COLLEGE OF THE MARSHALL ISLANDS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2020 and 2019
(AS RESTATED)

COLLEGE OF THE MARSHALL ISLANDS

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Years Ended September 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Regents
College of the Marshall Islands:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's 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 audits 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 the College as of September 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte.

Emphasis-of-Matters

Restatement

As discussed in Note 12 to the financial statements, the 2019 financial statements have been restated to correct an error.

Going Concern

The accompanying financial statements have been prepared assuming that the College will continue as a going concern. As discussed in Note 10 to the financial statements, the College's recurring losses from operations raise substantial doubt about its ability to continue as a going concern. Management's plans concerning this matter are also described in Note 10 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Due From/Due To Grantor Agencies

As discussed in Note 10 to the financial statements, the College is currently negotiating with grantor agencies to determine the ultimate collectability of certain receivables from grantor agencies and the ultimate resolution of certain payables to grantor agencies.

COVID-19

As discussed in Note 11 to the financial statements, the College has determined that the COVID-19 pandemic may negatively affect its business, results of operations and net position.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it 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 March 31, 2022 on our consideration of the College'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 the College'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 the College's internal control over financial reporting and compliance.

Deloitte + Touche LLP

March 31, 2022

Introduction

This section of the College of the Marshall Islands (the College) Annual Financial Report presents an analysis of the financial activities of the College for fiscal year ended September 30, 2020. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. This financial analysis and discussion is designed to focus on current activities, resulting changes and current known facts.

Accounting Standards

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34 "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments", which established a new reporting format for governmental financial statements. Statement No. 34 requires a comprehensive one-column look at the entity as a whole, along with recognition of depreciation on capital assets. In November 1999, GASB issued Statement No. 35 "Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities," which established new reporting standards for public colleges and universities. In 2003, the College implemented Governmental Accounting Standards Board Standard No. 35 (GASB 35). With the new standard, the College's funds are now presented in consolidated financial statements, just as in a business concern. This contrasts with the accounting by funds presentation from previous years.

For 2020, the College presents three years of financial statements in accordance with GASB 35 standards, allowing comparisons of year-to-year performance. The following is management's discussion and analysis of the College's financial performance during the fiscal year ended September 30, 2020, as compared to two fiscal years 2019 and 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to College of the Marshall Islands' basic financial statements, which are comprised of entity-wide financial statements prepared in accordance with the accrual basis of accounting, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The entity-wide financial statements are designed to provide readers with a broad overview of the College's finances, in a manner similar to a private-sector business. These statements focus on the financial condition, the results of operations, and cash flows of the College as a whole. The entity-wide statements are comprised of the following:

- The Statement of Net Position presents information on all of the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position are indicators of the improvement or erosion of the College's financial health when considered along with non-financial facts such as enrollment levels and the condition of the facilities.

- The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year. All changes in net position are reported under the accrual basis of accounting, or as soon as underlying events giving rise to the changes occur, regardless of the timing when the cash is received or disbursed. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods. The utilization of long-lived assets is reflected in the financial statements as depreciation, which amortizes the cost of the capital asset over the expected useful life. Revenues and expenses are reported as either operating or non-operating with operating revenues primarily coming from tuition and most U.S. federal grants.

Overview of the Financial Statements, Continued

- The Statement of Cash Flows presents information on cash flows from operating activities, non-capital financing activities, capital financing activities, and investing activities. It provides the net increase or decrease in cash between the beginning and the end of the fiscal year. This statement assists in evaluating financial viability and the College's ability to meet financial obligations as they become due.
- The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

Financial Highlights

There are many factors used to evaluate the financial health of the College. These include its organizational environment, strategic direction, financial status, student enrollment, human resources, facilities, and institutional capacity. In evaluating the financial status of the College of the Marshall Islands, one of the most important questions is whether the College is financially better off at the beginning of the year or at the end of the year. In FY2020, the College's overall financial position (net position) decreased from $14,712,142 as of September 30, 2019, as restated, to $14,354,285 as of September 30, 2020. As discussed in Note 12 to the financial statements, the 2019 financial statements have been restated to correct an error.

Statement of Net Position

The Statement of Net Position presents the overall financial condition of the College at the end of September 30, 2020. Total net position stood at $14,354,285, which represents a decrease of $357,857 (or 2.4%) from that of the previous year. A summary of the College's Statements of Net Position as of September 30, 2020 compared with 2019 and 2018 is presented below:

Summary Statements of Net Position
As of September 30

	2020	2019 (As Restated)	$ Change 2020-2019	% Change 2020-2019	2018 (As Restated)
Assets:					
Current and other assets	$ 6,244,662	$ 5,558,582	$ 686,080	12.3%	$ 3,837,289
Investments	1,750,457	1,700,200	50,257	3.0%	1,569,512
Capital assets	10,619,874	11,145,596	(525,722)	(4.7)%	12,179,343
Total assets	18,614,993	18,404,378	210,615	1.1%	17,586,144
Liabilities:					
Current and other liabilities	4,260,708	3,692,236	568,472	15.4%	3,749,940
Net position:					
Net investment in capital assets	10,619,874	11,145,596	(525,722)	(4.7)%	12,179,343
Restricted-nonexpendable	1,750,457	1,700,200	50,257	3.0%	1,569,512
Unrestricted	1,983,954	1,866,346	117,608	6.3%	87,349
Total net position	$ 14,354,285	$ 14,712,142	$ (357,857)	(2.4)%	$ 13,836,204

Management's Discussion and Analysis for the year ended September 30, 2019 is set forth in the College's report on the audit of the financial statements, which is dated December 29, 2020. That Discussion and Analysis explains the major factors impacting the 2019 financial statements and can be obtained from the College's President at info@cmi.edu.

Statement of Net Position, Continued

Financial data for FY20 showed that total assets increased by $210,615 (or 1.1%) vis-à-vis FY19. This can be attributed to the following:

1. The contraction of the capital assets accounted for the bulk of the significant provision that reduced the Net Book Value amounting to $525,722 (or 4.7%). The College's investments and current assets helped offset the reduction of capital assets by $50,257 (or 3%) and $686,080 (or 12.3%), respectively. Listed below are the details of the changes in the components of total assets:

    a) Increase in cash and cash equivalents and time certificates of deposit by $706,001 (or 32.7%) compared to prior year.

    b) The accounts receivable and unbilled charges for FY2020 amounted to $2.3 million, which represents a decrease of $144,823 (or 5.8%). The decrease can be attributed to the corrective action plans being implemented after the FY2019 audit report was completed.

    c) Prepaid expenses amounted to $222,863 in FY2020 compared to $146,512 in FY2019 representing an increase of $76,351 (or 52.1%). Although the trend had a minimal increase compared to prior year, the College will need to establish strict guidelines and train staff to ensure proper reconciliation of the prepaid expense general ledger account.

    d) Bookstore inventory registered a moderate decrease of $49,998 (or 10.7%) compared to the prior year. With the centralization of all purchases at the Bookstore and the new strategic initiatives to expand the operation, the inventory is expected to modestly close the gap compared to prior year. These strategies are needed to meet the growing enrollment figures and improve efficiency in addressing the need for materials and supplies for all College Departments, Employees, and the general public.

    e) The College's Investment outcomes in FY2020 were reported at $1,750,457, compared to prior year investment outcomes of $1,700,200, which is an increase of $50,257 (or 3%).

    f) With the completion of the College's Capital Improvement Projects eight (8) years ago, capital assets continue to show a downward trend and this will likely continue in the succeeding years due to minimal capital investment for new facilities. For FY2020, there was a decrease in capital assets of $525,722 (or 4.7%) due to the regular provision of depreciation expense on capital assets and disposing of assets, which reduced the Net Book Value of the capital assets.

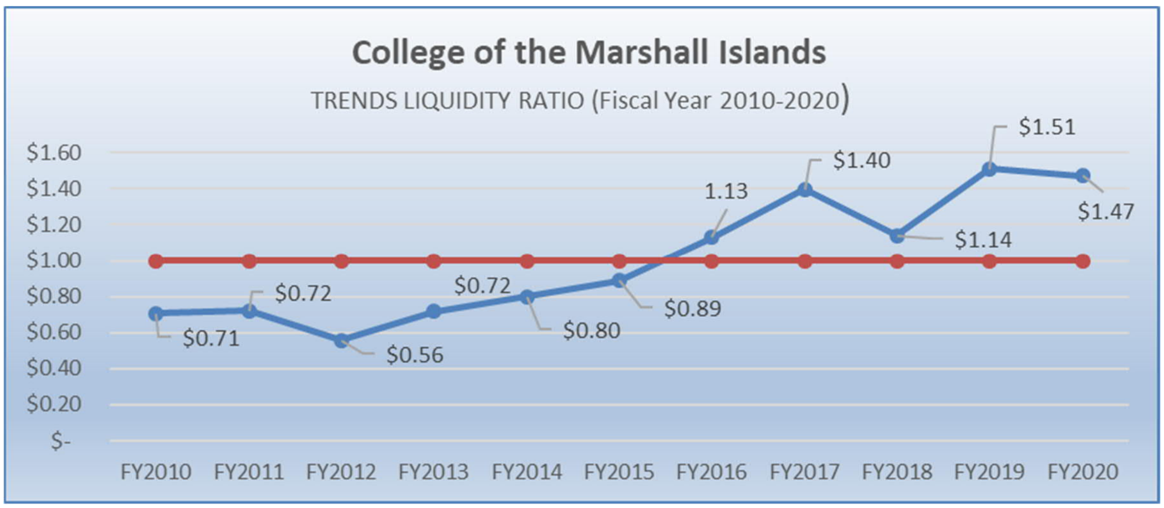
2. The scarcity and timing of cash flows that perpetually hounds the College still remains an ongoing constraint in meeting its plans and programs but with the College's conservative approach to its overall finances, the College is able to continue serving students, vendors, employees and other government offices and agencies. The College must be financially prudent with its spending behavior to maintain and improve the College's short and long-term financial stability. For FY2020, current obligations indicated an increase of $568,472 (or 15.4%).

3. The College has not incurred Long-Term Debt to date.

Statement of Net Position, Continued

4. One of the financial indicators that the College uses to measure the institution's financial capacity to meet its current obligations is the current or liquidity ratio. At the end of September 30, 2020, the College's current ratio or liquidity ratio decreased by $0.04 from 1.51 in the prior year to 1.47 in the current year. This benchmark can be interpreted that the College has $1.47 in its coffers for every $1 the College is obligated. Although this reporting period shows a slight decline to the liquidity ratio, the overall improvements shown in other financial factors really help maintain the College's purchasing power. For example, the College's cash and cash equivalents continue to increase by $257,242 compared to $13,590. Overall, the College's financial indicators as of September 30, 2020 show a promising future for the College.

