

*Financial Statements and Required Supplementary  
Information*

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

*Year ended September 30, 2022*  
*With Report of Independent Auditors*



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

Financial Statements and Required Supplementary Information

Year ended September 30, 2022

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## Report of Independent Auditors

The Board of Directors  
Marshall Islands Marine Resources Authority:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the business-type activities of Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise MIMRA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of MIMRA as of September 30, 2022, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MIMRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MIMRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MIMRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MIMRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 27, 2024, on our consideration of MIMRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MIMRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MIMRA's internal control over financial reporting and compliance.

*Ernst + Young LLP*

March 27, 2024

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

**Management's Discussion and Analysis**

September 30, 2022

This section of the Marshall Islands Marine Resources Authority (MIMRA) annual financial report presents our discussion and analysis of MIMRA's financial performance for the fiscal year ending September 30, 2022. Please read it and verify any clarification to the financial statements, which follow this section. The below table summarizes the financial condition and operations of MIMRA for fiscal years 2022, 2021 and 2020.

**Financial Operations**

**Summary Statements of Net Position**

As of September 30

	<u>2022</u>	<u>2021</u>	<u>\$ Change 2022-2021</u>	<u>% Change 2022-2021</u>	<u>2020</u>
Assets:					
Current and other assets	\$32,715,067	\$31,221,251	\$1,493,816	4.8%	\$27,776,659
Investment in Joint Venture	3,445,052	3,474,136	( 29,084)	(0.8)%	4,696,089
Capital assets	<u>6,595,891</u>	<u>6,517,456</u>	<u>78,435</u>	1.2%	<u>5,413,423</u>
Total assets	<u>42,756,010</u>	<u>41,212,843</u>	<u>1,543,167</u>	3.7%	<u>37,886,171</u>
Liabilities:					
Current and other liabilities	1,857,629	917,277	940,352	102.5%	1,207,613
Deferred inflows of resources:					
Lease revenues	<u>116,840</u>	<u>---</u>	<u>116,840</u>		<u>---</u>
Net position:					
Net investment in capital assets	6,470,369	6,517,456	( 47,087)	(0.7)%	5,413,423
Restricted	352,898	474,793	( 121,895)	(25.7)%	991,623
Unrestricted	<u>33,958,274</u>	<u>33,303,317</u>	<u>654,957</u>	2.0%	<u>30,273,512</u>
Total net position	<u>\$40,781,541</u>	<u>\$40,295,566</u>	<u>\$ 485,975</u>	1.2%	<u>\$36,678,558</u>

Total assets increased by \$3,326,672 (or 8.8%) from 2020 to 2021 and further increased by \$1,543,167 (or 3.7%) from 2021 to 2022, which was primarily attributable to the increase in current and other assets. Current and other assets increased by \$3,444,592 (or 12.4%) from 2020 to 2021 and further increased by \$1,493,816 (or 4.8%) from 2021 to 2022. The increase from 2021 to 2022 was due to an increase in receivable balances of \$5,039,934 from \$2,671,269 in 2021 to \$7,711,203 in 2022, represented primarily by an increase in amounts due from the Parties to the Nauru Agreement (PNA) Office, offset by a decrease in cash balances of \$3,656,482 from \$28,473,360 in 2021 to \$24,816,878 in 2022. Total liabilities decreased by \$290,336 (or 24%) from 2020 to 2021 and increased by \$940,352 (or 102%) from 2020 to 2021. The increase from 2021 to 2022 was primarily attributable to an increase in contracts payable of \$872,700 from \$157,633 in 2021 to \$1,030,333 in 2022. This liability is associated with progress billings for the construction of an annex to the existing MIMRA building. Deferred inflows of resources are presented in 2022 as a result of the implementation of GASB Statement No. 87 associated with leases.

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

**Management's Discussion and Analysis, continued**

**Financial Operations, continued**

Total net position is affected by the changes in both assets and liabilities (and deferred inflows) resulting in an increase in net position of \$3,617,008 (or 9.9%) in 2021 and an increase of \$485,975 (or 1.2%) in 2022.

Changes in total net position as presented on the statement of net position based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues received by MIMRA, both operating and non-operating, and expenses incurred by MIMRA, operating and non-operating, and other revenues, expense, gains, and losses received or spent by MIMRA. A summary of MIMRA's Statements of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2022 compared with 2021 and 2020 is presented below:

**Summary Statements of Revenues, Expenses and Changes in Net Position**

	Years Ended September 30				
	<u>2022</u>	<u>2021</u>	\$ Change <u>2022-2021</u>	% Change <u>2022-2021</u>	<u>2020</u>
Operating:					
Operating revenues	\$31,945,210	\$33,417,454	\$(1,472,244)	(4.4)%	\$35,199,282
Operating expenses	<u>5,407,564</u>	<u>5,957,541</u>	<u>( 549,977)</u>	(9.2)%	<u>5,707,367</u>
Operating income	<u>26,537,646</u>	<u>27,459,913</u>	<u>( 922,267)</u>	(3.4)%	<u>29,491,915</u>
Nonoperating:					
Nonoperating revenues	414,583	963,937	( 549,354)	(57.0)%	2,826,451
Nonoperating expenses	<u>27,251,159</u>	<u>26,000,000</u>	<u>1,251,159</u>	4.8%	<u>31,320,299</u>
	<u>(26,836,576)</u>	<u>(25,036,063)</u>	<u>(1,800,513)</u>	7.2%	<u>(28,493,848)</u>
Income (loss) before capital contributions	( 298,930)	2,423,850	(2,722,780)	(112.3)%	998,067
Capital contributions	<u>784,905</u>	<u>1,193,158</u>	<u>( 408,253)</u>	(34.2)%	<u>---</u>
Change in net position	<u>\$ 485,975</u>	<u>\$ 3,617,008</u>	<u>\$(3,131,033)</u>	(86.6)%	<u>\$ 998,067</u>

