijela as well as other grants, gifts and donations received for scholarship assistance.

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include federal grants and Nitijela appropriations. Miscellaneous revenues from gifts and donations are recognized when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred.

Budgetary Information

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with GAAP. Accordingly, a budget to actual presentation is not required or presented.

Cash and Time Certificate of Deposit

The deposit and investment policies of MISGLB are governed by 3 MIRC 7, *Investments of Public Funds*, and 11 MIRC 1, *Financial Management*. Custodial credit risk is the risk that in the event of a bank failure, MISGLB'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. MISGLB does not have a deposit policy for custodial credit risk.

For the purpose of the balance sheets, cash is defined as cash in demand accounts. Deposits maintained in time certificates of deposit with an original maturity date greater than ninety days are separately classified. As of September 30, 2020 and 2019, the carrying amounts of MISGLB's total cash and time certificate of deposit were \$683,450 and \$1,091,701, respectively, and the corresponding bank balances were \$686,884 and \$1,150,353, respectively. Of the bank balances, \$444,951 and \$619,408, respectively, were maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amounts of \$241,933 and \$530,945, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2020 and 2019, bank deposits in the amount of \$444,951 and \$500,000, respectively, were FDIC insured. MISGLB does not require collateralization of its cash deposits; therefore, deposits levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.



**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Receivables

MISGLB lends money to students, who are citizens of the Republic of the Marshall Islands, based on meeting certain criteria. These loans are interest free, uncollateralized and have no set repayment terms. These loans may be converted to grants at a later date if the recipients meet a further set of criteria. Loans receivable are stated net of an estimated allowance for uncollectible accounts.

The allowance for uncollectible accounts is established through direct scholarship assistance charged to expenditures. Loans receivable are charged against the allowance for uncollectible accounts when management has determined that the scholarship recipients have met the criteria for conversion to grants.

Fund Balance

Fund balance classifications are based on the extent to which MISGLB is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Restricted fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. A formal minimum fund balance policy has not been adopted.

Taxes

The Government of RepMar imposes a gross receipts tax of 3% on revenues. MISGLB is specifically exempt from this tax.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures 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.

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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.

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.

**MARSHALL ISLANDS SCHOLARSHIP  
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Notes to Financial Statements  
September 30, 2020 and 2019

2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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 September 30, 2022.

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.

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Notes to Financial Statements  
September 30, 2020 and 2019

2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

MISGLB 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. MISGLB has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed with respect to the use of motor vehicles. For other risks of loss to which it is exposed, MISGLB has elected not to purchase commercial insurance. Instead, MISGLB believes it is more economical to manage its risks internally. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No material losses have resulted from MISGLB's risk management activities for the past three years.

(4) Receivables

Receivables as of September 30, 2020 and 2019, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2020</u>	<u>2019</u>
Loans receivable	\$ 13,271,968	\$ 17,967,812
Less allowance for uncollectible accounts	<u>(13,271,968)</u>	<u>(17,967,812)</u>
	\$ _____	\$ _____

During the years ended September 30, 2020 and 2019, MISGLB converted \$964,538 and \$113,563, respectively, in loans receivable to grants as the recipients met the criteria for conversion. Furthermore, MISGLB wrote off \$5,473,974 in loans receivable during the year ended September 30, 2020 for loans considered no longer collectible due to the statute of limitations. The effect of loan conversions and write-offs have been reflected in loans receivable balances as of September 30, 2020 and 2019.

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Notes to Financial Statements  
September 30, 2020 and 2019

**(5) Related Party Transactions**

MISGLB is a governmental fund of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including all governmental funds of RepMar and the Marshall Islands Development Bank (MIDB). During the years ended September 30, 2020 and 2019, MISGLB recognized certain on-behalf payments as contributions from RepMar, totaling \$128,169 and \$115,877, respectively, representing certain payroll and related expenditures that RepMar paid directly on behalf of MISGLB.

During the years ended September 30, 2020 and 2019, the operations of MISGLB were funded by appropriations from RepMar, totaling \$1,411,844 and \$2,172,684, respectively.

MISGLB entered into an office lease with MIDB for a term of five years commencing February 25, 2010. In 2017, MISGLB renewed the lease for an additional five years with annual rent of \$15,840, payable in quarterly installments of \$3,960.

**(6) Contingency**

MISGLB receives a substantial amount of its revenue from annual RepMar appropriations. If a significant reduction in the level of budgetary support from RepMar were to occur, MISGLB's scholarship programs and activities may be impacted. For the year ending September 30, 2021, RepMar appropriated funding to MISGLB in the amount of \$1,809,088 for the purpose of funding scholarship activities.