   A summary of the College's liquidity ratios over the past 10 years follows:



5. The favorable outcome of positive working capital is the difference of current assets and current liabilities. This indicator is an important indication of the College's ability to pay its financial obligations within a twelve-month period. This is the fifth year since 2010 when the College had accumulated surpluses in working capital. As of September 30, 2020 the College's working capital amounted to $1,983,954 as compared to $1,866,346 in the prior year.

Statement of Revenues, Expenses and Changes in Net Position

The purpose of this statement is to present the revenues earned and expenses incurred by the College, both operating and non-operating, as well as any other revenues, expenses, gains and losses received or spent by the institution over a period of time.

Operating revenues are earned by the College for providing goods and/or services to the students, customers and various constituencies of the College. Operating expenses are incurred to acquire or produce the goods and services that are provided in return for operating revenues, thus carrying out the mandated mission of the College. Non-operating revenues are revenues for which no goods and/or services are provided. In the case of the College, there are two (2) mainstreams of non-operating revenues and these are the RepMar contributions and other pass-through federal grants (e.g., Compact Funds). These funds are appropriated and considered non-operating because they are appropriated to the College without directly providing goods and/or services to the RMI government.

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

A summary of the College's Statements of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2020 compared with 2019 and 2018 is presented below:

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

	2020	2019 (As Restated)	$ Change 2020-2019	% Change 2020-2019	2018 (As Restated)
Operating:					
Operating revenues	$ 8,298,641	$ 7,983,980	$ 314,661	3.9%	$ 6,423,182
Operating expenses	13,717,831	11,673,404	2,044,427	17.5%	12,681,516
Operating loss	(5,419,190)	(3,689,424)	(1,729,766)	46.9%	(6,258,334)
Nonoperating:					
Nonoperating revenues	5,068,299	4,921,103	147,196	3.0%	4,357,237
Nonoperating expenses	6,966	355,741	(348,775)	(98.0)%	4,792
	5,061,333	4,565,362	495,971	10.9%	4,352,445
Change in net position	$ (357,857)	$ 875,938	$ (1,233,795)	(140.9)%	$ (1,905,889)

For FY2020, total operating revenues showed a moderate increase of $314,661 (or 3.9%) as compared to FY2019. This increase is attributed to the following:

1. Although there was a drop in student tuition and fees as a result of scholarship discounts and allowances, the result of an increase in the number of enrollment figures compared with FY2019 also provide a steady financial health. The decrease in student tuition and fees revenue of $1,085,029 (or 78.8%) was more than offset by the increase in U.S. federal grant revenues of $1,262,331 (or 20.8%).

2. Donations to the College by way of Private, Gifts, Grants and Donations also increased by $58,261 (or 21.8%).

Total operating expenses for FY2020 increased by $2,044,427 (or 17.5%) in comparison with FY2019. Major driver to the increase in operating expenses was attributed to institutional support, which increased by $1,920,063 (or 65%) due to increased expenditures associated with COVID-19 mitigation.

For FY2020, total operating revenues were eclipsed by the total operating expenses resulting in an operating loss of $5,419,190, an increase of $1,729,766 (or 46.9%) from FY2019. The College's nonoperating revenues, net of nonoperating expenses, increased by $495,971 (or 10.9%).

It is worthy to note that REPMAR Contributions and Compact Funds channeled through the RMI from the Compact of Free Association with the U.S. are classified as nonoperating revenues. The College is a chartered governmental institution whose mission is to provide higher education services to the Marshall Islands and within the Pacific Rim. The College's operations depend heavily on the RMI government through the annual subsidies and has committed to provide an annual $3 million dollar subsidy (less audit fees) to the College through an MOU signed on October 2015. For FY2020, the College received a total of $4,969,285 from the RMI Government to support the College's annual operations.

Overall, the change in net position for FY2020 resulted in a deficit amount of $357,857 vis-à-vis FY2019 with a surplus amount of $875,938, representing a decrease of $1,233,795 (or 140.9%) year on year.

In summary, net position for FY2020 settled at $14,354,285 from $14,712,142, as restated, in prior year, a decrease of $357,857 (or 2.4%).

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about cash receipts and cash payments of the College. This statement helps users of this report to assess the College's ability to generate future cash flows, the ability to meet obligations as they become due, and its needs for external financing. It also shows how changes in net position and operating activities and income statement affect cash and cash equivalents, and breaks the analysis into operating, investing and financing activities.

A summary of the College's Statements of Cash Flows for the year ended September 30, 2020 compared with 2019 and 2018 is presented below:

Summary Statements of Cash Flows
Years Ended September 30

	2020	2019	$ Change 2020-2019	% Change 2020-2019	2018
Cash Provided By (Used In):					
Operating activities	$ (3,462,837)	$ (4,089,220)	$ 626,383	(15.3)%	$ (3,554,283)
Noncapital financing activities	4,969,285	4,812,730	156,555	3.3%	4,271,769
Capital and related financing activities	(849,204)	(368,340)	(480,864)	130.5%	(214,606)
Investing activities	(400,002)	(346,636)	(53,366)	15.4%	(874,592)
Net change in cash	257,242	8,534	248,708	2914.3%	(371,712)
Cash beginning of year	13,590	5,056	8,534	168.8%	376,768
Cash end of year	$ 270,832	$ 13,590	$ 257,242	1892.9%	$ 5,056

Net change in cash registered at $257,242 as of September 30, 2020, showed an increase of $248,708 compared to prior year. This was the result of the following:

1. Net cash inflows from operating activities were primarily the result of receipts from student tuition and fees, U.S. Federal grants and other receipts, while net cash outflows were primarily the result of payments to students for scholarships, vendors, and employees. Net cash outflows from operating activities were $3,462,837 in FY2020 compared to net cash outflows of $4,089,220 in FY2019.

2. Net cash inflows provided by noncapital financing activities amounted to $4,969,285 for FY2020, which increased by $156,555 (or 3.3%) compared with FY2019. Cash inflows from noncapital activities represented receipts from RepMar for operating subsidies.

3. Net cash outflows used in capital financing activities amounted to $849,204 for FY2020, which increased by $480,864 (or 130.5%) compared with FY2019. Cash outflows from capital activities represented the acquisition of capital assets.

4. Net cash inflows used in investing activities amounted to $400,002 for FY2020, which increased by $53,366 (or 15.4%) compared with FY2019. Cash outflows from investing activities represented additional investments made in time certificates of deposit.

5. Overall, the College showed an improved financial position at the end of FY2020 with a strong financial position with a liquidity ratio of 1.47 and a total of $1,983,954 in unrestricted or spendable net position, an increase of $117,608 (or 6.3%) compared with FY2019.

Capital Assets and Debt

Net capital assets decreased by $525,722 (or 4.7%) from $11,145,596, as restated, in FY2019 to $10,619,874 in FY2020. The decrease is due primarily to depreciation recognized during the year of $1,367,960 less acquisitions of $849,204.

A summary of the College's capital assets as of September 30, 2020 compared with 2019 and 2018 is presented below:

Summary of Capital Assets
As of September 30

	2020	2019 (As Restated)	$ Change 2020-2019	% Change 2020-2019	2018 (As Restated)
Depreciable capital assets:					
Buildings and improvements	$ 24,056,892	$ 23,674,120	$ 382,772	1.6%	$ 23,674,120
Furnitures and fixtures	4,111,564	3,919,102	192,462	4.9%	3,850,334
	28,168,456	27,593,222	575,234	2.1%	27,524,454
Accumulated depreciation	(17,969,288)	(16,819,932)	(1,149,356)	6.8%	(15,717,417)
	10,199,168	10,773,290	(574,122)	(5.3)%	11,807,037
Nondepreciable capital assets:					
Land and improvements	372,306	372,306	-	0.0%	372,306
Construction in progress	48,400	-	48,400		-
	420,706	372,306	48,400	13.0%	372,306
	$ 10,619,874	$ 11,145,596	$ (525,722)	(4.7)%	$ 12,179,343

Please refer to note 5 to the accompanying financial statements for additional information regarding the College's capital assets.

The College did not incur long-term debt activity during the period.

Economic Outlook

The Pacific Island economies are a varied mix of subsistence agriculture; public sector employment (particularly in government services, education, and health care), and small though growing private sectors (e.g., banking, construction, restaurant, wholesale, retail,). Economic development in the American Affiliated Pacific Islands is best described as variable and highly dependent upon world and regional demand for selected commodities (such as fish, copra, sugar, pineapple, etc.); overseas visitors from Asian countries such as Japan, ROC/Taiwan, and Korea; U.S. defense and selected military research projects; and governmental expenditures (U.S., local, and international) for infrastructure projects, operations, education, health, and welfare. While many current workers are imported contract employees (depending on the availability of particular skills in the specific entity), the long-term sustainability of the respective local economies is dependent upon the ability of the local colleges to prepare local residents for the full range of employment opportunities.[1]

[1] Barbara Beno, Micheal Rota, Floyd Takeuchi, et al., *Enhancing and Sustaining Higher Education Quality in the Pacific: Challenges Facing Institutions Seeking to Acquire and Maintain WASC-Accreditation* (San Francisco: Accrediting Commission of Community and Junior Colleges, 2006).

Economic Outlook, Continued

The economic health of the RMI Government is important to the College because of its dependence on operational subsidies. The RMI Government's financial agreement with the U.S. Government under the Compact of Free Association and the U.S. commitment to long-term financial support for the RMI after an extended period of negotiation raised the confidence levels of all sectors of the RMI national economy. The amended Compact of Free Association financial assistance package as formally agreed with the US Government in December 2003 that represents a major change in financial relations between the two countries, affects the level of funding such as, the allocation of funds, and internal systems for managing public funds. The allocation package provides for a large shift of expenditures toward the main sectors of health and education as well as for capital improvement and maintenance.

The amended assistance package provides for the adoption of financial accountability and management standards similar to those expected of U.S. state and local governments. The Government recognizes that meeting these standards will require a sustained effort both to tailor systems and procedures to the circumstances of the Marshall Islands and to upgrade the capacity of its staff. Implementation of a government decision to move to performance-based budgeting is in its fifth year, with an initial emphasis on the Ministries of Education, Health, and Environment. The College is part of this initiative.

This economic support of the RMI Government is highly important because of the College's dependence on operational subsidies. Although the MOU between the College and the RMI Government also committed to fund its $3 million operational subsidy to the College as represented by a Memorandum of Understanding through the end of FY2020 and renewable on a yearly basis.

Summary:

1) The College's Total Net Position for FY2020 settled at $14,354,285 compared to prior year totaling $14,712,142.

2) The College's Investment (Endowment Fund) for FY2020 stood at $1,750,457 compared to prior year totaling $1,700,200.