The Statement of Revenues, Expenses, and Changes in Net Position identifies the various revenue and expense items that affect net position. As indicated above, MIMRA's operating income decreased by \$2,032,002 (or 6.9%) from 2020 to 2021 and decreased by \$922,267 (or 3.4%) from 2021 to 2022. The main driver for the decrease was the reduction in Vessel Day Scheme revenues and other fisheries related revenues that were indirectly impacted by the worldwide COVID19 pandemic. Nonoperating revenues decreased by \$1,862,514 (or 65.9%) from 2020 to 2021 and further decreased by \$549,354 (or 57%) from 2021 to 2022, which primarily represents a decrease in grant revenues (World Bank). Nonoperating expenses decreased by \$5,320,299 (or 17%) from 2020 to 2021 and increased by \$1,251,159 (or 4.8%) from 2021 to 2022. Nonoperating expenses include transfer payments made by MIMRA to RepMar's General Fund from 2020 to 2022. The increase in nonoperating expenses from 2021 to 2022 also included a \$1,049,022 loss on transfer of MIMRA assets to local governments.

**Marshall Islands Marine Resources Authority**  
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**Management's Discussion and Analysis, continued**

**Overall Analysis**

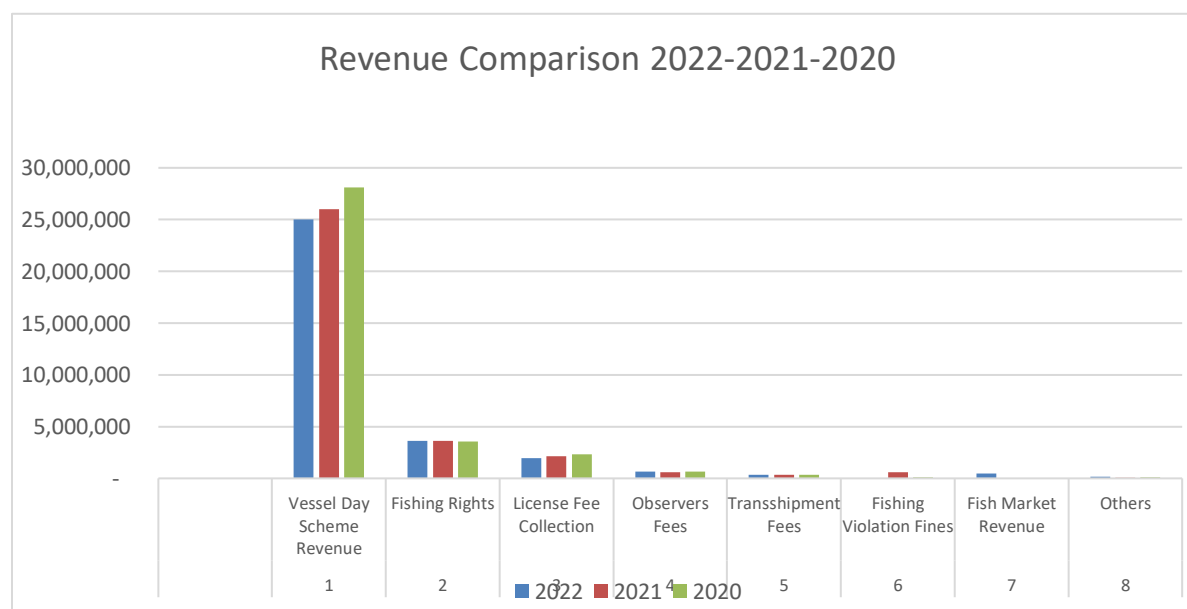
Management's Discussion and Analysis for the year ended September 30, 2021 is set forth in MIMRA's report on the audit of financial statements, which is dated November 16, 2023. That Management Discussion and Analysis explains the major factors impacting the 2021 financial statements and can be obtained from MIMRA's Administrator via the contact information on page 13.

**Operating Revenues**

Net operating revenues decreased by 5.1% from 2020 to 2021 and by a further 4.4% from 2021 to 2022. Please see below details of the increase/(decrease) in revenue categories:

	<u>2022</u>	<u>2021</u>	<u>\$</u> <u>Change</u> <u>2022-2021</u>	<u>%</u> <u>Change</u> <u>2022-2021</u>	<u>2020</u>
Vessel Day Scheme	\$24,986,929	\$26,027,040	\$(1,040,111)	(4.0)%	\$28,112,074
Licensing/registration	1,936,700	2,164,000	( 227,300)	(10.5)%	2,300,800
Fishing rights	3,617,510	3,629,878	( 12,368)	(0.3)%	3,579,787
Observers fees	626,050	610,450	15,600	2.6%	660,594
Transshipment fees	347,000	347,000	---	0.0%	319,000
Fish market	453,111	---	453,111		---
Fishing violation	---	600,000	( 600,000)	(100.0)%	100,000
Other	<u>166,170</u>	<u>39,113</u>	<u>127,057</u>	324.8%	<u>127,584</u>
	32,133,470	33,417,481	(1,284,011)	(3.8)%	35,199,839
Bad debts expense	( 188,260)	( 27)	( 188,233)	697159.3%	( 557)
	<u>\$31,945,210</u>	<u>\$33,417,454</u>	<u>\$(1,472,244)</u>	(4.4)%	<u>\$35,199,282</u>

Below is a graphical comparison of MIMRA's operating revenues for FY 2022, 2021 and 2020:





**Marshall Islands Marine Resources Authority**  
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**Management's Discussion and Analysis, continued**

**Operating Revenues, continued**

VESSEL DAY SCHEME revenues decreased by 4% due to a reduction in the pooling of days with PNA and number of days sold (3,051 days (VDS) including 261 days pooling and 6 trading days @\$3,000 per day). In 2022, Longline VDS started and is included in the total VDS Revenue amounting to \$296,057 net of unused days returned to MIMRA, compared to 2021 with days sold at (3,355 days-including 292 pooling days and 154 trading days). No FFA pooling transactions occurred during 2022 and 2021.

