Attachment III

Financial Statements and Required Supplementary Information

Marshall Islands Marine Resources Authority

(A Component Unit of the Republic of the Marshall Islands)

Year Ended September 30, 2021
With Report of Independent Auditors

Marshall Islands Marine Resources Authority
(A Component Unit of the Republic of the Marshall Islands)

Financial Statements and Required Supplementary Information

Year Ended September 30, 2021

Contents

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Report of Independent Auditors

The 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 statement of net position as of September 30, 2021, and the related 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.

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 audit. We conducted our audit 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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 13 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 November 16, 2023, 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.

Ernst + Young LLP

November 16, 2023

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, 2021. 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 2021, 2020 and 2019.

Financial Operations

Statements of Net Position

	2021	2020	(%) Change	2019
ASSETS:				
Current and other assets	$ 31,221,251	$ 27,776,659	12%	$ 27,103,182
Capital assets	6,517,456	5,413,423	20%	4,201,373
Investment in JV	3,474,136	4,696,089	(26%)	5,222,356
Total assets	$ 41,212,843	$ 37,886,171	8%	$ 36,526,911
LIABILITIES:				
Current liabilities	$ 917,277	$ 1,207,613	(24%)	$ 846,420
NET POSITION:				
Investment in capital assets	6,517,456	5,413,423	20%	4,201,373
Restricted	474,793	991,623	(52%)	430,995
Unrestricted	33,303,317	30,273,512	10%	31,048,123
Total net position	40,295,566	36,678,558	10%	35,680,491
Total liabilities and net position	$ 41,212,843	$ 37,886,171	8%	$ 36,526,911

Financial Operations, continued

Statements of Revenue, Expenses and Changes in Net Position

	2021	2020	(%) Change	2019
REVENUES:				
Operating revenues	$ 33,417,454	$ 35,199,282	(5%)	$ 34,597,266
Non-operating revenues	2,185,890	3,352,718	(40%)	1,286,445
Total revenues	35,603,344	38,552,000	(8%)	35,883,711
EXPENSES:				
Operating expenses	5,957,541	5,707,367	4%	4,882,750
Non-operating expenses	27,221,953	31,846,566	(15%)	29,141,128
Total expenses	33,179,494	37,553,933	(12%)	34,023,878
	2,423,850	998,067	143%	1,859,833
Capital contributions	1,193,158	---		---
Change in net position	3,617,008	998,067	262%	1,859,833
Net position at beginning of year	36,678,558	35,680,491	3%	33,820,658
Net position at end of year	$ 40,295,566	$ 36,678,558	10%	$ 35,680,491

Overall Analysis

Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in MIMRA's report on the audit of financial statements, which is dated September 16, 2021. That Management Discussion and Analysis explains the major factors impacting the 2020 financial statements and can be obtained from MIMRA's Administrator via the contact information in page 13.

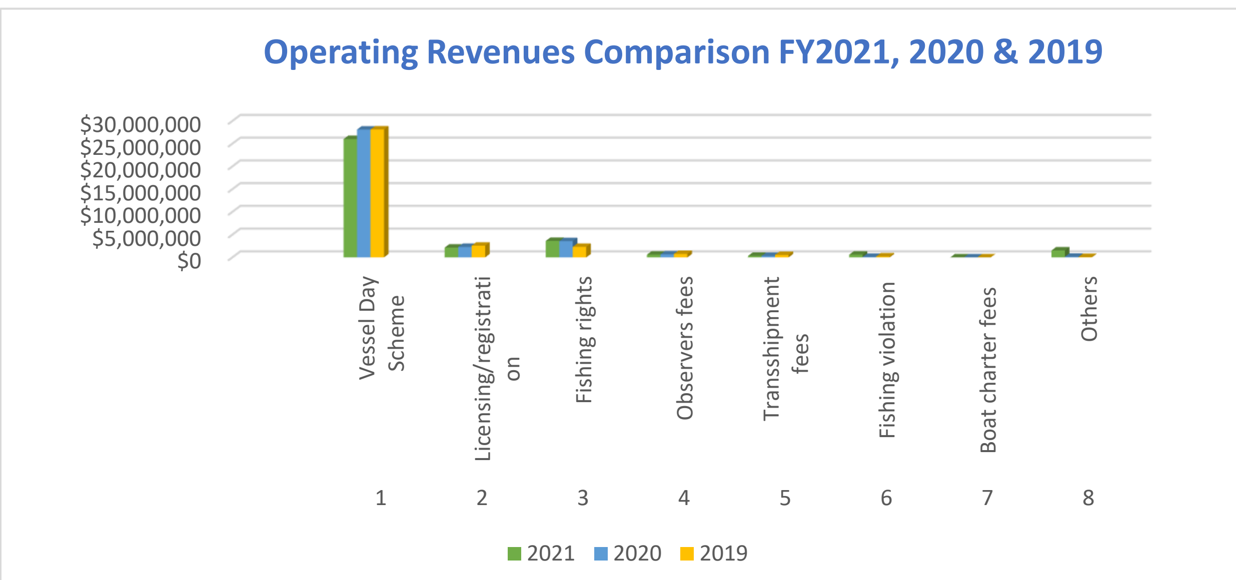
REVENUES:	2021	2020	Change	2019
Operating revenues	$ 33,417,454	$ 35,199,282	$ (1,781,828)	$ 34,597,266