3) Current or liquidity ratio is 1.47 to 1 dollar, which decreased by 0.04 cents compared to prior year.

4) The Statement of Net Position is highlighted by the College's attempt to maintain a positive unrestricted net position of $1,983,954 for a consecutive three years now and the second time it exceeded the $1 million mark. Last year, the College had $1,866,346 in unrestricted net position.

5) The RMI Government has continued its subsidy to the College at $4,969,285 in FY2020 (less audit fees) as represented by a Memorandum of Understanding through the end of FY2020 and renewable on a yearly basis. The RMI government pays this subsidy with funds available through the Compact of Free Association with the U.S. and from its General Fund.

6) The College is still enjoying the privilege of an advance method of payment for Title IV funds and other federal grants resulting in easy access to these funds.

For further news and up-to-date information concerning the College of the Marshall Islands, please visit the College website at www.cmi.edu.

COLLEGE OF THE MARSHALL ISLANDS

Statements of Net Position
September 30, 2020 and 2019

	2020	2019 (As Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 270,832	$ 13,590
Time certificates of deposit	2,592,989	2,144,230
Accounts receivable and unbilled charges, net	2,340,168	2,484,991
Due from grantor agencies, net of allowance for doubtful accounts of $28,192 and $0 at September 30, 2020 and 2019, respectively	400,657	302,108
Prepaid expenses	222,863	146,512
Inventory	417,153	467,151
Total current assets	6,244,662	5,558,582
Noncurrent assets:		
Investments	1,750,457	1,700,200
Capital assets:		
Nondepreciable capital assets	420,706	372,306
Capital assets, net of accumulated depreciation	10,199,168	10,773,290
Total noncurrent assets	12,370,331	12,845,796
Total assets	$ 18,614,993	$ 18,404,378
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	$ 692,551	$ 715,380
Withholding taxes payable	237,215	74,564
Social security taxes payable	304,125	296,033
Student refunds payable	187,586	66,359
Due to grantor agencies	848,413	695,840
Accrued liabilities	437,551	397,008
Unearned revenue	1,553,267	1,447,052
Total current liabilities	4,260,708	3,692,236
Commitments and contingencies		
Net position:		
Net investment in capital assets	10,619,874	11,145,596
Restricted:		
Endowment - nonexpendable	1,750,457	1,700,200
Unrestricted	1,983,954	1,866,346
Total net position	14,354,285	14,712,142
Total liabilities and net position	$ 18,614,993	$ 18,404,378

See accompanying notes to financial statements.

COLLEGE OF THE MARSHALL ISLANDS

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

	2020	2019 (As Restated)
Operating revenues:		
Student tuition and other fees	$ 5,525,814	$ 5,674,498
Less: Scholarship discounts and allowances	(5,233,345)	(4,297,000)
	292,469	1,377,498
U.S. federal grants	7,342,908	6,080,577
Private gifts, grants and donations - restricted	325,730	267,469
Other	337,534	258,436
Net operating revenues	8,298,641	7,983,980
Operating expenses:		
Instruction	4,074,741	3,841,410
Institutional support	4,874,075	2,954,012
Operations and maintenance	2,542,949	2,873,715
Auxiliary enterprises	1,060,369	924,195
Academic support	707,309	666,618
Student services	458,388	413,454
Total operating expenses	13,717,831	11,673,404
Operating loss	(5,419,190)	(3,689,424)
Nonoperating revenues (expenses):		
RepMar contributions	4,969,285	4,812,730
Write-off of receivables	-	(331,879)
Loss on disposal/transfer of capital assets	(6,966)	(23,862)
Investment income	99,014	108,373
Total nonoperating revenues (expenses), net	5,061,333	4,565,362
Change in net position	(357,857)	875,938
Net position at beginning of the year, as previously reported	14,712,142	14,632,966
Restatement (Note 12)	-	(796,762)
Net position at beginning of the year, as restated	14,712,142	13,836,204
Net position at end of the year	$ 14,354,285	$ 14,712,142

See accompanying notes to financial statements.

COLLEGE OF THE MARSHALL ISLANDS

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

	2020	2019 (As Restated)
Cash flows from operating activities:		
Cash received from U.S. federal grants	$ 7,664,560	$ 5,883,040
Cash received from student tuition and fees	5,619,698	4,617,433
Other receipts	438,756	175,102
Cash payments to suppliers for goods and services	(6,753,792)	(5,236,868)
Student scholarships paid	(5,721,948)	(5,130,093)
Cash payments to employees for services	(4,710,111)	(4,397,834)
Net cash used in operating activities	(3,462,837)	(4,089,220)
Cash flows from noncapital financing activities:		
RepMar contributions received	4,969,285	4,812,730
Cash flows used in capital and related financing activities:		
Acquisition of capital assets	(849,204)	(368,340)
Cash flows used in investing activities:		
Net increase in time certificates of deposit	(400,002)	(222,636)
Purchase of investments	-	(124,000)
Net cash used for investing activities	(400,002)	(346,636)
Net change in cash and cash equivalents	257,242	8,534
Cash and cash equivalents at beginning of year	13,590	5,056
Cash and cash equivalents at end of year	$ 270,832	$ 13,590
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (5,419,190)	$ (3,689,424)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,367,960	1,378,225
Bad debts (recovery)	28,192	(482,481)
Changes in assets and liabilities:		
Accounts receivable and unbilled charges	144,823	(1,081,827)
Prepaid expenses	(76,351)	(622)
Due from grantor agencies	(126,741)	(218,882)
Inventory	49,998	63,495
Accounts payable	(22,829)	198,061
Withholding taxes payable	162,651	(2,465)
Social security taxes payable	8,092	19,857
Student refunds payable	121,227	48,406
Due to grantor agencies	152,573	(191,828)
Accrued liabilities	40,543	(11,956)
Unearned revenue	106,215	(117,779)
Net cash used in operating activities	$ (3,462,837)	$ (4,089,220)

See accompanying notes to financial statements.

(1) Organization

On April 1, 1993, College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands, was established as an independent institution governed by a Board of Regents appointed by the Republic of the Marshall Islands (RepMar) Cabinet pursuant to the College of the Marshall Islands Act of 1992 (Public Law 1992-13). Previous to the Act, the College was a component of the College of Micronesia (COM). The College operates another program, the Land Grant program, but results of its operations are substantially reported within the financial statements of COM. Therefore, the accompanying financial statements relate solely to those accounting records maintained within the College and do not incorporate any accounts related to its operations that may be accounted for as a separate component of COM.

(2) Summary of Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities. The financial statement presentation required by GASB Statement Nos. 34 and 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required. Other GASB Statements are required to be implemented in conjunction with GASB Statements 34 and 35. Therefore, the College has also implemented, where applicable, Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statement Nos. 14 and 34.

To conform to these requirements, equity is presented in the following net position categories:

- Net investment in capital assets: capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.

- Restricted: Nonexpendable net position subject to externally imposed stipulations that require the College to maintain such permanently. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to the principal. As of September 30, 2020 and 2019, the College has nonexpendable restricted net position of $1,750,457 and $1,700,200, respectively.

- Restricted: Expendable net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire with the passage of time. As of September 30, 2020 and 2019, the College has no expendable restricted net position.

- 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 Regents or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use for the same purpose, it is the College's policy to use unrestricted resources first, then restricted resources as they are needed.

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

For financial statement purposes, the College is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating - Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants.

Nonoperating - Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, such as RepMar appropriations and investment income.

Scholarship Discounts and Allowances - Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees, and other student charges, the College has recorded a scholarship discount and allowance.

Cash and Cash Equivalents and Time Certificates of Deposit

Cash and cash equivalents include cash on hand, cash held in demand and savings accounts, and short-term investments in U.S. Treasury obligations with maturity dates within three months of acquisition by the College. Time certificates of deposit with original maturity dates greater than ninety days are separately classified on the statement of net position.

Investments

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie, the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the College of Micronesia, employees and officers, and other sources. Accounts receivable are recorded net of estimated allowances for uncollectible amounts.

(2) Summary of Significant Accounting Policies, Continued

Due from Grantor Agencies

Reimbursements due to the College for expenditures on federally funded reimbursement and grant programs are reported as due from grantor agencies. Due from grantor agencies are recorded net of estimates allowances for uncollectible amounts.

Allowance for Doubtful Accounts

Management determines the adequacy of the allowance for doubtful accounts based upon review of the aged receivables. Amounts determined uncollectible are charged to bad debts and are added to the allowance. Bad debts are written-off against the allowance on the specific identification method.

Prepaid Expenses

Certain payments made to vendors or persons for goods and services reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Inventory

Inventory consists of items purchased for resale at the College's bookstore. Inventory is valued at the lower of cost (first-in, first-out) or market value.

Capital Assets

Capital assets with a cost that equals or exceeds $500 are capitalized. Such assets are recorded at cost in instances where cost is determinable or estimated cost where cost is not determinable. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets.

Deferred Outflows of Resources

In addition to assets, the statements 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. The College has no items that qualify for reporting in this category.

Unearned Revenue

Unearned revenues include amounts received for tuition, fees, and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences

The College recognizes the cost of accrued annual leave at the time such leave is earned. As of September 30, 2020 and 2019, the College recorded $146,143 and $154,988, respectively, of accrued annual leave, which is included within the statements of net position as accrued liabilities. The College does not participate in an employee pension plan.

(2) Summary of Significant Accounting Policies, Continued

Deferred Inflows of Resources

In addition to liabilities, the statements 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. The College 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. The College is specifically exempt from this tax.

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.'s 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these Statements.

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

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) 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.

(3) Deposits and Investments

The deposit and investment policies of the College are governed by the Board of Regents. As such, the Board of Regents is authorized to delegate certain responsibilities to third parties. Investment managers have discretion to purchase, sell, or hold the specific securities to meet the objectives set forth in the investment policy.

(3) Deposits and Investments, Continued

Generally, the College can invest in cash and cash equivalents, bonds, U.S. and non-U.S. equities, and fixed income securities, as follows:

Global equities	60%
Fixed income	40%
Total portfolio	100%

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College'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 but not in the College's name. The College does not have a deposit policy for custodial credit risk.

As of September 30, 2020 and 2019, the carrying amounts of the College's total cash and cash equivalents and time certificates of deposit were $2,863,821 and $2,157,820, respectively, and the corresponding bank balances were $3,122,714 and $2,268,081, respectively. Of the bank balance amounts, $512,843 and $111,350, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2020 and 2019, bank deposits in the amount of $250,000 and $111,350, respectively, were FDIC insured. Bank deposits of $2,609,871 and $2,156,731, respectively, are maintained in financial institutions not subject to depository insurance. The College does not require collateralization of its deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

B. Investments

Investments held by the College consist of money market funds, mutual funds, and equity securities. As of September 30, 2020 and 2019, investments are as follows:

	2020	2019
Money market funds	$ 85,495	$ 13,546
Exchange traded products	940,286	839,805
Mutual funds	724,676	846,849
	$ 1,750,457	$ 1,700,200

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated in accordance with the College's investment policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2020 and 2019, the College's investments were held in the College's name and were administered by investment managers in accordance with the College's investment policy.