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Year Ended September 30, 2020

	Compact Scholarship Fund	Other Grant Scholarship Fund	Nitijela Fund	Total
<b>Revenues:</b>				
Compact of Free Association	\$ 792,202	\$ -	\$ -	\$ 792,202
Nitijela appropriation	-	-	757,661	757,661
Interest	21,271	-	-	21,271
Other income	-	-	18,932	18,932
Total revenues	<u>813,473</u>	<u>-</u>	<u>776,593</u>	<u>1,590,066</u>
<b>Expenditures:</b>				
Scholarship assistance	774,560	-	968,109	1,742,669
Salaries and wages	-	-	128,169	128,169
Sitting fees	-	-	35,000	35,000
Communications	-	-	30,737	30,737
Office rental	-	-	15,840	15,840
Office supplies	-	-	12,451	12,451
Training and travel	-	-	9,463	9,463
Capital outlays	-	-	8,493	8,493
Meetings	-	-	3,522	3,522
POL	-	-	2,506	2,506
Printing and reproduction	-	-	2,303	2,303
Miscellaneous	-	-	4,069	4,069
Total expenditures	<u>774,560</u>	<u>-</u>	<u>1,220,662</u>	<u>1,995,222</u>
Net change in fund balances	38,913	-	(444,069)	(405,156)
Fund balances at the beginning of the year	<u>436,672</u>	<u>1,500</u>	<u>651,648</u>	<u>1,089,820</u>
Fund balances at the end of the year	<u>\$ 475,585</u>	<u>\$ 1,500</u>	<u>\$ 207,579</u>	<u>\$ 684,664</u>

See accompanying independent auditors' report.

**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 GOVERNMENT AUDITING STANDARDS**

Chairman  
Marshall Islands Scholarship Grant and Loan Board:

We have audited, in accordance with the 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 the Marshall Islands Scholarship Grant and Loan Board (MISGLB), which comprise the balance sheet as of September 30, 2020, and the related statements of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2021.

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

In planning and performing our audit of the financial statements, we considered MISGLB's internal control over financial reporting (internal control) as the 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 MISGLB's internal control. Accordingly, we do not express an opinion on the effectiveness of MISGLB'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 MISGLB'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001.



## MISGLB's Responses to Findings

MISGLB's responses to the findings identified in our audit are described in the accompanying Correction Action Plan. MISGLB'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

September 27, 2021



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Chairman  
Marshall Islands Scholarship Grant and Loan Board:

### **Report on Compliance for the Sole Major Federal Program**

We have audited the Marshall Islands Scholarship Grant and Loan Board's (MISGLB) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on MISGLB's sole major federal program for the year ended September 30, 2020. MISGLB's sole major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for MISGLB's sole major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MISGLB's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the sole major federal program. However, our audit does not provide a legal determination of MISGLB's compliance.

#### ***Opinion on the Sole Major Federal Program***

In our opinion, MISGLB complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the sole major federal program for the year ended September 30, 2020.

## Report on Internal Control Over Compliance

Management of MISGLB is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MISGLB's internal control over compliance with the types of requirements that could have a direct and material effect on the sole major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the sole major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MISGLB's internal control over compliance.

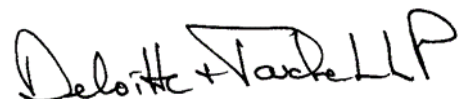
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of MISGLB as of and for the year ended September 30, 2020, and have issued our report thereon dated September 27, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



September 27, 2021

**MARSHALL ISLANDS SCHOLARSHIP  
GRANTS AND LOAN BOARD**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

	<u>Fund Balance Beginning of Year</u>	<u>Federal Funds Received</u>	<u>Other Funds Received</u>	<u>Funds Expended</u>	<u>Fund Balance End of Year</u>
Funds passed through the Republic of the Marshall Islands:					
<u>U.S. Department of the Interior</u>					
<u>CFDA #15.875</u>					
Economic, Social and Political Development of the Territories:					
Compact of Free Association, As Amended, Sector Grants:					
Section 211(a)(1)					
Education Sector	\$ 433,063	\$ 592,202	\$ 21,271	\$ 597,234	\$ 449,302
Section 211(b)(1)					
Kwajalein Special Needs	<u>3,609</u>	<u>200,000</u>	<u>-</u>	<u>177,326</u>	<u>26,283</u>
	<u>\$ 436,672</u>	<u>\$ 792,202</u>	<u>\$ 21,271</u>	<u>\$ 774,560</u>	<u>\$ 475,585</u>

See accompanying notes to schedule of expenditures of federal awards.