Overall Analysis, continued

Net operating revenues decreased by 5%. Please see below details of the increase/(decrease) in the various revenue categories:

	2021	2020	Change	2019
Vessel Day Scheme	$ 26,027,040	$ 28,112,074	$ (2,085,034)	$ 28,143,896
Fishing rights	3,629,878	3,579,787	50,091	2,314,357
Licensing/registration fees	2,164,000	2,300,800	(136,800)	2,573,000
Observer fees	610,450	660,594	(50,144)	766,760
Fishing violation fines	600,000	100,000	500,000	200,000
Transshipment fees	347,000	319,000	28,000	538,000
Other	39,113	127,584	(88,471)	73,253
Total operating revenues	33,417,481	35,199,839	(1,782,358)	34,609,266
Bad debts expense	(27)	(557)	530	(12,000)
Total net operating revenues	$ 33,417,454	$ 35,199,282	$ (1,781,828)	$ 34,597,266

Below is a graphical comparison of MIMRA's operating revenues for FY 2021, 2020 and 2019:



VESSEL DAY SCHEME revenues have decreased by (7%) due to a decrease in the pooling of days associated with the Parties to the Nauru Agreement (PNA) and the Forum Fisheries Agency (FFA) bilateral agreements at an established rate of $11,000 per day offset by increased revenues associated with the Parties Allowed Effort (PAE) bilateral agreement.

Overall Analysis, continued

A summary of VESSEL DAY SCHEME revenues for FY2021 compared with FY2020 follows:

	2021	2020	Change	(%) Change
PNA Pooling Days	$ 3,687,040	$ 4,485,600	$ (798,560)	(18%)
FFA Pooling Days	---	1,670,974	(1,670,974)	(100%)
PAE Bilateral	22,340,000	21,955,500	384,500	2%
	$ 26,027,040	$ 28,112,074	$ (2,085,034)	(7%)

LICENSING AND REGISTRATION FEE revenues have decreased by 6%. The licensing of carrier vessels decreased to 58 boats in FY2021 from 63 boats in FY2020, purse seiner vessels also decreased to 115 boats in FY2021 from 130 boats in FY2020 and pole and line and longline licenses decreased to 35 boats in FY2021 from 44 boats in FY2020.

The increase in FISHING RIGHTS revenues is the result of incremental increases in the Federated States of Micronesia Arrangement for Regional Fisheries Access (FSM Arrangement) revenues at 29% and FFA U.S. Treaty revenues at 7% offset by the decrease in Japanese Fisheries Agency bilateral agreement revenues at 63%.

OBSERVER FEE revenues have decreased by 8% due to a reduction in the deployment of observers in FY2021 and FY2020 due to COVID19 travel restrictions.

TRANSSHIPMENT FEE revenues have increased by 8% due to the increase in transshipment activities at the Majuro port, from 316 boats in FY2020 to 339 boats in FY2021.

The increase in FISHING VIOLATION FINES by 500% is due to the prosecution of two fishing companies for illegal fishing activities (Sajo Industries Co. Ltd and Liancheng Overseas Fishery Co. Ltd).

OTHER REVENUES have decreased by 69% due to a reduction in boat charter fees revenue in FY2021 and FY2020.

Non-operating revenues for FY2021 compared with FY2020 follows:

	2021	2020	Change	(%) Change
World Bank	$ 1,759,387	$ 3,140,819	$ (1,381,432)	(44%)
Micronesian Conservation Trust	230,786	---	230,786	100%
Other income	195,717	211,899	(16,182)	(8%)
	$ 2,185,890	$ 3,352,718	$ (1,066,828)	(32%)

Overall Analysis, continued

WORLD BANK non-operating revenues have decreased by 44% due to a decrease in grant revenues associated with the Pacific Islands Regional Oceanscape Program (PROP), which is a regional program to strengthen the management of fisheries in the Pacific Islands.

MICRONESIAN CONSERVATION TRUST non-operating revenues were received by MIMRA in 2021 for the purpose of funding Protected Area Network activities in the Marshall Islands.

OTHER non-operating revenues have decreased by 8% due to a reduction in Chinese Taipei and The Nature Conservancy grant receipts.

	2021	2020	Change	(%) Change
TRANSSHIPMENT:				
No. of boats (PS/Carrier)	339	316	23	8%

Transshipments have increased by 23 boats. This increase is attributable to the increase in fish demand for processing at the Pan Pacific Fishing (RMI), Inc. (PPF) in Majuro. Transshipment charges depend upon whether the boat is licensed or unlicensed. Licensed vessels are charged $1,000 while unlicensed boats are charged $2,000. In FY2021, there were 330 licensed and 9 unlicensed boats carrying on transshipment activities.