(3) Deposits and Investments, Continued

B. Investments, Continued

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amounts of investment in any one issuer that represents five percent (5%) or more of total investments for the College. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of September 30, 2020 and 2019, no investments in any one issuer exceeded 5% of total investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The College categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The College has the following recurring fair value measurements as of September 30, 2020 and 2019:

		Fair Value Measurements Using		
	September 30, 2020	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Exchange traded products	$ 940,286	$ 940,286	$ -	$ -
Mutual funds	724,676	724,676	-	-
Total investments by fair value level	1,664,962	$ 1,664,962	$ -	$ -
Investments measured at amortized cost:				
Money market funds	85,495			
	$ 1,750,457			

		Fair Value Measurements Using		
	September 30, 2019	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Exchange traded products	$ 839,805	$ 839,805	$ -	$ -
Mutual funds	846,849	846,849	-	-
Total investments by fair value level	1,686,654	$ 1,686,654	$ -	$ -
Investments measured at amortized cost:				
Money market funds	13,546			
	$ 1,700,200			

Exchange traded products and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

(4) Accounts Receivable and Unbilled Charges

Summarized below are the College's accounts receivable and unbilled charges as of September 30, 2020 and 2019:

	2020	2019
Student tuition and fees	$ 4,953,144	$ 5,084,661
Employees and officers	145,457	115,643
Other	165,319	208,439
	5,263,920	5,408,743
Less allowance for doubtful accounts	(2,923,752)	(2,923,752)
Net accounts receivable and unbilled charges	$ 2,340,168	$ 2,484,991

(5) Capital Assets

Summarized below are the College's investment in capital assets and changes for the years ended September 30, 2020 and 2019:

		2020			
	Estimated Useful Lives	Balance at October 1, 2019	Additions	Deletions	Balance at September 30, 2020
Nondepreciable capital assets:					
Land and improvements		$ 372,306	$ -	$ -	$ 372,306
Construction in progress		-	48,400	-	48,400
		372,306	48,400	-	420,706
Depreciable capital assets:					
Furniture, vehicles and equipment	3 - 5 years	3,919,102	409,000	(216,538)	4,111,564
Buildings and improvements	20 years	23,674,120	391,804	(9,032)	24,056,892
		27,593,222	800,804	(225,570)	28,168,456
Less accumulated depreciation		(16,819,932)	(1,367,960)	218,604	(17,969,288)
		10,773,290	(567,156)	(6,966)	10,199,168
Net investment in capital assets		$ 11,145,596	$ (518,756)	$ (6,966)	$ 10,619,874

		2019 (As Restated)			
	Estimated Useful Lives	Balance at October 1, 2018	Additions	Deletions	Balance at September 30, 2019
Nondepreciable capital assets:					
Land and improvements		$ 372,306	$ -	$ -	$ 372,306
Depreciable capital assets:					
Furniture, vehicles and equipment	3 - 5 years	3,850,334	368,340	(299,572)	3,919,102
Buildings and improvements	20 years	23,674,120	-	-	23,674,120
		27,524,454	368,340	(299,572)	27,593,222
Less accumulated depreciation		(15,717,417)	(1,378,225)	275,710	(16,819,932)
		11,807,037	(1,009,885)	(23,862)	10,773,290
Net investment in capital assets		$ 12,179,343	$ (1,009,885)	$ (23,862)	$ 11,145,596

(6) RepMar Contributions

The College is dependent upon RepMar to provide annual appropriations in an amount sufficient to provide stable financial backing to meet educational and vocational needs of the community. During the years ended September 30, 2020 and 2019, the College received $4,969,285 and $4,812,730, respectively, from RepMar to administer various postsecondary functions and to improve facilities as follows:

	2020	2019
General Fund	$ 3,068,960	$ 2,912,402
Compact Sector Funds:		
Education Sector Grant	987,000	987,003
Public Infrastructure Development Sector Grant	500,000	500,000
Ebeye Special Needs Sector Grant	125,000	125,000
Supplemental Education Grant	288,325	288,325
	$ 4,969,285	$ 4,812,730

For the year ended September 30, 2021, the Nitijela of RepMar appropriated $4,037,706 to fund operations of the College, $500,000 to fund preventive maintenance of capital assets, and $93,000 for the College's endowment fund.

(7) Functional Classifications with Natural Classifications

Operating expenses are displayed in their functional classifications. The following table shows functional classifications with natural classifications:

2020

	Salaries	Benefits	Services	Supplies	Insurance, Utilities and Rent	Depreciation	Miscellaneous	Total
Instruction	$ 2,094,612	$ 690,757	$ 6,717	$ 186,050	$ 62,658	$ 56,702	$ 977,245	$ 4,074,741
Academic support	296,668	99,267	106,913	35,434	31,876	51,008	86,143	707,309
Student services	259,669	57,838	-	22,168	500	5,877	112,336	458,388
Institutional Support	1,242,386	760,589	509,614	1,177,171	274,720	61,606	847,989	4,874,075
Operations & Maintenance	800,213	131,083	(119,601)	(258,997)	674,587	1,188,844	126,820	2,542,949
Auxiliary enterprises	27,292	8,064	-	2,810	-	3,923	1,018,280	1,060,369
	$ 4,720,840	$ 1,747,598	$ 503,643	$ 1,164,636	$ 1,044,341	$ 1,367,960	$ 3,168,813	$ 13,717,831

2019

	Salaries	Benefits	Services	Supplies	Insurance, Utilities and Rent	Depreciation	Miscellaneous	Total
Instruction	$ 2,172,159	$ 713,720	$ -	$ 135,703	$ 110,054	$ 67,945	$ 641,829	$ 3,841,410
Academic support	325,976	102,329	83,702	34,784	714	44,394	74,719	666,618
Student services	246,988	58,275	-	12,793	660	3,678	91,060	413,454
Institutional Support	915,840	710,839	182,342	139,328	158,156	47,533	799,974	2,954,012
Operations & Maintenance	693,634	108,897	2,813	283,011	526,436	1,210,791	48,133	2,873,715
Auxiliary enterprises	26,370	3,767	-	4,927	-	3,884	885,247	924,195
	$ 4,380,967	$1,697,827	$ 268,857	$ 610,546	$ 796,020	$ 1,378,225	$ 2,540,962	$ 11,673,404

(8) Risk Management

The College 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. The College 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 in any of the past three years.

(9) Commitments

On July 31, 2000, the College executed two lease agreements for parcels of land and attached buildings and improvements located on Arrak Island. The leases commenced on July 1, 2000 for periods of thirty years each, ending on June 30, 2030, with options to renew for additional terms of thirty years. The terms of the leases call for rent to be paid in equal quarterly installments, with increases totaling $800 in the quarterly installments, every five years. On April 20, 2007, the College executed a sublease agreement for a parcel of land adjacent to the main campus in Uliga. The lease commenced on March 1, 2007 for a term of thirty years, ending on March 31, 2037. On March 24, 2014, the College executed a lease agreement for a parcel of land at Lotodrik and Barkan Wetos in Uliga. The lease commenced April 1, 2014 for a term of thirty years, ending on March 31, 2044.

Future minimum lease payments under these leases are as follows:

Year ending September 30,	
2021	$ 97,684
2022	97,684
2023	97,684
2024	97,684
2025	97,684
2026 - 2030	504,418
2031 - 2035	104,418
2036 - 2040	89,418
2041 - 2045	63,534
	$ 1,250,208

(10) Contingencies

Going Concern

The accompanying financial statements have been prepared in conformity with GAAP, which contemplates the continuation of the College as a going concern. However, the College has sustained operating losses in recent years. During the years ended September 30, 2020 and 2019, the College incurred losses from operations of $5,419,190 and $3,689,424, respectively.

Management believes actions presently being undertaken to revise the College's operating requirements in the implementation of a Financial Recovery Plan, which includes employee salary and benefits reduction, electric energy conservation efforts, reduction of adjunct and overload rates and limited employee travel, and reduction in supplies expenditures and contractual services, will provide the opportunity for the College to continue as a going concern.

(10) Contingencies, Continued

Due From/Due To Grantor Agencies

The College has participated in a number of grant programs. During the year ended September 30, 2019, management determined that certain receivables from grantor agencies in the amount of $331,879 were no longer considered collectible and were written off. As of September 30, 2020 and 2019, the College has recorded certain receivables due from grantor agencies of $400,657 and $302,108, respectively, which remain uncollected, and certain payables due to grantor agencies of $848,413 and $695,840, respectively, which remain unpaid. The College is currently negotiating with these grantors for a final determination with respect to collection of outstanding receivables and payment of outstanding obligations. With respect to uncollected receivables from grantor agencies, the College's management believes that an allowance for uncollectible accounts of $28,192 as of September 30, 2020, is considered necessary. With respect to the unpaid obligations payable to grantor agencies, the College's management believes the ultimate disposition of these liabilities can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

Sick Leave

It is the policy of the College to record expenditures for sick leave when leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. There is no liability for unpaid accumulated sick leave since the College does not have a policy to pay any amounts when employees separate from service. The estimated accumulated sick leave as of September 30, 2020 and 2019 was $136,715 and $129,708, respectively.

Accreditation

Based on the comprehensive evaluation during June 2015, the Accrediting Commission for Community and Junior Colleges (ACCJC) took action to remove the Warning, reaffirmed accreditation, and required that the College submit a Follow-Up Report in March 2016. In May 2016, WASC issued a Warning status to the College as a result of its evaluation of the College's Follow-up Report with the requirement that the College submit a revised Follow-Up Report on October 1, 2016. On February 3, 2017, ACCJC took action to remove the Warning. Based on the comprehensive evaluation during June 2021, ACCJC reaffirmed accreditation for eighteen (18) months, and required that the College submit a Follow-up Report on October 1, 2022.