	<u>2022</u>	<u>2021</u>	<u>\$</u> <u>Change</u> <u>2022-2021</u>	<u>%</u> <u>Change</u> <u>2022-2021</u>	<u>2020</u>
PAE's Bilateral	\$21,843,057	\$21,878,000	\$( 34,943)	(0.2)%	\$21,955,500
PSVDS Pooling Days (PNA)	3,125,872	3,687,040	( 561,168)	(15.2)%	4,485,600
FFA Pooling Days	---	---	---		1,670,974
PNA Trading Days	<u>18,000</u>	<u>462,000</u>	<u>( 444,000)</u>	(96.1)%	<u>---</u>
	<u>\$24,986,929</u>	<u>\$26,027,040</u>	<u>\$(1,040,111)</u>	(4.0)%	<u>\$28,112,074</u>

LICENSING AND REGISTRATION REVENUES decreased by 10.5% due to a decrease of 45 boats. Only 193 boats were licensed and registered during 2022 while 238 boats were licensed and registered during 2021. FISHING RIGHTS REVENUES decreased by 0.3% due to the decrease in revenue from the FSM Arrangement and FFA equal share. TRANSSHIPMENT FEES remains the same given that the same number of boats (338 boats) berthed Majuro port in 2021 and 2022. No FISHING VIOLATION FINES were received during 2022 due to no penalties being imposed for fishing violations. This means that operators and master fishermen have been observing good fishing etiquette. On the other hand, OTHER REVENUES represent miscellaneous income from the fish market, which contributed \$453,111 in income during 2022.

**TRANSSHIPMENT:**

No. of boats (PS/Carrier)	338	338	0	0%
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Transshipments had the same number of boats, which amounted to 338 for 2022 and 2021. This does not affect the demand by the industry. Transshipment charges depend upon whether the boat is licensed or unlicensed. Licensed vessels are charged \$1,000 while unlicensed boats are charged \$2,000. In 2022, there are 329 licensed and 9 unlicensed boats carrying out transshipment activities.

**Marshall Islands Marine Resources Authority**  
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**Management's Discussion and Analysis, continued**

**Operating Revenues, continued**

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>%</u>
BOAT REGISTRATION:				
a.) Foreign Boats (Purse Seine):				
• CHINA	10	9	1	11%
• JAPAN	26	27	(1)	(4%)
• KOREA	21	15	6	40%
• PHILIPPINES (RD/TJ)	16	16	-	0%
• TAIWAN	30	23	7	30%
• PNG (Great Investment)	0	0	-	0%
• South Pacific	0	0	-	0%
• OTHERS	<u>4</u>	<u>14</u>	<u>(10)</u>	<u>71%</u>
TOTAL	<u>107</u>	<u>104</u>	<u>3</u>	<u>4%</u>
b.) Domestic Boats (Purse Seine):				
• KOO'S FISHING	4	3	1	(25%)
• MIFCO	2	2	0	100%
• PAN Pacific	<u>5</u>	<u>6</u>	<u>(1)</u>	<u>0%</u>
TOTAL	<u>11</u>	<u>11</u>	<u>-</u>	<u>0%</u>
c.) Japan Fisheries (Longline/Pole and Line):				
1. POLE and LINE	0	13	(13)	(59%)
2. LONGLINE	<u>5</u>	<u>3</u>	<u>2</u>	<u>(77%)</u>
TOTAL	<u>5</u>	<u>16</u>	<u>(11)</u>	<u>(64%)</u>
d.) DOMESTIC (Longline):				
1. China Overseas	2	4	(2)	(71%)
2. LianCheng Fisheries	6	31	(25)	7%
3. Ralik Ratak	<u>0</u>	<u>-</u>	<u>-</u>	<u>(100%)</u>
TOTAL	<u>8</u>	<u>35</u>	<u>(27)</u>	<u>(20%)</u>
e.) CARRIER/BUNKER:				
1. Bunker	14	14	-	0%
2. Carrier	<u>48</u>	<u>58</u>	<u>(10)</u>	<u>(8%)</u>
TOTAL	<u>62</u>	<u>72</u>	<u>(10)</u>	<u>(6%)</u>
Grand Total	<u>193</u>	<u>238</u>	<u>(45)</u>	<u>(14%)</u>

Above are the details of boats registered in 2022 and 2021, which indicates a decrease of 45 boats registered in 2022 compared to 2021. License fees charged for Purse seine foreign boats is \$5,000 while domestic boats are charged \$25,000; and \$10,000 carrier/bunker fee for longline foreign boats while domestic boats are charged \$12,000 annual fee, \$7,000 for six-month fee, and \$4,000 for three-month fee.

Purse seine boats registered this year have decreased by 4% while the domestic boats maintained their status quo 11 boats. Japan Fisheries registered 26 boats in 2022, which indicates a 4% decrease or 1 boat less compared to 2021. Another domestic-based company Marshall Islands Fishing Venture (MIFV), which operates China Overseas and Liancheng Fisheries, had 27 boats less registered in 2022 compared to 2021. Only 8 boats have registered for a six 6-month period. Bunkers and carriers have registered 62 boats this year, a reduction of 10 boats from 2021.

**Marshall Islands Marine Resources Authority**  
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**Management's Discussion and Analysis, continued**

**Operating Revenues, continued**

As shown earlier, the pooling days have contributed \$3,125,872 (or 261 days) in 2022, which is a reduction of 15.2% compared with 2021. On the other hand, U.S. Treaty through FFA had no contributions in 2022 or 2021 pooling revenues. Domestic-based companies such as Koo's Fishing, MIFCO (joint venture) and PPF have contributed to the total VDS fishing days income in 2022 of \$15,400,000 (or 2,200 days), which is lower compared to 2021 of \$15,470,000 (or 2,210 days). Koo's purchased 800 days while MIFCO and PPF purchased 450 days and 950 days, respectively, for 2022.