	2021	2020	Change	(%) Change
BOAT REGISTRATION:				
a.) Foreign Boats (Purse Seiner):				
• CHINA	9	8	1	13%
• JAPAN	27	27	---	0%
• KOREA	15	19	(4)	(21%)
• PHILIPPINES (RD/TJ)	16	16	---	0%
• TAIWAN	23	18	5	27%
• PNG (Great Investment)	---	1	(1)	(100%)
• South Pacific	---	---	---	0%
• OTHERS	14	10	4	40%
TOTAL	104	99	5	5%
b.) Domestic Boats (Purse Seiner):				
• KOO'S FISHING	3	4	(1)	(25%)
• MIFCO	2	1	1	100%
• PAN Pacific	6	6	---	0%
TOTAL	11	11	---	0%
c.) Japan Fisheries (Longline/Pole and Line):				
1. POLE and LINE	13	32	(19)	(59%)
2. LONGLINE	3	13	(10)	(77%)
TOTAL	16	45	(29)	(64%)

Overall Analysis, continued

d.) DOMESTIC (Longline):				
1. China Overseas	4	14	(10)	(71%)
2. LianCheng Fisheries	31	29	2	7%
3. Ralik Ratak	0	1	(1)	(100%)
TOTAL	35	44	(9)	(20%)
e.) CARRIER/BUNKER:				
1. Bunker	14	14	---	0%
2. Carrier	58	63	(5)	(8%)
TOTAL	72	77	(5)	(6%)
Grand Total	238	276	(38)	(14%)

Above are the details of the boat registrations in FY2021 and FY2020, indicating a decrease of 38 boat registrations from FY2020 to FY2021. License fee charged for Purse seiner foreign boat is $5,000 while domestic boat is $25,000, $10,000 fee for carrier/bunker and Domestic longline boat is charged $12,000 annual fee, $7,000 for six-month fee and $4,000 for three-month fee.

Purse seiner boats registered this year have increased by 5% while the domestic boats maintain status quo at eleven boats. Japan Fisheries have registered 16 boats in FY2021, which represents a 64% decrease (or 29 boats) compared to FY2020. Another domestic-based company Marshall Islands Fishing Venture (MIFV) that operates China Overseas and Liancheng Fisheries vessels had 35 boats registered in FY2021, a reduction of 9 boats compared with FY2020. There were 15 boats registered for three months, 10 boats registered for six months, and 10 boats for one year in FY2021. Bunkers and carriers have registered 72 boats in FY2021, which is a reduction of 5 boats compared with FY2020.

In FY2021, aside from paying license fees, China, Japan, Philippines, Taiwan, and the USA, have purchased 248 fishing days amounting to $2,758,000, which was 15 days less than FY2020. Korea was also involved in the bidding process by PNA of which VDS pooled days from member countries were offered. As shown earlier, PNA pooling days contributed $3,687,040 in VDS revenues (equivalent to 292 days) in FY2021, which is 18% less than FY2020. Furthermore, US Treaty fishing rights revenues through FFA also contributed $1,375,849 in FY2021 revenues. Domestic-based companies such as Koo's Fishing, MIFCO (joint venture) and PPF have contributed to the total VDS fishing days income of $15,470,000 (or 2,210 days) in FY2021, which is higher compared to FY2020 of $11,977,000 (or 1,704 days) in VDS fishing days. Koo's bought 620 days, MIFCO purchased 490 days, and PPF acquired 1,100 days in FY2021.

Overall Analysis, continued

Actual total revenues, including both operating and non-operating revenues, were reported in FY2021 at $35,603,344, which is 8% less than the $38,552,000 reported in FY2020.

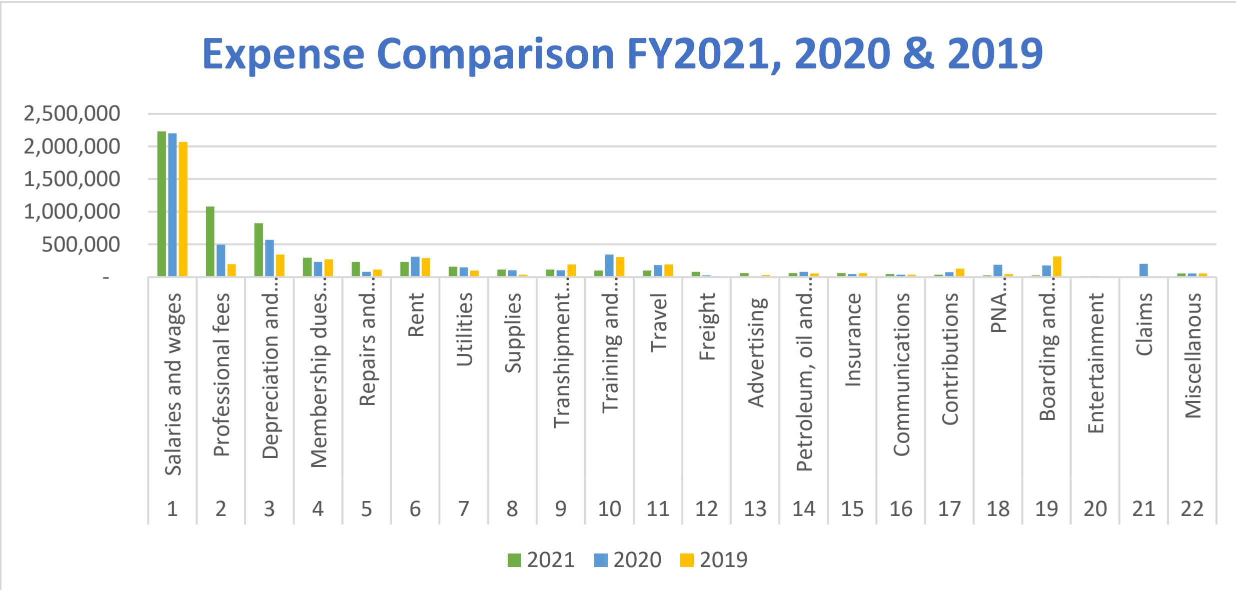
EXPENSES:	2021	2020	Change	2019
Operating expenses	$5,957,541	$5,707,367	$250,174	$4,882,750