(11) COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On October 28, 2020, one confirmed case was identified in the Marshall Islands. On November 17, 2020, an additional three cases were identified and which were isolated and contained. On January 5, 2022, an additional three cases were identified and which were isolated and contained. As of March 31, 2022, no community transmission has been identified. The College has determined that should community transmission occur within the Marshall Islands, it may negatively impact the College's business, results of operations, and financial position and the College may become dependent upon the financial support of RepMar. However, the effect of the pandemic on RepMar is also uncertain and future available funding to RepMar component units may be limited. Therefore, while the College expects this matter to potentially have a negative impact on its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

(12) Restatement

Subsequent to the issuance of the College's 2019 financial statements, the College's management determined that fiscal year 2019 beginning accumulated depreciation and depreciation expense were understated by $796,762 and $88,054, respectively. As a result of this determination, capital assets, net of accumulated depreciation and the related functional expense have been restated from the amounts previously reported as follows:

	As Previously Reported	Restatement	As Restated
As of September 30:			
Noncurrent assets:			
Capital assets, net of accumulated depreciation	$ 11,658,106	$ (884,816)	$ 10,773,290
Net Position:			
Net investment in capital assets	$ 12,030,412	$ (884,816)	$ 11,145,596
Total net position	$ 15,596,958	$ (884,816)	$ 14,712,142
For the year ended September 30:			
Operating expenses:			
Operations and maintenance	$ 2,785,661	$ 88,054	$ 2,873,715
Operating loss	$ (3,601,370)	$ (88,054)	$ (3,689,424)
Change in net position	$ 963,992	$ (88,054)	$ 875,938
Net position at beginning of year	$ 14,632,966	$ (796,762)	$ 13,836,204

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INDEPENDENT AUDITOR'S 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

Board of Regents
College of the Marshall Islands:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands, which comprise the statement of net position as of September 30, 2020, 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, and have issued our report thereon dated March 31, 2022. Our report includes explanatory paragraphs regarding a restatement, going concern, grantor agency receivables and payables, and the impact of COVID-19.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 through 2020-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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.

The College’s Response to Findings

The College's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College'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 results 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.

Deloitte & Touche LLP

March 31, 2022

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INDEPENDENT AUDITOR'S 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

Board of Regents
College of the Marshall Islands:

Report on Compliance for Each Major Federal Program

We have audited College of the Marshall Islands' (the College's) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2020. The College's major federal programs are identified in the summary of auditors' 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 each of the College's major federal programs 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; and 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 the College'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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the College's compliance.

Deloitte.

Basis for Qualified Opinion on CFDA Program 84.425 Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act Program

As described in items 2020-009 and 2020-010 in the accompanying Schedule of Findings and Questioned Costs, the College did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2020-009	84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	Activities Allowed or Unallowed
2020-010	84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	Period of Performance

Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

Qualified Opinion on CFDA Program 84.425 Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA Program 84.425 Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act Program for the year ended September 30, 2020.

Unmodified Opinion on CFDA Program 84.063 Federal Pell Grant Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major federal program identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-005 through 2020-008. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The College is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The College's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of the College 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 the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 the College's internal control over compliance.

Deloitte.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2020-009 and 2020-010 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2020-005 through 2020-008 to be significant deficiencies.

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The College is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The College's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 the College as of and for the year ended September 30, 2020, and have issued our report thereon dated March 31, 2022, which contained an unmodified opinion on those financial statements and included explanatory paragraphs regarding a restatement, going concern, grantor agency receivables and payables, and the impact of COVID-19. 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 Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

March 31, 2022

COLLEGE OF THE MARSHALL ISLANDS

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures/ Adjustments FY2020
U.S. DEPARTMENT OF AGRICULTURE			
Direct Program			
Forest Stewardship Program		10.678	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			$ 8,292
U.S. DEPARTMENT OF THE INTERIOR			
Pass-Through From the Republic of the Marshall Islands (RepMar)	980076103		
Economic, Social and Political Development of the Territories:			
Compact of Free Association Program, As Amended:			
Education Sector Grant		15.875	987,000
Public Infrastructure Sector Grant		15.875	500,000
Supplemental Education Grant		15.875	288,325
Ebeye Special Needs - Adult Education		15.875	125,000
Subtotal U.S. Department of the Interior Pass-Through Programs			1,900,325
TOTAL U.S. DEPARTMENT OF THE INTERIOR			$ 1,900,325
NATIONAL SCIENCE FOUNDATION			
Pass-Through From the Research Corporation of the University of Hawaii (RCUOH):	07-252-7344		
Research and Development Cluster:			
Education and Human Resources		47.076	$ 10,789
Partnership for Advance Marine Science		47.Unknown	21,852
Subtotal Research and Development Cluster			32,641
TOTAL U.S. NATIONAL SCIENCE FOUNDATION			$ 32,641

See accompanying notes to Schedule of Expenditures of Federal Awards.

COLLEGE OF THE MARSHALL ISLANDS

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures/ Adjustments FY2020
U.S. DEPARTMENT OF EDUCATION			
Direct Program			
TRIO Cluster:			
TRIO-Upward Bound		84.047	$ 239,560
Subtotal TRIO Cluster			239,560
Student Financial Assistance Cluster:			
Federal Pell Grant Program		84.063	5,850,045
Subtotal Student Financial Assistance Cluster			5,850,045
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act:		84.425	
Higher Education Emergency Relief Fund - Student Aid		84.425E	366,764
Higher Education Emergency Relief Fund - Institutional Portion		84.425F	435,310
Subtotal Educational Stabilization Fund			802,074
Subtotal U.S. Department of Education Direct Programs			6,891,679
Pass-Through From the Research Corporation of the University of Hawaii (RCUOH):	07-252-7344		
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		84.325	346,671
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 7,238,350
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through From the University of Guam:	77-990-8151		
Area Health Education Centers Infrastructure Development Awards		93.824	$ 70,718
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 70,718
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 9,250,326

Reconciliation to financial statements:

Total expenditures of federal awards	$ 9,250,326
Depreciation	1,367,960
Non-federal expenses	3,099,545
Total operating expenses per financial statements	$ 13,717,831

See accompanying notes to Schedule of Expenditures of Federal Awards.

(1) Scope of Audit

The College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands (RepMar), was established as an independent institution governed by a Board of Regents appointed by RepMar's Cabinet pursuant to the College of the Marshall Islands Act of 1992 (Public Law 1992-13). Previous to the Act, the College was a component of the College of Micronesia (COM).

The U.S. Department of the Interior has been designated as the College's cognizant agency for the Single Audit.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the College under programs of the Federal Government for the year ended September 30, 2020. 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 the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

(3) Summary of Significant Accounting Policies

Basis of Accounting

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements. No amounts were passed through to subrecipients. Pass-through entity identifying numbers are presented where available.

(4) Indirect Cost Allocation

The College has not entered into an approved indirect cost negotiation agreement covering the year ended September 30, 2020. The College did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance and did not charge federal programs for indirect costs during fiscal year 2020.

(5) CFDA # 15.875

CFDA # 15.875 represents funding from the Office of Insular Affairs (OIA), U.S. Department of the Interior. Funding from this source is subject to varying rules and regulations since OIA administers the Compact of Free Association (the Compact), which is a treaty, and is not a federal program. The Compact is comprised of various funded programs, each with separate compliance requirements. To maximize audit coverage of OIA funding, the OIG has recommended that programs administered under CFDA # 15.875 be grouped by like compliance requirements and such groupings be separately evaluated for purposes of major program determinations.

COLLEGE OF THE MARSHALL ISLANDS

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

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

	Internal control over major federal programs:	
5.	Material weakness(es) identified?	Yes
6.	Significant deficiency(ies) identified?	Yes
7.	Type of auditors' report issued on compliance for major federal programs:	
	CFDA 84.063	Unmodified
	CFDA 84.425	Qualified
8.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
9.	Identification of major federal programs:	

CFDA #	Name of Federal Program
	Student Financial Assistance Cluster:
84.063	Federal Pell Grant Program
84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act

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

Section II - Financial Statement Findings

Reference Number	Finding
2020-001	Schedule of Expenditures of Federal Awards Preparation
2020-002	Timely Financial Reporting
2020-003	Receivables
2020-004	Capital Assets

COLLEGE OF THE MARSHALL ISLANDS

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

Section III - Federal Award Findings and Questioned Costs

Reference Number	CFDA #	Finding	Questioned Costs
2020-005	84.063	Cash Management	$ -
2020-006	84.063	Special Tests and Provisions - Disbursements To or On Behalf of Students	-
2020-007	84.063	Special Tests and Provisions - Enrollment Reporting	-
2020-008	84.425E and 84.425F	Reporting	-
2020-009	84.425F	Activities Allowed or Unallowed	50,696
2020-010	84.425F	Period of Performance	13,500
			$ 64,196

Finding No.: 2020-001
Area: Schedule of Expenditures of Federal Awards Preparation

Criteria:

Paragraph 200.510(b) of OMB Uniform Guidance Part 200 states that:

The auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with paragraph 200.502. At a minimum, the schedule must:

- List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- Include the total amount provided to subrecipients from each Federal program.
- For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in paragraph 200.414.

Condition:

The SEFA was not timely reconciled and completed, resulting in multiple versions being provided during the course of the audit.

Furthermore, examination of the SEFA indicated the following:

1. For a cluster of programs, cluster names and related list of individual Federal programs within the cluster of programs were not identified or reflected.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity reflected were either incomplete or not included.
3. Notes that describe the significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in paragraph 200.414 were not provided or included.

Finding No.: 2020-001, Continued
Area: Schedule of Expenditures of Federal Awards Preparation

Cause:

The College lacks internal control policies and procedures over timely and accurate SEFA preparation. The College's Business and Accounting Office employees responsible for reporting the amounts on the SEFA do not appear to know how expenditures should be reported.

Effect:

The College is noncompliant with the criteria. Information on the SEFA is used for audit planning and by grantors. An incorrect SEFA can delay an audit beyond the reporting deadline and cause unnecessary audit costs.

Recommendation:

College management should establish internal control policies and procedures to facilitate timely and accurate SEFA preparation. In addition, College management should examine personnel staffing requirements and qualifications associated with the College's Business and Accounting Office. College employees responsible for federal grants should have adequate training of the SEFA reporting requirements.

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No. 2020-002
Area: Timely Financial Reporting

Criteria:

Timely financial reporting should be facilitated by an internal control structure conducive to the preparation and independent review of reconciliations of all significant general ledger accounts.

Condition:

The College did not finalize closing fiscal year September 30, 2020 financial information (trial balance, subsidiary and general ledgers) until September 22, 2021. Further, the College does not have an established set of policies, procedures and controls in place to timely prepare and review reconciliations and reports. During the year ended September 30, 2020, various accounting records did not appear to have been processed and timely updated as evidenced by the following:

1. The AR-Students Aging Report were not timely reconciled and completed, resulting in multiple versions being provided during the course of the audit.

2. Examination of bank reconciliations indicated $30,695 of outstanding checks had been outstanding for more than six months. Furthermore, reconciling items do not appear to be monitored.

3. Tests of due to/from grantor agencies noted 17 non-moving/inactive net credit balance accounts aggregating $255,671, which were not timely assessed, monitored and closed out to the appropriate account.