Actual total revenues, including both operating and non-operating revenues, generated in 2022, were reported at \$32,359,793 less than compared to total revenues in 2021 of \$34,381,391, a decrease of \$2,021,598 (or 5.9%).

**Operating Expenses**

Operating expenses increased by 4.4% from 2020 to 2021 and decreased by 9.2% from 2021 to 2022. Please see below details of the increase/(decrease) in expense categories:

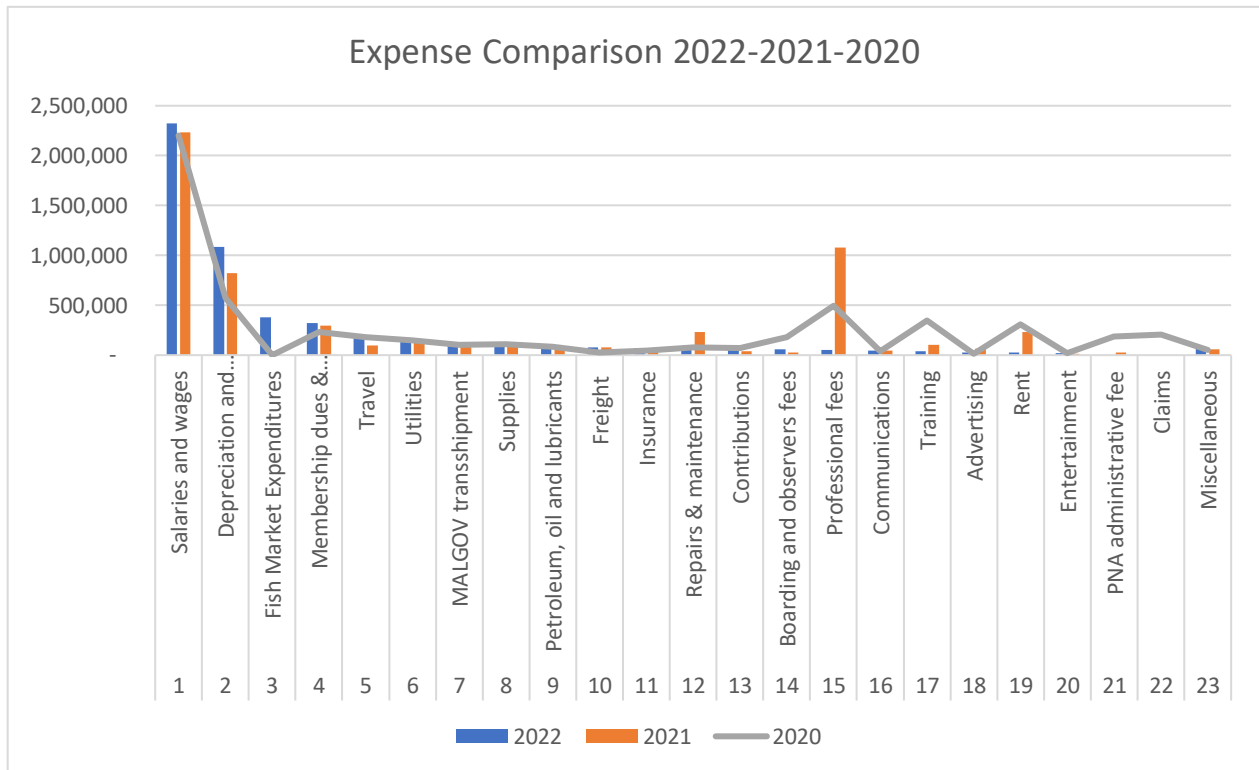
	<u>2022</u>	<u>2021</u>	\$ Change <u>2022-2021</u>	% Change <u>2022-2021</u>	<u>2020</u>
Salaries and wages	\$2,319,925	\$2,233,171	\$ 86,754	3.9%	\$2,202,099
Depreciation and amortization	1,082,633	822,635	259,998	31.6%	572,596
Fish market expenses	381,866	---	381,866		---
Membership dues and subscriptions	322,743	296,278	26,465	8.9%	232,716
Travel	204,570	98,175	106,395	108.4%	182,515
Utilities	160,293	161,067	( 774)	(0.5)%	150,380
MALGOV transshipment	109,600	113,600	( 4,000)	(3.5)%	104,800
Supplies	107,986	114,356	( 6,370)	(5.6)%	106,946
Petroleum, oil and lubricants	90,049	61,117	28,932	47.3%	81,232
Freight	79,610	80,327	( 717)	(0.9)%	28,170
Insurance	73,132	60,385	12,747	21.1%	48,052
Repairs and maintenance	71,828	232,955	( 161,127)	(69.2)%	79,598
Donation and contributions	60,695	37,474	23,221	62.0%	73,370
Boarding and observer fees	55,633	25,458	30,175	118.5%	178,878
Professional fees	48,927	1,078,466	(1,029,539)	(95.5)%	497,615
Communications	43,098	46,357	( 3,259)	(7.0)%	36,506
Training	37,213	100,959	( 63,746)	(63.1)%	345,366
Advertising	25,331	62,027	( 39,696)	(59.2)%	12,686
Rent	24,093	231,504	( 207,411)	(89.6)%	309,689
Entertainment	21,926	15,713	6,213	39.5%	18,903
PNA administrative fee	---	28,081	( 28,081)	(100.0)%	186,956
Claims	---	---	---		204,001
Miscellaneous	<u>86,413</u>	<u>57,436</u>	<u>28,977</u>	50.5%	<u>54,293</u>
	<u>\$5,407,564</u>	<u>\$5,957,541</u>	<u>\$ ( 549,977)</u>	(9.2)%	<u>\$5,707,367</u>

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

**Management's Discussion and Analysis, continued**

**Operating Expenses, continued**

Below is a graphical comparison of MIMRA's operating expenses for FY 2022, 2021 and 2020:



In 2022, total operating expenses decreased by 9.2% compared from previous year, \$12,316 of the total operating expense pertains to World Bank (WB) project expenses for operations and other projects such as Rei-Maanlok, boat charter, travel (overseas and domestic), consultancy fees, meetings, conference and training. Thus, the net expenses for MIMRA's operations were only \$5,407,564, which is lower compared to 2021 expenses by \$549,977. Of the operating expenses, the following expense categories have increased during the year as follows: salaries and wages (increased by 3.9%) due to a newly introduced pay scale, membership dues increased by 8.9% due to an increase in fees associated with the Western and Central Pacific Fisheries Commission and the International Whaling Commission. Travel expenses increased by 108% due to various meetings attended towards the end of 2022 upon the relaxation of COVID19 border restrictions, fuel expenses increased by 47.3%, which were incurred during the Forum Fisheries Committee and Forum Fisheries Agency ministerial meetings held in Majuro, insurance expense increased by 21% due to the increase in workmen's compensation, and observers and boarding fee expense increased by 118% due to the increase in the number of observer trips and port monitoring.

**Marshall Islands Marine Resources Authority**  
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**Management's Discussion and Analysis, continued**

**Operating Expenses, continued**

Total contributions (transfer payments) to RepMar in 2022 amounted to \$26,200,000, which is marginally higher than the 2021 amount of \$26,000,000 (up by \$200,000 or 0.8%). This decrease in operating expenses contributed to MIMRA's overall increase in net position of \$485,975 during 2022. The reason for a lower income in 2022 is the result of the loss on disposal/contribution of equipment to various local governments amounting to \$1,049,022. MIMRA's financial condition as shown by the change in net position at end of the year shows an overall increase of 1.20%, from \$40,295,566 in 2021 to \$40,781,541 in 2022.

**Capital Assets**

At the end of 2022, MIMRA has a net investment in capital assets of \$6,595,891 compared to \$6,517,456 in 2021. This is a 1.2% increase equal to \$78,435. The table below indicates an excellent standing of MIMRA's capital assets. Details of MIMRA's capital assets follows:

**Summary Schedule of Capital Assets**  
As of September 30

	<u>2022</u>	<u>2021</u>	<u>\$</u> <u>Change</u> <u>2022-2021</u>	<u>%</u> <u>Change</u> <u>2022-2021</u>	<u>2020</u>
Depreciable assets:					
Building	\$3,553,668	\$3,534,918	\$ 18,750	0.5%	\$3,516,170
Equipment improvement	109,270	109,270	---	0.0%	109,270
Vehicles	794,059	735,452	58,607	8.0%	370,114
Equipment	3,332,066	3,143,491	188,575	6.0%	2,367,475
Furniture and fixtures	73,844	73,169	675	0.9%	67,682
Motorboats	<u>544,161</u>	<u>1,182,636</u>	<u>( 638,475)</u>	<u>(54.0)%</u>	<u>421,557</u>
	8,407,068	8,778,936	<u>( 371,868)</u>	(4.2)%	6,852,268
Accumulated depreciation	<u>(3,090,797)</u>	<u>(2,261,480)</u>	<u>( 829,317)</u>	36.7%	<u>(1,438,845)</u>
	<u>5,316,271</u>	<u>6,517,456</u>	<u>(1,201,185)</u>	(18.4)%	<u>5,413,423</u>
Lease assets: 168,270					
Right-to-use asset	168,270	---	168,270		---
Accumulated amortization	<u>( 35,555)</u>	<u>---</u>	<u>( 34,555)</u>		<u>---</u>
	<u>133,715</u>	<u>---</u>	<u>133,715</u>		<u>---</u>
Nondepreciable assets:					
Construction work in progress	<u>1,145,905</u>	<u>---</u>	<u>1,145,905</u>		<u>---</u>
	<u>\$6,595,891</u>	<u>\$6,517,456</u>	<u>\$ 78,435</u>	1.2%	<u>\$5,413,423</u>

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

**Management's Discussion and Analysis, continued**

**Capital Assets, continued**

In 2022, MIMRA received a non-cash grant from Japan International Cooperation System (JICS) of 10 boats and components for distribution to various local governments amounting to \$513,964. Overseas Fishery Cooperation Foundation of Japan also contributed a non-cash grant of \$270,941 to MIMRA for the following: spare parts for outfitting cargo ship, gas cylinders for ice machine both for the Outer Islands Fish Market Center and the Kwajalein Atoll Fish Market Center, full payment for roll-up door (maintenance workshop), and one crane cargo truck. Refer to note 5 to the accompanying financial statements for additional information over MIMRA's capital assets.

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

FY2023 budget has been formulated and approved by the MIMRA Board. Projected revenues, both operating and non-operating amount to \$30,356,544. Prices for VDS remains at \$11,000 per day for foreign companies and \$7,000 per day for domestic companies, breakeven with the projected expenses including contributions to RepMar. Projected expenses are detailed as follows: \$24,000,000 for contribution to RepMar's General Fund and \$6,121,513 for MIMRA operations, which includes \$2,195,720 for Administration (Finance, Corporate Affairs and Legal Divisions); \$1,136,976 for the Coastal and Community Affairs Division; \$1,251,941 for the Oceanic and Industrial Affairs Division; \$736,876 for the Coastal Policy Planning and Statistics Division; \$200,000 for the RMI Protected Areas Network; \$200,000 for Fish Aggregating Devices; \$200,000 for the Competent Authority; and \$200,000 for Aquaculture operating and capital expenditures. In addition, a supplemental budget amounting to \$2,882,500 has also been approved to be used for the MIMRA headquarters extension for Competent Authority laboratory/offices and for the renovation of different outer-island fish markets. Travel expenses, both international and domestic, will depend on how it will be funded, but for the unfunded trips, MIMRA will shoulder the cost. Some domestic travels are still covered by grants that were approved and released to MIMRA in previous years, which will be used in 2023.