A summary of operating expenses for FY2021 compared with FY2020 and FY2019 is as follows:

		2021	2020	2019
1	Salaries and wages	$ 2,233,171	$ 2,202,099	$ 2,069,591
2	Professional fees	1,078,466	497,615	200,219
3	Depreciation and amortization	825,835	572,596	343,414
4	Membership dues and subscriptions	296,278	232,716	269,401
5	Repairs and maintenance	232,955	79,598	117,055
6	Rent	231,504	309,689	292,723
7	Utilities	161,067	150,380	99,516
8	Supplies	114,356	106,946	34,556
9	Transshipment inspection	113,600	104,800	192,400
10	Training and research	100,959	345,366	307,364
11	Travel	98,175	182,515	191,427
12	Freight	80,327	28,170	16,580
13	Advertising	62,027	12,686	33,205
14	Petroleum, oil and lubricants	61,117	81,232	54,201
15	Insurance	60,385	48,052	59,653
16	Communications	46,357	36,506	36,959
17	Contributions	37,474	73,370	131,748
18	PNA administrative fees	28,081	186,956	45,354
19	Boarding and observer fees	25,458	178,878	316,273
20	Entertainment	15,713	18,903	13,300
21	Claims	---	204,001	---
22	Miscellaneous	57,439	54,293	57,811
	Total operating expenses	$ 5,957,541	$ 5,707,367	$ 4,882,750

Overall Analysis, continued

Below is a graphical comparison of MIMRA's operating expenses for FY 2021, 2020 and 2019:



In FY2021, total operating expenses decreased by 4% compared with FY2020. Of the FY2021 amount, $1,785,661 pertains to expenses associated with World Bank (WB) projects with the remaining amount of $4,171,880 pertaining to MIMRA's FY2021 operations. Similarly, of the FY2020 amount, $2,567,377 pertains to expenses associated with WB projects with the remainder of $3,139,990 pertaining to MIMRA's FY2020 operations. Thus, MIMRA's operating expenses for FY2021 increased by $1,031,890 compared with FY2020. The primary driver of this increase were salaries and wages expense and depreciation expense.

Non-operating expenses for FY2021 compared with FY2020 follows:

	2021	2020	Change	(%) Change
Contributions to RepMar	$ 26,000,000	$ 31,300,000	$ (5,300,000)	(17%)
Equity in loss of JV	1,221,953	526,267	695,686	132%
Other	---	20,299	(20,299)	(100%)
	$ 27,221,953	$ 31,846,566	$ (4,624,613)	(15%)

Total Contributions to RepMar in FY2021 amounted to $26,000,000, which is lower than FY2020 contributions of $31,300,000, by $5,300,000 (or 17%). This decrease contributed favorably to MIMRA's net profit of $3,617,008 in FY2021. This is a 262% increase compared to the FY2020 net profit of $998,067. MIMRA's financial condition as shown by the change in net position at the end of FY2021 indicates an overall increase of 10% compared to FY2020, from $36,678,558 in FY2020 to $40,295,566 in FY2021.

Cash Fund Analysis

At the end of FY2021, MIMRA's combined cash funds (TCD, savings and current account) amounted to $28,473,360 compared to $28,991,417 at the end of FY2020, a decrease of $518,057 (or 2%). Changes in cash fund balances is attributable to the collections from PNA for the FSMA days and VDS pooling payments. In turn, contributions to RepMar are contingent upon the cash flows of MIMRA. As mentioned earlier, contributions to RepMar decreased by $5,300,000 (or 17%). A portion of the contributions to RepMar comes in the form of dividends earned by MIMRA from the Joint Venture that are paid directly to RepMar. When paid, such are recorded in MIMRA's books as an addition to the annual contributions to RepMar's General Fund. Investment in the Joint Venture decreased in FY2021 by 26% compared to FY2020. This reduction was due to the recognition of equity in losses of the Joint Venture. No dividends from the Joint Venture were paid in FY2021.

Capital Assets

At the end of the FY2021, MIMRA has a net investment in capital assets of $6,517,456 compared to $5,413,423 in FY2020, representing a net $1,104,033 (or 20%) increase year on year. The table below indicates an excellent standing of the MIMRA capital assets. Details of addition and disposal are also shown.