4. Tests of accounts payable indicated the aging schedule was not timely and properly reconciled with the subledger and general ledger. Furthermore, $88,093 recorded under General Ledger Account # 2001 was not supported by underlying documentation or reconciliation.

5. Tests of other payables indicated $95,287 that were not liquidated or timely reconciled. Furthermore, $38,846 recorded under General Ledger Account # 2002 was not supported by underlying documentation or a reconciliation.

6. $222,863 of prepaid expenses included $142,315 pertaining to prior years (FY 2000-2019). Furthermore, analysis of the prepaid expense account was not performed timely and regularly during the year. Accordingly, an audit adjustment for $105,106 was proposed to reduce the prepaid expense account.

7. The subsidiary ledger supporting amounts due from grantor agencies was not timely and properly reconciled, resulting in multiple versions being provided during the course of the audit.

8. A complete list of unreleased checks was not timely prepared and completed. Furthermore, we noted four checks (Check #s 1030330, 1030363, 1030863 and 1030982) that were prepared, but not delivered to the payee within a reasonable period of time.

9. Tests of tuition and fees indicated that recorded revenues under General Ledger Account #s 4061 - Science Lab Fees, 4062 - Computer Lab Fees, and 4005 - Matriculation Fee were not reconciled with the Official Class Enrollment Report. Furthermore, the Summer 2020 Official Class Enrollment Report provided during the audit appeared to be inaccurate.

Finding No. 2020-002, Continued
Area: Timely Financial Reporting

Cause:

The College lacks internal control policies and procedures over timely year-end closing processes and over timely reviews and reconciliations of significant general ledger accounts.

Effect:

An inability to meet established reporting deadlines and unnecessary audit costs results from the condition.

Identification as a Repeat Finding: Finding 2019-001

Recommendation:

College management should establish internal control policies and procedures to facilitate timely and accurate general ledger reconciliation processes. Furthermore, College management should examine personnel staffing requirements and qualifications associated with the College's business and accounting office.

Views of Auditee and Planned Corrective Actions:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No. 2020-003
Area: Receivables

Criteria:

Financial reporting should be facilitated by an internal control structure conducive to the preparation and independent review of all receivable account reconciliations.

Condition:

As of September 30, 2020, the following exceptions were noted:

1. General Ledger Account # 1101 Student Receivables - tuition and fees posted to student subledgers were not reconciled with the Assessment and Bookstore Charges report.

2. General Ledger Account # 1103 AR-Students Clearing Account to 1101 (Temporary Account) - $73,930 of AR-Students Clearing Account remain uncleared or unposted to the respective student subledger accounts.

3. Other Receivables - $131,212 of employee receivables included $63,368 that relate to resigned or former employees of the College. In addition, $8,582 of employee travel advances were aged more than one year and included negative advances of $8,745. Finally, $121,264 of other receivables included $10,648 pertaining to receivables relating to prior years FY 2014-2016.

Cause:

The College lacks established internal control policies and procedures over monitoring timely reconciliation of receivables.

Effect:

While receivable balances are potentially misstated, management assessed that the potential misstatement relating to the above condition numbers 1 and 3 is not material to the financial statements. Condition number 2 has no impact on total student receivables.

Identification as a Repeat Finding: Finding 2019-002

Recommendation:

College management should establish internal control policies and procedures requiring the monitoring of receivables to facilitate timely and accurate receivable reconciliation processes.

Views of Auditee and Planned Corrective Actions:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No. 2020-004
Area: Capital Assets

Criteria:

Adequate accounting controls necessitate that capital assets and related depreciation be appropriately recorded and monitored. Furthermore, regular review and update of capital asset registry should be performed.

Condition:

Tests of capital assets noted the following:

1. The Capital Asset Register was not timely reconciled and completed, resulting in multiple versions being provided during the course of the audit.

2. The beginning accumulated depreciation balance was understated by $884,817.

3. The following capital assets did not have a College tag or serial number traceable to the capital asset register:

Line #	Asset Type	Asset Description	Cost
827	FQ	Reinstatement of RO Unit	$178,500
2866	AC	Air Condition	$1,995
2863	CP	Ubiquiti Network USG-XG 8-port	$3,150

4. The following capital assets are tagged with an incorrect College tag number or were tagged, but not reflected in the capital asset register:

Line #	Asset Type	Asset Description	Cost
710	FQ	Simbaby infant manikin	$26,995
804	FQ	SMA Solar Tech DC-Disconnect Inverter	$51,111
2599	CP	HP Balde Server	$20,133
2727	FQ	Studio - Compact and Protable - All-In-One	$10,995
2856	FQ	Speaker	$7,495
2327	CP	Server Infrastructure-Blade Server Supply	$208,000

5. The following capital assets were either not located or were not operational during sighting, but were represented to be operational, and were included in the capital asset register as of September 30, 2020:

Line #	Asset Type	Asset Description	Cost
2567	VE	2012 WHITE MINI VAN (USED)	$7,000
2612	EQ	Laundry & Dryer Machines Coin Operated	$11,962
2711	VE	Vehicle Kia Sorento	$17,045

Further, information on disposal forms for the above capital assets (line #s 2567 & 2612) are inconsistent with the information on the capital asset register.

Finding No. 2020-004, Continued
Area: Capital Assets

Criteria, Continued:

6. Tests of disposals indicated that disposal forms for the following capital assets did not have a College tag or serial number traceable to the capital asset register and information on disposal forms is inconsistent with information on the capital asset register:

Line #	Asset Type	Asset Description	Cost
1141	FQ	Outdoor Wi-Fi Systems & Assessor	$20,003
2568	VE	4-DOOR SEDAN	$18,995

7. Examination of the capital asset register indicated assets with a description of 'AUDIT ADJUSTMENT' are included in the register. Further, we noted the following:

a. The following assets have no 'estimated useful life' information:

Line #	Asset Type	Acquisition Date	Cost
1079	BI	06/30/2009	$13,425
1084	BI	09/30/2009	$42,872
1085	BI	09/30/2009	$42,128

b. The following assets have no 'date acquired' information:

Line #	Asset Type	Cost
1218	BI	$76,000
1541	BI	$132,660

Cause:

The College lacks internal control policies and procedures over the monitoring of capital assets.

Effect:

The above condition #s 1 and 2 resulted in a restatement of the 2019 financial statements. Condition #s 3 through 7 do not have a quantitative impact on the financial statements.

Recommendation:

College management should establish internal control policies and procedures requiring the monitoring of capital assets to facilitate timely and accurate updates of the capital asset registry. Further, responsible personnel should tag capital assets, or when not practicable, tag numbers should be maintained with the related purchase order. Also, responsible personnel should not dispose of capital assets unless supporting disposal forms are approved and filed.

Views of Auditee and Planned Corrective Actions:

The College partially agrees with the finding and provides details in its Corrective Action Plan.

Auditor Response:

We reiterate the recommendation requiring the monitoring of capital assets to facilitate timely and accurate updates of the capital asset registry.

Finding No.:	2020-005
Federal Agency:	U.S. Department of Education
CFDA Program:	84.063 Federal Pell Grant Program
Federal Award No.:	P063P194572
Area:	Cash Management
Questioned Costs:	$0

Criteria:

In accordance with applicable cash management requirements, the College must comply with the following:

- In the absence of a separate bank account for the fund, the institution must identify the balance for the federal fund that is included in the school's bank account as readily as if those funds were in a separate account.
- To help fulfill its responsibility to safeguard federal funds and ensure they are expended as intended, the institution must perform a reconciliation of each Federal Student Aid (FSA) program monthly. That is, to provide adequate internal controls, the institution must have a system for comparing separately, for each FSA program, the total draws recorded in G5 in a 30-day period to the amount disbursed to students or returned to the Department and for explaining all discrepancies.
- Under the advance payment method, the institution must make the disbursements as soon as administratively feasible, but no later than three business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to the Department. However, an excess cash balance tolerance is allowed if that balance is: (1) less than one percent of its prior year drawdowns; and (2) is eliminated within the next seven calendar days.

Condition:

1. The College does not have a separate bank account for federal funds and does not maintain separate monitoring of bank balances of undisbursed funds.
2. No monthly reconciliations of drawdowns, of disbursements to students, and of returned funds are prepared.
3. During the year, the College has excess amounts not disbursed by the end of the third business day.

Cause:

The College lacks internal control policies and procedures over compliance with federal cash management requirements.

Effect:

The College is in noncompliance with applicable cash management requirements, and there is potential for the misstatement of student financial aid. For condition numbers 1 and 2, no questioned costs are reported as we are unable to determine the quantitative impact on the program. For condition number 3, no questioned costs are reported as projected questioned costs do not exceed the $25,000 threshold.

Identification as a Repeat Finding: Finding 2019-003

Finding No.:	2020-005, Continued
Federal Agency:	U.S. Department of Education
CFDA Program:	84.063 Federal Pell Grant Program
Federal Award No.:	P063P194572
Area:	Cash Management
Questioned Costs:	$0

Recommendation:

College management should establish internal control policies and procedures requiring maintenance and monitoring of bank balances of undisbursed funds and perform timely reconciliation of drawdowns and related disbursements.

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.:	2020-006
Federal Agency:	U.S. Department of Education
CFDA Program:	84.063 Federal Pell Grant Program
Federal Award No.:	P063P194572
Area:	Special Tests and Provisions - Disbursements To or On Behalf of Students
Questioned Costs:	$0

Criteria:

Per Chapter 2 of Part 2: 2019-2020 Financial Student Aid (FSA) Handbook, it is the sole responsibility of the school to pay, or make available, any FSA credit balance within the 14-day regulatory time frames.

Per Chapter 2 of Part 2: 2019-2020 FSA Handbook, since the College is issuing checks to students, a school may hold the check for no longer than 21 days after the date the school notifies the student or parent. If the student or parent does not pick up the check, the school must immediately: 1) mail the check to the student or parent; 2) pay the student or parent directly by other means; or 3) return the funds to the appropriate Title IV program.

Per Chapter 2 of Part 2: 2019-2020 FSA Handbook, if the school attempts to disburse the credit balance by check and the check is not cashed, the school must return the funds no later than 240 days after the date the school issued the check.

Condition:

Of $5,850,045 in expenditures for the Pell Grant Program, 60 items totaling $140,902 were tested for student refund disbursements and related payables, with the following deficiencies noted:

1. For 40 (or 67%) items tested, the College did not pay the refund amount aggregating $12,375 within the 14-day time frame.

2. For 9 (or 15%) items tested, the College held refund checks aggregating $2,920 beyond the 21-day time frame.

3. For 1 (or 2%) item tested, student acknowledgment did not include the date of actual check receipt. Hence, the auditor could not verify whether the College held the refund check beyond the 21-day time frame.