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

Marshall Islands Marine Resources Authority  
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Management's Discussion and Analysis, continued

**Economic Factors and Next Year Budgets and Rates, continued**

The Marshall Islands still has the highest fuel prices in the Micronesian region averaging \$6.50 per gallon during the year. It is higher by at least between 15% - 18% of the pump prices in all of Micronesia. Commodities in the island continue to have high prices compared to that in the previous years. MIMRA's cost savings and conservation measures previously adopted are still in effect in the formulation of the FY2023 budget. Some positions are still to be filled; thus, a budget for new hires is also provided.

Climate change is a continuing factor that would affect MIMRA's revenue generation, FAD closure is also an aspect that affects MIMRA revenue collections, especially transshipment revenue. FAD closures mean fewer boats berthing in Majuro. Bilateral agreements between MIMRA Japan, China, Taiwan, and Korea, were signed with matching Fishing Days incorporated therein as part of the agreements.

COVID-19 pandemic has affected MIMRA's revenues for the last three years; however, although the end of the pandemic within the RMI is not yet declared there is a general hope of optimism. Though the fishing industry is not fully back to 100%, business continues as usual. Fishing vessels have started to return for transshipment activity in Majuro. Observer activities like port monitoring and observer trips have started to increase, giving the observer's income. The U.S. Treaty through FFA have been in on-going negotiation with the parties since 2022 and on into 2023; however, MIMRA continues to receive a share from the U.S. Treaty. All VDS days have been sold for 2023 (3,051 days) Longline VDS also boasted MIMRA's revenue during 2023 by \$567,000. While the pandemic is ending, El Nino and/or La Nina have been forecast and are anticipated to affect the fishing industry locally.

**Contacting MIMRA's financial management**

This financial report is designed to provide our beneficiaries and others a general overview of MIMRA's finances and to demonstrate its accountability for the money it collects. If you have questions about this report or need additional financial information, contact the Administrator, P.O. Box 860, Majuro, MH 96960 or via our website [www.mimra.com](http://www.mimra.com).

Marshall Islands Marine Resources Authority  
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Statement of Net Position

September 30, 2022

**ASSETS**

Current assets:	
Cash	\$24,816,878
Receivables:	
Affiliates	643,388
Trade	1,466,568
Leases, current portion	5,789
Due from PNA Office	6,659,333
Due from World Bank	91,080
Other	<u>100,696</u>
	8,966,854
Less allowance for doubtful accounts	( <u>1,255,651</u> )
	7,711,203
Prepayments	<u>72,570</u>
Total current assets	<u>32,600,651</u>
Leases receivable, net of current portion	114,416
Capital assets:	
Nondepreciable capital assets	1,145,905
Capital assets, net of accumulated depreciation	5,316,271
Lease assets, net	133,715
Investment in joint venture	<u>3,445,052</u>
Total noncurrent assets	<u>10,155,359</u>
	<u>\$42,756,010</u>

*See accompanying notes.*



Marshall Islands Marine Resources Authority  
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Statement of Net Position, continued

**LIABILITIES, DEFERRED INFLOWS OF  
RESOURCES AND NET POSITION**

Current liabilities:	
Accounts payable	\$ 31,960
Contracts payable	1,030,333
Payable to affiliates	216,059
Lease liabilities, current portion	25,802
Other liabilities and accruals	<u>453,755</u>
Total current liabilities	1,757,909
Lease liabilities, net of current portion	<u>99,720</u>
Total liabilities	1,857,629
Deferred inflows of resources:	
Lease revenues	<u>116,840</u>
Commitments and contingencies	
Net position:	
Net investment in capital assets	6,470,369
Restricted	352,898
Unrestricted	<u>33,958,274</u>
Total net position	<u>40,781,541</u>
	<u>\$42,756,010</u>

*See accompanying notes.*

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

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2022

Operating revenues:	
Vessel Day Scheme	\$24,986,929
Fishing rights	3,617,510
Licensing and registration fees	1,936,700
Observer fees	626,050
Fish Market	453,111
Transshipment fees	347,000
Other	<u>166,170</u>
Total operating revenues	32,133,470
Bad debts expense	( <u>188,260</u> )
Total net operating revenues	<u>31,945,210</u>
Operating expenses:	
Salaries and wages	2,319,925
Depreciation and amortization	1,082,633
Fish market	381,866
Membership dues and subscriptions	322,743
Travel	204,570
Utilities	160,293
Transshipment inspection	109,600
Supplies	107,986
Petroleum, oil and lubricants	90,049
Freight	79,610
Insurance	73,132
Repairs and maintenance	71,828
Contributions	60,695
Boarding and observer fees	55,633
Professional fees	48,927
Communications	43,098
Training and research	37,213
Advertising	25,331
Rent	24,093
Entertainment	21,926
Miscellaneous	<u>86,413</u>
Total operating expenses	<u>5,407,564</u>
Operating income	<u>26,537,646</u>

*See accompanying notes.*

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

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

Nonoperating revenues (expenses):	
World Bank	91,080
Equity in loss of joint venture	( 29,084)
Interest income	272,274
Other grants	80,313
Loss on disposal of capital assets	( 2,137)
Contributions to local governments	( 1,049,022)
Contributions to RepMar	<u>(26,200,000)</u>
Total nonoperating expenses, net	<u>(26,836,576)</u>
Loss before capital contributions	<u>( 298,930)</u>
Capital contributions:	
Government of Japan Grant in Aid	513,964
Overseas Fishery Cooperation Foundation of Japan	<u>270,941</u>
Total capital contributions	<u>784,905</u>
Change in net position	485,975
Net position at beginning of year	<u>40,295,566</u>
Net position at end of year	<u>\$40,781,541</u>