	2021	2020	2019
Buildings	$ 3,534,918	$ 3,516,170	$ 3,197,735
Building improvements	---	---	210,874
Equipment improvements	109,270	109,270	109,270
Vehicles	735,452	370,114	371,264
Equipment	3,143,491	2,367,475	1,211,416
Furniture and fixtures	73,169	67,682	66,171
Motorboats	1,182,636	421,557	163,912
	8,778,936	6,852,268	5,330,642
Less: Accumulated Depreciation	(2,261,480)	(1,438,845)	(1,129,269)
	$ 6,517,456	$ 5,413,423	$ 4,201,373

Capital asset additions included contributions from Japan International Cooperation System (JICS) in the amount of $1,193,158 under Grant Aid to support MIMRA's fish market operations. Additions included weighing scale, fish cutter, vacuum packer, coolers, multi wrapper and generator for Outer Island Fish Market Center (OIFMC) and Kwajalein Atoll Fish Market Center (KAFMC). Apart from the equipment, MIMRA also received a single cabin cargo truck, two double cabin cargo trucks, a crane truck, a forklift and 11 motorboats including spare parts from JICS. In addition, MIMRA received a pick-up truck, grant from Overseas Fishery Cooperation Foundation of Japan (OFCF) for OIFMC. Please refer to footnote 5 to the accompanying financial statements for additional information on MIMRA's capital assets.

Economic Factors and Next Year Budgets and Rates

MIMRA's FY2022 budget has been formulated and approved by the MIMRA Board. Projected revenues, both operating and non-operating, are $32,488,606 break even with the projected expenses including contributions to RepMar. Projected expenses are detailed as follows: $26,000,000 for contributions to the RMI General Fund, $2,192,614 for the Finance and Corporate Division, $1,072,696 for the Coastal Fisheries Division, $1,130,918 for the Oceanic and Industrial Affairs Division, $692,878 for Coastal Policy, Planning and Statistics, and $500,000 for other areas including Protected Area Network, Fish Aggregating Devices, and the Competent Authority. In addition, a supplemental budget amounting to $2,899,500 has also been approved and shall be used for the MIMRA headquarters extension for the Competent Authority laboratory/offices and for the renovation of different outer-island fish markets. Travel expenses, both international and domestic, will depend on how it will be funded, but for the unfunded trips, MIMRA will shoulder the cost. Some domestic travels are still covered by grants that were approved and released to MIMRA in previous years, and which will be used in FY2022.

The World Bank Project has approved the second phase for Economic Resilience (WB-PROPER) in February 2022 and has commenced its preparatory stage which mission is to achieved its objectives to: (i) review the status of the project preparation activities; (ii) provide an overview of the World Bank documentation requirements and timeline to meet Environmental and Social Framework commitments; (iii) define proposed project activities including description, budget, procurement method and timeline; and (iv) review the proposed Theory of Change and preliminary Results Framework. Project would be supported with a $18 million IDA grant inclusive of a $6 million national IDA and $12 million regional IDA grant. The proposed Project duration is 6 years between December 2022 and December 2028. This second phase is $6 million higher from the first phase proposal of $12 million.

The Marshall Islands still has the highest fuel prices in the Micronesia region, which has averaged $6.50 per gallon during the year. Commodities in the island continue to have high prices compared to that in the previous years. MIMRA's cost savings and conservation measures adopted in FY2011 are still adopted in the formulation of the FY2022 budget. Some positions are still to be filled; thus, a budget for new hires is also provided.

Climate change is a continuing factor that potentially may impact MIMRA's revenue generation, FAD closures are also an aspect that impacts MIMRA revenue collections, especially transshipment revenue. FAD closures mean fewer boats berthing in Majuro. Bilateral agreements between MIMRA and Japan, China, Taiwan, Papua New Guinea and Philippines were signed with matching Fishing Days incorporated therein as part of the agreements. Korea did not register the member vessels under the Korea Fishing Association as previously 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. This will boost MIMRA revenue generation for FY2022.

Economic Factors and Next Year Budgets and Rates, continued

COVID-19 pandemic has impacted MIMRA's revenues when the RepMar Government decided to regulate the arrival of boats berthing in the Marshall Islands. Transshipment activities continue to rebound and show a slight increase in revenue for FY2022 in the amount of 9%. Observer activities are still to recommence.

The U.S. Treaty through the FFA ends on December 31, 2022; however, it is in on-going negotiation with the parties who did not participate in FY2021 pooling days, which also impacted the decline in MIMRA's total operating revenue.

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 860, Majuro, MH 96960 or via our website www.mimra.com.

Marshall Islands Marine Resources Authority
(A Component Unit of the Republic of the Marshall Islands)

Statement of Net Position

September 30, 2021

ASSETS	
Current assets:	
Cash	$ 28,473,360
Receivables	
Affiliates	702,388
Trade	1,217,800
Due from PNA Office	1,724,600
Other	93,872
	3,738,660
Less allowance for doubtful accounts	(1,067,391)
	2,671,269
Prepayments	76,622
Total current assets	31,221,251
Capital assets:	
Capital assets, net of accumulated depreciation	6,517,456
Investment in joint venture	3,474,136
	9,991,592
	$ 41,212,843
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	$ 124,628
Contracts payable	157,633
Payable to affiliates	201,137
Other liabilities and accruals	433,879
Total liabilities	917,277
Commitments and contingencies	
Net position:	
Net investment in capital assets	6,517,456
Restricted	474,793
Unrestricted	33,303,317
Total net position	40,295,566
	$ 41,212,843

See accompanying notes.