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

(1) Organization and Compact of Free Association

The Marshall Islands Scholarship Grant and Loan Board (MISGLB) is a subrecipient of funds received through Sections 211(a) and 211(b) of the Compact of Free Association, As Amended (the Compact), from the Republic of the Marshall Islands (RepMar). These funds are provided to support the post-secondary education of citizens of the Marshall Islands attending accredited post-secondary institutions.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of MISGLB under a program of the federal government for the year ended September 30, 2020 and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MISGLB, it is not intended to and does not present the financial position, changes in net position, or cash flows of MISGLB.

Indirect Cost Rate

MISGLB has not elected to use the 10% de minimis cost rate.

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

- |  |               |
|--|---------------|
| 1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified    |
| Internal control over financial reporting:   |               |
| 2. Material weakness(es) identified?   | No            |
| 3. Significant deficiency(ies) identified?   | None reported |
| 4. Noncompliance material to financial statements noted?   | Yes           |

*Federal Awards*

Internal control over major federal programs:

- |   |               |
|---|---------------|
| 5. Material weakness(es) identified?  | No            |
| 6. Significant deficiency(ies) identified?  | None reported |
| 7. Type of auditors' report issued on compliance for major federal programs                           | Unmodified    |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |
| 9. Identification of the sole major federal program:  |               |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.875	Economic, Social and Political Development of the Territories: Compact of Free Association, as amended, Sector Grants

- |  |            |
|--|------------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$ 750,000 |
| 11. Auditee qualified as low-risk auditee?                                   | No         |

**B. FINANCIAL STATEMENTS FINDINGS**

<u>Reference Number</u>	<u>Findings</u>
2020-001	Local Noncompliance

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**MARSHALL ISLANDS SCHOLARSHIP  
GRANT AND LOAN BOARD**

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Local Noncompliance

Finding No. 2020-001

Criteria: Section 6(e) of the Scholarship Assistance of 1979 (the Act), as amended, requires MISGLB to ensure timely repayment of scholarship assistance loans. MISGLB policies and procedures require the repayment of student loans within one year of completion or cessation of studies. Furthermore, Section 7(h) of the Act authorizes MISGLB to convert scholarship assistance loans to grants.

Condition: During the year ended September 30, 2020, MISGLB converted \$964,538 of loans to grants as recipients met conversion criteria. On August 23, 2021, the Board approved to write-off receivables of \$5,473,974 which are more than twelve years old that exceed statutory limitations. As a result, the remaining balance of loan receivable as of September 30, 2020 aggregates \$13,271,968. Due to the lack of collection of these loans, a corresponding allowance for uncollectable loans has been recorded.

Cause: The cause of the above condition is lack of enforcement of MISGLB policies and procedures requiring the repayment of scholarship assistance loans.

Effect: The effect of the above condition is the lack of loan repayments and a possibility that converted loans may not be complete.

Recommendation: We recommend that MISGLB enforce established policies and procedures requiring the repayment of scholarship assistance loans.

Prior Year Status: The lack of loan repayments and the possibility that converted loans may not be complete was reported as a finding in the Single Audits of MISGLB for fiscal years 1997 through 2019.

Views of Auditee and Planned Corrective Actions: MISGLB agrees with the finding and describes corrective action in the Corrective Action Plan.

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**Year Ended September 30, 2020**



**MARSHALL ISLANDS**  
**Scholarship, Grant and Loan Board**

P.O. Box 1436  
Majuro, MH 96960  
(692) 625-3108 / 5770  
misglb@pss.edu.mh  
www.misglb.com

September 23, 2021

Deloitte & Touche  
Certified Public Accountant  
P.O. Box 1288  
Majuro, Marshall Islands 96960

Dear Gentlemen:

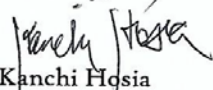
The Marshall Islands Scholarship, Grant & Loan Board (MISGLB), strongly agreed with your finding for Fiscal Year 2020 finding.

I. Finding No. 2020-001:

Marshall Islands Scholarship, Grant and Loan Board will take full measurement of enforcing the MISGLB Policies and Procedures regarding payment of the outstand loans. The Marshall Islands Scholarship, Grant and Loan Board is continuing to convert student loans, on the Board Meeting on February 25, 2021, the Board approved 42 student loans to converted, totaling up to \$841,443.87. The list of the Account Receivable will distribute to PSC, PSS, and all the government agencies to identified any students on the listing is working with them. This way MISGLB will be able to convert all students that are needed to convert. Collection of the student loans that did not return to Marshall will start collecting in Fiscal Year 2022.

Should you have any questions, please let us know.

Sincerely,

  
Kanichi Hqsia  
Chairperson  
MISGLB

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**2 CFR § 200.511(b)**  
**Year Ended September 30, 2020**

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Questioned Costs</u>	<u>Status</u>
2019-001	N/A	\$ -	Not resolved. Refer to CAP Finding 2020-001.