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

Statement of Cash Flows

Year ended September 30, 2022

Cash flows from operating activities:	
Cash received from customers	\$26,998,780
Cash payments to suppliers for goods and services	( 2,110,267)
Cash payments to employees for services	( 2,311,230)
Net cash provided by operating activities	<u>22,577,283</u>
Cash flows from noncapital financing activities:	
Operating grants received	80,313
Payments made to RepMar	(26,200,000)
Net cash used in noncapital financing activities	<u>(26,119,687)</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	10,969
Acquisition of capital assets	( 397,321)
Net cash used in capital and related financing activities	<u>( 386,352)</u>
Cash flows from investing activities:	
Interest received on savings deposit	<u>272,274</u>
Net change in cash	( 3,656,482)
Cash at beginning of year	<u>28,473,360</u>
Cash at end of year	<u>\$24,816,878</u>
Reconciliation of operating income to net cash provided	
by operating activities:	
Operating income	\$26,537,646
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Depreciation and amortization	1,082,633
Bad debts expense	188,260
Changes in assets, liabilities, and deferred inflows of resources:	
Receivables:	
Affiliates	59,000
Trade	( 248,768)
Leases	7,844
Due from PNA Office	( 4,934,733)
Other	( 6,824)
Prepayments	4,052
Accounts payable	( 92,668)
Payable to affiliates	14,922
Other liabilities and accruals	19,876
Lease liabilities	( 42,748)
Lease deferred inflows	<u>( 11,209)</u>
Net cash provided by operating activities	<u>\$22,577,283</u>

*See accompanying notes.*

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

Statement of Cash Flows, continued

Summary of noncash capital and financing activities:

Loss from equity share investment:

Decrease in investment in joint venture	\$ 29,084
Equity in loss of joint venture	( 29,084)
	\$ <u>---</u>

Government of Japan Grant in Aid and JICS:

Increase in capital assets	\$( 784,905)
Capital contributions	<u>784,905</u>
	\$ <u>---</u>

Contributions to outer islands local governments:

Decrease in capital assets	\$ 1,049,022
Contributions to local governments	( 1,049,022)
	\$ <u>---</u>

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

**Notes to Financial Statements**

Year ended September 30, 2022

**1. Organization**

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

MIMRA is governed by a seven-member Board of Directors, which consists of the Minister of Natural Resources and Commerce, and six other members appointed by the President of RepMar including four members having knowledge and experience in the fisheries sector.

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

**2. Summary of Significant Accounting Policies**

The accounting policies of MIMRA conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically proprietary funds.

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

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

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

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

- Net investment in capital assets - capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted - nonexpendable net position subject to externally imposed stipulations that requires MIMRA to maintain such permanently. As of September 30, 2022, MIMRA does not have nonexpendable net position. Expendable net position whose use by MIMRA is subject to externally imposed stipulations that can be fulfilled by actions of MIMRA pursuant to those stipulations or that expire by the passage of time. As of September 30, 2022, MIMRA has expendable net position as follows:

Protected Area Network (PAN)	\$ 211,102
The Nature Conservancy (Tuna Fisheries Improvement)	96,422
Food and Agriculture Organization (FAO)	43,785
Chinese Taipei Grant	1,259
The Nature Conservancy (Tuna Co.)	<u>330</u>
	\$ <u>352,898</u>

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

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

**Basis of Accounting**

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

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

**Notes to Financial Statements, continued**

**2. Summary of Significant Accounting Policies, continued**

**Cash**

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

For purposes of the statement of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2022, the carrying amount of cash was \$24,816,878 and the corresponding bank balance was \$24,845,446. Of the bank balance amount, \$7,349,966 was maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of \$17,495,480 was maintained in a financial institution not subject to depository insurance.

As of September 30, 2022, bank deposits in the amount of \$250,000 were FDIC insured. MIMRA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

**Receivables**

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

MIMRA recognizes a lease receivable and related deferred inflow of resources, as a lessor, at the commencement of the lease term, with exceptions for short-term leases. As a lessor, the asset underlying the lease is not derecognized. The lease receivable is measured as the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to the future periods.



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

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Prepayments**

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

**Capital Assets**

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

The estimated useful lives of these assets are as follows:

	Estimated Useful Lives
Building	40 years
Building improvements	10 years
Equipment improvements	10 years
Vehicles	3 years
Equipment	4 years
Furniture	4 years
Motorboats	6 years

**Investments**

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

**Deferred Outflows of Resources**

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

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

**Notes to Financial Statements, continued**

**2. Summary of Significant Accounting Policies, continued**

**Compensated Absences**

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. As of September 30, 2022, the accumulated vacation leave liability totals \$96,326 and is included within the statement of net position as other liabilities and accruals.

**Leases**

MIMRA is a party as lessee for various noncancellable long-term land leases. MIMRA determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, land, or equipment in exchange for consideration. Leases result in the recognition of right-to-use lease assets and lease liabilities on the statement of net position. Lease assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

MIMRA is also a party as lessor for various long-term leases of building and land. MIMRA recognizes lease receivables and deferred inflow of resources at the commencement of the lease term, with exceptions for certain short-term leases. As lessor, the assets underlying the lease are not derecognized. The lease receivables are measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivables in addition to any payments received at or before the commencement of the lease term that relate to future periods.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The deferred inflow of resources related to leases is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

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

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Revenue Recognition**

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

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

**Recently Adopted Accounting Pronouncements**

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

During the year ended September 30, 2022, MIMRA implemented the following pronouncements:

- GASB Statement No. 87, *Leases*, which increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Limited exceptions to the single approach guidance are provided for short-term leases, financed purchases, leases of assets that are classified as investments, and certain regulated leases. As a result, MIMRA has recognized leases receivable and related deferred inflows of resources, as lessor, in the initial amount of \$128,049. MIMRA has also recognized right-to-use leased assets and related lease liabilities, as lessee, in the initial amount of \$168,270.

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

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB 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*, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances 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. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this statement did not have a material effect on the accompanying financial statements.