Marshall Islands Marine Resources Authority
(A Component Unit of the Republic of the Marshall Islands)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2021

Operating revenues:	
Vessel Day Scheme	$ 26,027,040
Fishing rights	3,629,878
Licensing and registration fees	2,164,000
Observer fees	610,450
Fishing violation fines	600,000
Transshipment fees	347,000
Other	39,113
Total operating revenues	33,417,481
Bad debts expense	(27)
Total net operating revenues	33,417,454
Operating expenses:	
Salaries and wages	2,233,171
Professional fees	1,078,466
Depreciation and amortization	822,635
Membership dues and subscriptions	296,278
Repairs and maintenance	232,955
Rent	231,504
Utilities	161,067
Supplies	114,356
Transshipment inspection	113,600
Training and research	100,959
Travel	98,175
Freight	80,327
Advertising	62,027
Petroleum, oil and lubricants	61,117
Insurance	60,385
Communications	46,357
Contributions	37,474
PNA administrative fee	28,081
Boarding and observer fees	25,458
Entertainment	15,713
Miscellaneous	57,436
Total operating expenses	5,957,541
Operating income	27,459,913

See accompanying notes.

Statement of Revenues, Expenses and Changes in Net Position, continued

Year Ended September 30, 2021

Nonoperating revenues (expenses):	
World Bank	$ 1,759,387
Micronesian Conservation Trust	230,786
Interest income	141,698
Other grants	54,019
Equity in loss of joint venture	(1,221,953)
Contributions to RepMar	(26,000,000)
Total nonoperating revenues (expenses), net	(25,036,063)
Income before capital contributions	2,423,850
Capital contributions:	
Government of Japan Grant in Aid	1,193,158
Change in net position	3,617,008
Net position at beginning of year	36,678,558
Net position at end of year	$ 40,295,566

See accompanying notes.

Marshall Islands Marine Resources Authority
(A Component Unit of the Republic of the Marshall Islands)

Statement of Cash Flows

Year ended September 30, 2021

Cash flows from operating activities:	
Cash received from customers	$ 39,022,912
Cash payments to suppliers for goods and services	(3,170,476)
Cash payments to employees for services	(2,210,074)
Net cash provided by operating activities	33,642,362
Cash flows from noncapital financing activities:	
Operating grants received	2,366,765
Payments made to RepMar	(26,000,000)
Net cash used in noncapital financing activities	(23,633,235)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(733,510)
Cash flows from investing activities:	
Net withdrawal from time certificates of deposit	14,018,484
Interest received on time certificates of deposit	206,326
Net cash provided by investing activities	14,224,810
Net change in cash	23,500,427
Cash at beginning of year	4,972,933
Cash at end of year	$ 28,473,360

See accompanying notes.

Marshall Islands Marine Resources Authority
(A Component Unit of the Republic of the Marshall Islands)

Statement of Cash Flows, continued

Year ended September 30, 2021

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 27,459,913
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	822,635
Bad debts expense	27
(Increase) decrease in assets:	
Receivables:	
Affiliates	16,519
Trade	265,311
Due from PNA Office	5,323,906
Other	(306)
Prepayments	44,692
Increase (decrease) in liabilities:	
Accounts payable	(263,043)
Payable to affiliates	(61,440)
Other liabilities and accruals	34,148
Net cash provided by operating activities	$ 33,642,362
Summary of noncash investing activities:	
Loss from equity share investment:	
Decrease in investment in joint venture	$ 1,221,953
Equity in loss of joint venture	(1,221,953)
	$ ---
Government of Japan Grant in Aid:	
Noncash increase in acquisition of capital assets	$ (1,193,158)
Capital contributions	1,193,158
	$ ---

See accompanying notes.

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, which consists of the Minister of Natural Resources and Commerce, and six other members appointed by the President of RepMar including four members having knowledge and experience in the fisheries sector.

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.

2. Summary of Significant Accounting Policies, continued

- Restricted - nonexpendable net position subject to externally imposed stipulations that requires MIMRA to maintain such permanently. As of September 30, 2021, 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. As of September 30, 2021, MIMRA has expendable net position as follows:

Protected Area Network (PAN)	$ 218,922
World Bank (International Development Association)	110,056
The Nature Conservancy (tuna fisheries improvement)	108,224
Chinese Taipei Grant	27,389
Food and Agriculture Organization (FAO)	9,872
The Nature Conservancy (Tuna Co.)	330
	$ 474,793

- 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 nonoperating.

Cash

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.