4. For 6 (or 10%) items tested, a $2,246 refund check as of September 30, 2020 was aged over 240 days and such should have been returned to the U.S. Department of Education no later than September 30, 2020.

5. For 2 (or 3%) items tested, the College’s calculated refunds paid to students were short by an amount aggregating $357.

Cause:

The College lacked established internal control policies and procedures over compliance with applicable federal regulations on issuing excess credits and returning unclaimed refunds to the agency on a timely basis.

Finding No.:	2020-006, Continued
Federal Agency:	U.S. Department of Education
CFDA Program:	84.063 Federal Pell Grant Program
Federal Award No.:	P063P194572
Area:	Special Tests and Provisions – Disbursements To or On Behalf of Students
Questioned Costs:	$0

Effect:

The College is potentially noncompliant with the criteria. No questioned costs are reported as projected questioned costs do not exceed the $25,000 threshold.

Identification as a Repeat Finding: Finding 2019-007

Recommendation:

College management should strengthen internal control policies and procedures requiring compliance with applicable federal regulations on issuing excess credits and returning unclaimed refunds to the agency on a timely basis. Regular assessment of student accounts and timely issuance of refund checks should be implemented.

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.:	2020-007
Federal Agency:	U.S. Department of Education
CFDA Program:	84.063 Federal Pell Grant Program
Federal Award No.:	P063P194572
Area:	Special Tests and Provisions - Enrollment Reporting
Questioned Costs:	$0

Criteria:

Per Chapter 3 of Part 1: 2019-2020 FSA Handbook, the school must certify the information and return the roster file within 15 days of receiving it. Also, the school must report enrollment changes within 30 days; however, if a roster file is expected within 60 days, the school must provide the updated data on that roster file.

Condition:

Of $5,850,045 in expenditures for the Pell Grant Program, sixty items totaling $149,980 were tested for enrollment reporting, with the following deficiencies noted:

1. All rosters received from the National Student Loan Data System (NSLDS) (6 rosters; frequency of receipt is every 60 days) were not returned to NSLDS within 15 days from the receipt date.
2. For 57 (or 95%) of 60 transactions tested, the College did not report attendance changes for students within 60 days.
3. For 11 (or 18%) of 60 transactions tested, the College did not make changes or updates on the student's NSLDS Program Enrollment Detail, although there were enrollment status changes during FY20.
4. For 11 (or 18%) of 60 transactions tested, we noted inconsistencies in the enrollment status reflected between the NSLDS Program Enrollment Detail and the transcript of records.

Cause:

The College lacked established internal control policies and procedures over notification to ED and NSLDS of changes in student status in a timely and accurate manner.

Effect:

The College is potentially noncompliant with the criteria. No questioned costs are reported as we are unable to determine the quantitative impact on the program.

Identification as a Repeat Finding: Finding 2019-009

Recommendation:

College management should establish internal control policies and procedures requiring compliance with applicable federal regulations on notifying ED and NSLDS of changes in student status in a timely and accurate manner.

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.:	2020-008
Federal Agency:	U.S. Department of Education
CFDA Program:	84.425E Higher Education Emergency Relief Fund - Student Aid 84.425F Higher Education Emergency Relief Fund - Institutional Portion
Federal Award No.:	P425E204126 P425F202732
Area:	Reporting
Questioned Costs:	$0

Criteria:

Annual Reporting - Per OMB Compliance Supplement Addendum July 2021, the HEERF Data Collection Form (OMB Control Number 1840-0850) must be submitted to ED via the Annual Report Data Collection System on February 8, 2021 (for reporting period from March 13, 2020 through December 31, 2020). Furthermore, amounts and data reported in the 2020 report should be accurate.

Quarterly Public Reporting (Student Aid Portion) - Per OMB Compliance Supplement Addendum December 2020, beginning on May 6, 2020, institutions that received a HEERF 18004(a)(1) Student Aid Portion award are required to publicly post certain information on their website no later than 30 days after award, and update that information every 45 days thereafter (by posting a new report). On August 31, 2020, the frequency of reporting after the initial 30-day period was decreased from every 45 days thereafter to every calendar quarter. This information must also be updated no later than 10 days after the end of each calendar quarter.

Quarterly Public Reporting (Institutional Portion) - Per OMB Compliance Supplement Addendum December 2020, Quarterly Budget and Expenditure form must be conspicuously posted on the institution's primary website on the same page the reports of the IHE's activities as to the emergency financial aid grants to students made with funds from the IHE's allocation under Section 18004(a)(1) of the CARES Act (Student Aid Portion) are posted. The form must be posted covering each quarterly reporting period no later than 10 days after the end of each calendar quarter. Further, for the first report using this form, which is due October 30, 2020, institutions must provide their cumulative expenditures from the date of their first HEERF award through September 30, 2020.

Condition:

During our tests, the following were noted:

A. 84.425E Higher Education Emergency Relief Fund - Student Aid

1. Required information that need be posted on the College's website was posted on August 10, 2020, which is beyond the 30-day posting requirement after award date of May 12, 2020.

2. Required information posted on the College's website was incomplete and did not include required information items #6 (the method(s) used by the institution to determine which students receive Emergency Financial Aid Grants and how much they would receive under Section 18004(a)(1) of the CARES Act) and #7 (any instructions, directions, or guidance provided by the institution to students concerning the Emergency Financial Aid Grants).

3. Required information posted on the College's website were not timely updated. The first and last update of information was made on December 9, 2020.

Finding No.:	2020-008, Continued
Federal Agency:	U.S. Department of Education
CFDA Program:	84.425E Higher Education Emergency Relief Fund – Student aid 84.425F Higher Education Emergency Relief Fund – Institutional Portion
Federal Award No.:	P425E204126 P425F202732
Area:	Reporting
Questioned Costs:	$0

Condition, Continued:

B. 84.425F Higher Education Emergency Relief Fund - Institutional Portion

1. The amount of the reported 2020 total annual expenditures of institutional portion of $420,045 via the Annual Report Data Collection System did not agree with the cumulative expenditures from the date of award through December 31, 2020 of $693,275 per: 1) underlying accounting records; and 2) publicly posted Quarterly Budget and Expenditure Reporting reports for quarters ended June 30, 2020, September 30, 2020, and December 31, 2020.

2. Quarterly Budget and Expenditure report for quarter ended September 30, 2020 was publicly posted on February 2, 2022, which is beyond the 10-day posting requirement after the end of calendar quarter.

3. The first report using the form which is due on October 30, 2020 was reported on August 4, 2021, and we noted a $14,514 understatement of the reported cumulative expenditures from the date of the first HEERF award through September 30, 2020.

Cause:

The College lacked established internal control policies and procedures over compliance with applicable federal regulations on timely and accurate reporting.

Effect:

The College is in noncompliance with applicable reporting requirements. No questioned costs are reported as we are unable to determine the quantitative impact on the program.

Recommendation:

College management should establish internal control policies and procedures requiring compliance with applicable federal regulations on timely and accurate reporting.

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.:	2020-009
Federal Agency:	U.S. Department of Education
CFDA Program:	84.425F Higher Education Emergency Relief Fund – Institutional Portion
Federal Award No.:	P425F202732
Area:	Activities Allowed or Unallowed
Questioned Costs:	$50,696

Criteria:

Per OMB Compliance Supplement Addendum December 2020, institutions must demonstrate that costs incurred are allowable under the relevant statutory provisions and consistent with the purpose of the ESF "to prevent, prepare for, and respond to coronavirus." Further, for the (a)(1) Institutional Portion (CFDA 84.425F), allowable expenditures must be "to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus, so long as such costs do not include payment to contractors for the provision of pre-enrollment recruitment activities; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship".

Condition:

Of $435,310 in expenditures for the Emergency Financial Aid Grants Institution Portion, fourteen items totaling $192,952 were tested, with the following deficiencies noted:

1. The following expenditures are standard recurring costs and are not directly associated with the significant changes to the delivery of instructions due to the coronavirus (i.e. online teaching or expansion). Furthermore, there is no evidence of communication or consultation with the grantor agency that the following expenditures are otherwise allowable:

PO#	PO Date	Invoice#	Invoice Date	Invoice Amount	Nature of Expenditure
20-PO-2102	05/06/2020	9215	10/07/2019	$20,000	2019-2020 annual hosting and maintenance of the College's cloud server
N/A	N/A	109614	09/11/2020	$10,748	Security cameras

2. The following instructor's salaries and wages relating to Summer 2020 semester were standard recurring costs and not an additional cost to the College. Furthermore, they are not directly associated with significant changes to the delivery of instructions due to the coronavirus (i.e. online teaching or expansion) and there is no evidence of communication or consultation with the grantor agency that the following expenditures are allowable:

Check#	Check Amount
17460	$9,100
17461	$9,750

3. A wire transfer# 3832566 payment for software licensing (invoice# 01945640) was based on a sales quotation which resulted in an overpayment of $1,098.

Finding No.:	2020-009, Continued
Federal Agency:	U.S. Department of Education
CFDA Program:	84.425F Higher Education Emergency Relief Fund – Institutional Portion
Federal Award No.:	P425F202732
Area:	Activities Allowed or Unallowed
Questioned Costs:	$50,696

Cause:

The College lacked established monitoring controls over compliance with applicable federal regulations relating to expenditure activities allowed or unallowed.

Effect:

The College is in noncompliance with applicable activities allowed or unallowed requirements. Accordingly, questioned costs of $50,696 result.

Recommendation:

College management should strengthen monitoring controls requiring compliance with applicable federal regulations relating to expenditure activities allowed or unallowed.

Views of Auditee and Corrective Action Plan:

The College partially agrees with the finding and provides details in its Corrective Action Plan.

Auditor Response:

We reiterate the recommendation requiring compliance with applicable federal regulations relating to expenditure activities allowed or unallowed.

Finding No.:	2020-010
Federal Agency:	U.S. Department of Education
CFDA Program:	84.425F Higher Education Emergency Relief Fund - Institutional Portion
Federal Award No.:	P425F202732
Area:	Period of Performance
Questioned Costs:	$13,500

Criteria:

Per OMB Compliance Supplement Addendum December 2020, all institutions were given one calendar year (365 days) from the date of award in their HEERF Grant Award Notification (GAN) to complete the performance of their HEERF grant. Further, institutions were allowed to incur pre-award costs consistent with 2 CFR section 200.458 and 34 CFR section 75.263 from March 13, 2020, the declaration of the national emergency due to the coronavirus, to the date of their HEERF grant award for their (a)(1) Institutional Portion, (a)(2), and (a)(3) funds as long as those expenditures would have been allowable if incurred after the date of the HEERF grant award.