2. Summary of Significant Accounting Policies, continued

Cash, continued

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2021, the carrying amount of cash was $28,473,360, and the corresponding bank balance was $28,685,729. Of the bank balance amount, $10,045,533 was maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of $18,640,196 was maintained in a financial institution not subject to depository insurance. As of September 30, 2021, bank deposits in the amount of $250,000 were FDIC insured. MIMRA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Receivables

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

Prepayments

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

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

2. Summary of Significant Accounting Policies, continued

Investments

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Taxes

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

Revenue Recognition

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

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

2. Summary of Significant Accounting Policies, continued

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. As of September 30, 2021, the accumulated vacation leave liability totals $103,520, and is included within the statement of net position as other liabilities and accruals.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed 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.

During the year ended September 30, 2021, MIMRA implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves 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.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ending September 30, 2022.

2. Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

The implementation of GASB Statement No. 84, 90 and 93 did not have a material effect on the accompanying financial statements.

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 the 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 the fiscal year ending September 30, 2022.

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 the fiscal year ending September 30, 2023.

2. Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

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 are effective for the fiscal year ending 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 the 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 the fiscal year ending September 30, 2023.

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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for the fiscal year ending September 30, 2022.

3. Risk Management

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

4. Investment in Joint Venture

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

4. Investment in Joint Venture, continued

A summary of financial information as of and for the year ended December 31, 2021, for investees accounted for using the equity method of accounting for investments, are as follows:

Assets	$ 28,791,532
Liabilities	$ 22,389,666
Net loss	$(2,748,412)

No dividend distribution was received in 2021.

An analysis of the change in the investment in joint venture during the year ended September 30, 2021, is as follows:

Beginning balance	$ 4,696,089
Equity in loss of MIFCO	(1,221,953)
Ending balance	$ 3,474,136

5. Capital Assets

Capital asset activity for the year ended September 30, 2021, is as follows:

	October 1, 2020	Additions	Disposal/ Transfers	September 30, 2021
Building	$ 3,516,170	$ 18,748	$ ---	$ 3,534,918
Equipment	2,367,475	776,016	---	3,143,491
Equipment improvements	109,270	---	---	109,270
Vehicles	370,114	365,338	---	735,452
Furniture and fixtures	67,682	5,487	---	73,169
Motor boats	421,557	761,079	---	1,182,636
	6,852,268	1,926,668	---	8,778,936
Less accumulated depreciation	(1,438,845)	(822,635)	---	(2,261,480)
	$ 5,413,423	$ 1,104,033	$ ---	$ 6,517,456

In 2020, the Government of Japan and RepMar entered into a grant agreement for Grant Aid in the amount of JPY180,660,000 with MIMRA as the ultimate grantee. The purpose of the Grant is to support MIMRA's fish market operations. The Grant was paid directly by the Government of Japan through an independent procurement agent to various vendors. During the year ended September 30, 2021, MIMRA received the equivalent in capital asset acquisitions in the amount of $1,193,158.

6. Investment in Stock of an Affiliated Entity

In 2014, MIMRA purchased 49,000 shares of Marshall Islands National Telecommunications Authority (MINTA), a component unit of RepMar, at $20 per share. The investment in MINTA is recorded at NAV per share since MIMRA does not have a readily determinable fair value. The investment comprises approximately 15% of the outstanding shares of MINTA as of September 30, 2021. No dividends were received during the year ended September 30, 2021. As of September 30, 2021, due to the investee's recurring losses and its inability to generate sufficient cash flows to meet its debt obligation, the investment is recorded at a $0 carrying value, which is net of an impairment allowance of $980,000 in the accompanying statement of net position.

7. Related Party Transactions

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

In accordance with Public Law 1997-60, as amended, MIMRA has negotiated certain access agreements for the purpose of collecting amounts received from sovereign nations in accordance with various international fishing rights treaties. During the year ended September 30, 2021, MIMRA collected $3,629,878 under these treaties.

During the year ended September 30, 2021, MIMRA provided cash contributions to RepMar's General Fund of $26,000,000 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, 2021, and for the year then ended is as follows:

	Revenues	Expenses	Payables	Receivables
Marshall Islands Fishing Company	$ 4,554,600	$ ---	$ ---	$ 63,000
Koo's Fishing Company, Ltd.	3,509,500	---	---	584,500
Marshall Islands Social Security Administration	---	197,011	97,337	---
Marshall Islands National Telecommunications Authority	---	40,403	---	---
Marshalls Energy Company, Inc.	---	162,330	---	---
RepMar	---	113,818	103,800	4,500
Tobolar Copra Processing Authority	---	90	---	50,000
Other	---	95,267		388
	$ 8,064,100	$ 608,919	$ 201,137	702,388
Less allowance for doubtful receivables				(688,807)
				$ 13,581

7. Related Party Transactions, continued

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, 2021, $50,000 remains uncollected and due from Tobolar.

8. Employee Retirement Plan

Effective January 1, 2019, MIMRA implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least 3 months of service. Plan participants may contribute 5% up to 10% of their gross salaries to be matched 100% by MIMRA. Withdrawal from the Plan occurs upon termination of employment, retirement at age 65, permanent disability or death. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. MIMRA contributed $77,628 to Plan participant accounts during the year ended September 30, 2021, and total plan assets were $392,417 as of September 30, 2021.

9. Financing

World Bank

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

During the year ended September 30, 2021, MIMRA received $1,759,387 from the World Bank in the form of financial support from IDA (Grant ID 0170) to support implementation of strengthening the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend. The grant closing date was originally September 30, 2020; however, the grant was extended to January 2022. A summary of the grant activities are as follows:

IDA Grant ID 0170:	
Balance at beginning of the year	$ 809,027
Grant funds received during the year	1,759,387
Grant expenses incurred during the year	(2,458,358)
Balance at end of the year	$ 110,056

9. Financing, continued

World Bank, continued

GEF Grant TF 18606:	
Balance at beginning of the year	$ 26,274
Grant expenses incurred during the year	(26,274)
Balance at end of the year	$ ---

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 2019, MIMRA received a grant from The Nature Conservancy (TNC) 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 closing date was originally February 21, 2021; however, due to cessation in the implementation of program objectives as a result of the COVID-19 pandemic, the grant remains open with grant extension being negotiated between MIMRA and TNC. No grant activities occurred during the year ended September 30, 2021. As of September 30, 2021, unexpended grant funds amounted to $108,224.

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. A summary of the grant activities is as follows:

Balance at beginning of the year	$ 47,768
Grant expenses incurred during the year	(20,379)
Balance at end of the year	$ 27,389

9. Financing, continued

Protected Area Network

During the year ended September 30, 2021, MIMRA received a $230,786 grant from the Micronesian Conservation Trust for the purpose of funding Protected Area Network activities in the Marshall Islands. A summary of the grant activities is as follows:

Balance at beginning of the year	$ ---
Grant funds received during the year	230,786
Grant expenses incurred during the year	(11,864)
Balance at end of the year	$ 218,922

10. PNA Office

The PNA was established by eight sovereign nations (Federated States of Micronesia, Marshall Islands, Kiribati, Tuvalu, Solomon Islands, Nauru, Papua New Guinea, and Palau) in 1982. The PNA Office was established as a quasi-governmental organization in Majuro as the Head Office of the PNA and is responsible for administering of the VDS program, including collection of revenues associated with this program. During the year ended September 30, 2021, MIMRA recognized revenues related to the VDS program of $26,027,040. As of September 30, 2021, receivables due from the PNA Office associated with VDS revenues amounted to $1,724,600. During the year ended September 30, 2021, MIMRA incurred administrative fees of $28,081 associated with administration of the VDS program by the PNA Office. Beginning January 1, 2021, PNA no longer charged administrative fees.

11. Commitments and Contingencies

Lease Commitments

MIMRA has assumed payment obligations as lessee under certain ground leases, which were previous obligations of RepMar’s Ministry of Culture and Internal Affairs as well as payment obligations under certain ground leases, which were previously the obligation of unrelated parties. These ground leases have original terms ranging from 5 to 25 years, expiring over various years through December 31, 2037.

11. Commitments and Contingencies, continued

Lease Commitments, continued

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

Year ending September 30,	
2022	$ 43,394
2023	43,394
2024	24,279
2025	18,689
2026	16,667
2027 - 2031	63,464
2032 - 2036	61,263
2037 - 2038	13,950
	$ 285,100

MIMRA has also entered into lease agreements as lessor expiring over various years through December 15, 2036. Future minimum lease income for the subsequent years ending September 30 is as follows:

Year ending September 30,	
2022	$ 21,686
2023	21,686
2024	21,686
2025	21,686
2026	21,686
2027 - 2031	103,432
2032 - 2036	48,434
2037	2,422
	$ 262,718

Contingencies

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

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Report of Independent Auditors 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*

The Board of Directors
Marshall Islands Marine Resources Authority

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 Marine Resources Authority (MIMRA), which comprise the statement of net position as of September 30, 2021, 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 November 16, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2021-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MIMRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MIMRA's Response to Findings

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

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.

Ernst + Young LLP

November 16, 2023

Schedule of Findings and Responses

Year Ended September 30, 2021

Finding No.: 2021-001
Area: Financial Reporting

Criteria: Accurate financial reporting should include the recognition and recording of all financial activities in accordance with generally accepted accounting principles.

Condition: MIMRA operates the Outer Island Fish Market Center (OIFMC) that earns revenue from fish sales. During the year ended September 30, 2021, financial activities of the OIFMC were not incorporated into MIMRA's financial statements. A summary of these activities is as follows:

Cash at beginning of the year	$ 94,731
Deposits	323,333
Withdrawals	(315,490)
Cash at end of the year	$ 102,574

As these financial activities were not considered material to the financial statements, no audit adjustment was proposed.

Cause: Lack of internal control policies and procedures requiring recognition and recording of all financial activities.

Effect: Inaccurate financial reporting in accordance with generally accepted accounting principles.

Recommendation: We recommend management establish internal control policies and procedures requiring the recognition and recording of financial activities of the OIFMC.

Auditee Response and Corrective Action Plan: We are accepting the recommendation of the auditors in this regard. We will establish internal control and procedures to recognize and record activities of the OIFMC. Effective FY2022, OIFMC's transactions summary will be included in the MIMRA's books.