Condition:

Of $435,310 in expenditures for the Emergency Financial Aid Grants Institution Portion, fourteen items totaling $192,952 were tested with the following deficiencies noted:

	PO#	PO Date	Invoice#	Invoice Date	Invoice Amount
1.	20-PO-1834	02/07/2020	9220	02/05/2020	$13,500
2.	20-PO-2102	05/06/2020	9215	10/07/2019	$20,000

For item #s 1 and 2, in reference to the vendor's invoice date, expenditures were incurred by the College prior to March 13, 2020, the declaration of the national emergency due to the coronavirus.

Cause:

The College lacked established monitoring controls over compliance with applicable federal regulations relating to period of performance.

Effect:

The College is in noncompliance with applicable period of performance requirements. Accordingly, questioned costs of $33,500 result. However, only $13,500 is presented at this finding because costs related to invoice number 9215 were questioned at Finding 2020-009.

Recommendation:

College management should strengthen monitoring controls requiring compliance with applicable federal regulations relating to period of performance.

Views of Auditee and Corrective Action Plan:

The College disagrees with the finding. The College believes that expenditures identified above were incurred after March 13, 2020 based on actual payment date.

Auditor Response:

We reiterate the recommendation requiring compliance with applicable federal regulations relating to period of performance.

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Summary Schedule of Prior Audit Findings
Year Ended September 30, 2020

Questioned Costs:

There are no questioned costs reported as of September 30, 2019.

Summary Schedule of Prior Audit Findings

Finding Number	CFDA	Status and Corrective Action Plan
2015-001	N/A	Corrective action was implemented.
2016-001	84.063	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2017-001.
2016-002	84.063	Not resolved as per the grantor's final determination letter dated December 7, 2017. CMI to continue to review and revise as necessary, its internal policies and procedures to ensure that student credit balances are issued, and returned according to the Federal regulations.
2017-001	84.063	The grantor was satisfied with CMI's corrective action plans and actions already taken to resolve the find as stated in the grantor's final determination letter dated January 17, 2019. Further, grantor requested CMI to continue to review and revise as necessary, its internal policies and procedures to ensure that student credit balances are issued, and returned according to the Federal regulations.
2018-001	84.063	Corrective action plans were implemented – still ongoing.
2018-002	84.063	Was resolved with DOE per FY18 audit determination letter from DOE.

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Summary Schedule of Prior Audit Findings, Continued

Year Ended September 30, 2020

2018-003	84.063	Was resolved with DOE per FY18 audit determination letter from DOE.
2018-004	84.063	Was resolved with DOE per FY18 audit determination letter from DOE.
2018-005	84.063	Was resolved with DOE per FY18 audit determination letter from DOE.
2018-006	84.063	Corrective action was taken and has been resolved.
2019-001	84.063	Corrective action plans was implemented – still ongoing.
2019-002	84.063	Was resolved with DOE per FY19 audit determination letter from DOE.
2019-003	84.063	Was resolved with DOE per FY19 audit determination letter from DOE.
2019-004	84.063	Was resolved with DOE per FY19 audit determination letter from DOE.
2019-005	84.063	Was resolved with DOE per FY19 audit determination letter from DOE.
2019-006	84.063	Corrective action was taken and has been resolved.
2019-007	84.063	Was resolved with DOE per FY19 audit determination letter from DOE.
2019-008	84.063	Was resolved with DOE per FY19 audit determination letter from DOE.
2019-009	84.063	Was resolved with DOE per FY19 audit determination letter from DOE.

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	Schedule of Expenditures of Federal Awards Preparation: The College agrees with the finding. The College adapted a new Grant Manual, which provide guidelines on grant management and reporting. As part of the College's corrective action plan, the College has started implementing the Grant Manual and institute quarterly report meeting with all grant managers to ensure grant reporting and reconciliations are strictly enforced.	Summer 2021	Stevenson Kotton VPBAA Boni Sanchez IT Director
2020-002	Timely Financial Reporting: The College agrees with the finding. During the Fiscal Year 2019 and FY2020 the College instituted a series of organizational changes from recruiting of new professional personnel to upgrading and migrating the accounting system into cloud base system. The College revised its accounting policies and procedures to ensure proper internal controls are in place to prevent this issue from repeating. The College undertakes an annual review of its accounting policy and procedure. It has already started reviewing and revising the policies and procedures to ensure proper internal controls are in place and are properly implemented. The College recruited new professional personnel and upgraded the accounting system into a cloud base system. Additionally, the College's Finance Wapepe, currently under development, will include strategies to ensure proper monthly reconciliation and monitoring of financial reports and compliance.	October 2021	Stevenson Kotton VPBAA Amie Timon Director FABS
2020-003	Receivables: The College agrees with the finding and proposed recommendation. Most of the issues with the receivables noted in this finding which pertains to Federal Grants are aged over 6 years or more. The College noted the finding and started establishing new strategies to properly reconcile the ledgers identified in the finding. The College is now doing monthly reconciliation of all its major ledgers. Additionally, the College has hired a new Assistant Internal Auditor and is currently seeking a new qualified Internal Auditor. The Office of the Internal Auditor will ensure all CMI major ledgers are properly reconciled and reported on a monthly basis. As stated in Finding 2020-002, the College will include strategies in the Finance Wapepe that will ensure proper reconciliation, reporting and monitoring of the receivables are done in accordance with written procedures identified in the new Grant Manual approved by the Board of Regents 2021.	October 2021	Stevenson Kotton VPBAA Amie Timon Director FABS

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-004	Capital Assets: The College partially agrees with the finding and provides details in its Corrective Action Plan. For deficiencies 1 and 2 that were noted in the finding, the College agrees and has already taken the steps for corrective measures to correct these deficiencies and also to ensure these deficiencies are not repeated. For the deficiencies 3 to 7, the College partially disagrees with the deficiencies. During the audit fieldwork, it was already noted to the auditors that CMI is upgrading its fixed asset system and the audit fieldwork will include the two systems that are currently running parallel as part of the College's ongoing efforts to improve the management of its capital assets. Prior to and during the audit fieldwork, the College was conducting physical inventory, which includes retagging of existing capital assets, and this was noted to the auditors. The deficiencies noted by the external auditors regarding the Fixed Asset Register and the sighting was expected as the College was conducting it's scheduled physical inventory and system upgrading. As part of the College's ongoing improvement plans on continuous improvement of Capital Asset management, the CMI board of regents approved new revised policies on Capital Asset management during it's FY21 4th quarter meeting. By the end of the 3rd quarter of FY22, the strategic initiative to complete the physical asset inventory and to upgrade the Fixed Asset Register will be completed. The new system will be implemented using a cloud base system with minimal human involvement unlike the existing system.	Summer 2021	Stevenson Kotton VPBAA Boni Sanchez IT Director
2020-005	Cash Management: The College has taken the steps to address this finding as provided in the corrective action plan in FY2019 audit. As provided in the final audit determination letter from DoE for FY2019, this audit deficiency was addressed. The College will continue to implement its corrective action plans to ensure proper internal controls including monitoring systems are in place to ensure compliance. As part of its new initiatives, the College is assessing new SIS Systems to move from the existing SIS system because it is no longer conducive to CMI's current and future plans. The two new systems currently evaluating now are both US based and both are capable of managing and recording transactions related to Title IV funds.	October 2021	Stevenson Kotton VPBAA Amie Timon Director FABS

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-006	Disbursements To or On Behalf of Students: The College agrees with the finding. The College is now requiring all accepted CMI students to have a bank account wherein all student refunds will be deposited directly into their bank accounts. This will prevent the long-standing issues with student refund. Additionally, the College is moving into a new and more reliable Student Information System which will not only improve student management but also create efficiencies in the process. The System will eliminate errors by replacing manual processes with automatic processes in accord with College policy and procedure.	Summer 2021	Stevenson Kotton VPBAA Boni Sanchez IT Director
2020-007	Enrollment Reporting: The College agrees with the finding and proposed recommendation. Corrective actions have been taken to address this finding. Our current enrollment reporting processes are done manually, and only one personnel performed the reporting via the NSLDS website. As stated in the other corrective action plans, the College is in the process of transforming a new Student Information System from a manual system into an automated system. Additionally, the College has engaged a third-party servicer (National Student Clearinghouse) beginning 2022-2023 school year to improve our reporting and maintain compliance.	October 2021	Stevenson Kotton VPBAA Amie Timon Director FABS
2020-008	Reporting: The College agrees with the finding and has already taken the necessary action to address this finding. The College recognizes the need for better coordination between the Grant Office, Financial Aid and Business Office. The College has developed a Grant Award Management, Compliance and Procedures Manual approved by Executive Council on 7 July 2021 that will assist in sound programmatic and fiscal responsibilities of administering grant awards. The College has also hired additional full-time staff to assist with the monitoring, reporting and compliance of grant funded awards, specifically the COVID-19 funds that were awarded to CMI.	October 2021	Stevenson Kotton VPBAA Amie Timon Director FABS

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2020-009	Activities Allowed or Unallowed: The College partially agrees with the finding. In general, the CARES Act authorizes the College broad uses of the funds and allows “to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.” • Because the subscription was already an annual expense, the College agrees that the cost was NOT directly associated with the program’s purpose. Therefore, the College will make necessary adjustments to return the funds. The expenditures stated in the finding condition for security cameras are directly associated with the program’s purpose as part of the College’s response plan to ensure delivery of education is not interrupted. • As per HEERF Rollup Document, Institutions may use funds for additional personnel costs to respond to “significant changes to the delivery of instruction due to coronavirus.” With the Country’s travel restriction and the increase in enrollment numbers, the College allocated funds to defray payroll costs for current instructors taking on additional course load. • The difference in payment is a result of an unexpected price decrease. Normal business outcomes such as this may occur. The original quoted price was higher during the time of payment transaction but when the license order was placed by the vendor, invoice amount decreased. Communication between the College and the vendor has been provided to the auditor. The College already took the initiatives to work with the vendor so the overpayment can be refunded back to the College. Once the refund is paid, it will be refunded back to the CARES fund accordingly. The College recognizes that it is essential to ensure compliance with federal regulations. The College has recruited additional personnel, established new policies and procedures and will continue to provide training on the monitoring, reporting and compliance of grant funded awards. These initiatives have already been implemented.	Summer 2021	Stevenson Kotton VPBAA Boni Sanchez IT Director

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2020-010	Period of Performance: The College does not agree with the finding. As per the College's Grant Award Notification (GAN) PR/AWARD number P425F202732, the period of budget performance is dated 11 May 2020 through to 14 May 2022. The expenditures stated in the finding and conditions were incurred after 13 March 2020. Dates of payment for both expenditures were incurred after the declaration of the national emergency date, 13 March 2020.	Summer 2021	Stevenson Kotton VPBAA Boni Sanchez IT Director