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

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:
  - 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
  - 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
  - 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
  - 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
  - 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

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

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

- 6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

**Upcoming Accounting Pronouncements**

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 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.

Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

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 April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- 3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- 4) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal year ending September 30, 2023.
- 5) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Effective for fiscal year ending September 30, 2023.

Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

- 6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

**Taxes**

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



**Marshall Islands Marine Resources Authority**  
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**Notes to Financial Statements, continued**

**2. Summary of Significant Accounting Policies, continued**

**Estimates**

The preparation of financial statements in accordance with 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. Risk Management**

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

**4. Investment in Joint Venture**

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

A summary of financial information as of and for the year ended December 31, 2022, for investees accounted for using the equity method of accounting for investments, are as follows:

Assets	\$ <u>21,122,586</u>
Liabilities	\$ <u>13,883,723</u>
Net earnings	\$ <u>836,9967</u>

No dividend distribution was received during the year ended September 30, 2022.

**Marshall Islands Marine Resources Authority**  
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**Notes to Financial Statements, continued**

**4. Investment in Joint Venture, continued**

An analysis of the change in the investment in joint venture during the years ended September 30, 2022, is as follows:

Beginning balance	\$ 3,474,136
Equity in loss of MIFCO	( <u>29,084</u> )
Ending balance	\$ <u>3,445,052</u>

**5. Capital Assets**

Capital asset activity for the year ended September 30, 2022, is as follows:

	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Nondepreciable capital assets:				
Construction in progress	\$ ---	\$ <u>1,145,905</u>	\$ ---	\$ <u>1,145,905</u>
Depreciable capital assets:				
Building	3,534,918	18,750	---	3,553,668
Equipment	3,143,491	188,575	---	3,332,066
Equipment improvements	109,270	---	---	109,270
Vehicles	735,452	187,057	( 128,450)	794,059
Furniture and fixtures	73,169	675	---	73,844
Motorboats	<u>1,182,636</u>	<u>513,964</u>	( <u>1,152,439</u> )	<u>544,161</u>
	8,778,936	909,021	( 1,280,889)	8,407,068
Less accumulated depreciation	( <u>2,261,480</u> )	( <u>1,048,078</u> )	<u>218,761</u>	( <u>3,090,797</u> )
	<u>6,517,456</u>	( <u>139,057</u> )	( <u>1,062,128</u> )	<u>5,316,271</u>
Lease assets:				
Right-to-use assets	168,270	---	---	168,270
Less accumulated amortization	( ---)	( <u>34,555</u> )	---	( <u>34,555</u> )
	<u>168,270</u>	( <u>34,555</u> )	---	<u>133,715</u>
	\$ <u>6,685,726</u>	\$ <u>972,293</u>	\$( <u>1,062,128</u> )	\$ <u>6,595,891</u>

Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**5. Capital Assets, continued**

In 2020, the Government of Japan and RepMar entered into a grant agreement for Grant Aid in the amount of JPY180,660,000 with MIMRA as the ultimate grantee. The purpose of the Grant is to support MIMRA's fish market operations and restoration of fisheries related activities. The Grant was paid directly by the Government of Japan through an independent procurement agent to various vendors. During the year ended September 30, 2022, MIMRA received the equivalent in capital asset acquisitions in the amount of \$784,905. In February 2022, MIMRA transferred various motorboats to outer-island local governments at a cost of \$1,152,439 less accumulated depreciation of \$103,417, resulting in a loss of \$1,049,022 recorded as contributions to local governments.

**6. Leases**

*As Lessor*

MIMRA is a lessor for non-cancelable leases of land and buildings. The terms of the agreements range from 10 to 15 years generally at fixed monthly payments with no variable payments or escalation clauses. In accordance with GASB Statement No. 87, *Leases*, MIMRA recognizes a lease receivable and a deferred inflow of resources at commencement of the lease term. As of September 30, 2022, lease receivables and deferred inflow of resources associated with MIMRA's leases totaled \$120,205 and \$116,840, respectively.

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2022, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,789	\$ 15,898	\$ 21,687
2024	6,617	15,069	21,686
2025	7,565	14,122	21,687
2026	8,648	13,039	21,687
2027	9,886	11,800	21,686
2028 - 2032	56,553	34,879	91,432
2033 - 2036	<u>25,147</u>	<u>6,333</u>	<u>31,480</u>
	<u>\$ 120,205</u>	<u>\$ 111,140</u>	<u>\$ 231,345</u>

**Marshall Islands Marine Resources Authority**  
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**Notes to Financial Statements, continued**

**6. Leases, continued**

*As Lessee*

MIMRA has assumed payment obligations as lessee under certain ground leases, which were previous obligations of RepMar's Ministry of Culture and Internal Affairs as well as payment obligations under certain ground leases, which were previously the obligation of unrelated parties. The terms of the agreements range from 5 to 25 years generally at fixed monthly payments with no variable payments or escalation clauses. The calculated interest rates used were 13.5%.

The following is a summary of principal and interest requirements to maturity for the lease liabilities as of September 30, 2022:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 25,802	\$ 16,945	\$ 42,747
2024	14,183	13,462	27,646
2025	7,142	11,547	18,689
2026	6,348	10,583	16,931
2027	2,941	9,726	12,667
2028 - 2032	21,845	41,491	63,336
2033 - 2038	<u>47,261</u>	<u>23,903</u>	<u>11,160</u>
	<u>\$ 125,522</u>	<u>\$ 127,657</u>	<u>\$ 253,179</u>

**7. Investment in Stock of an Affiliated Entity**

In 2014, MIMRA purchased 49,000 shares of Marshall Islands National Telecommunications Authority (MINTA), a component unit of RepMar, at \$20 per share. The investment in MINTA is recorded at NAV per share since MIMRA does not have a readily determinable fair value. The investment comprises approximately 15% of the outstanding shares of MINTA as of September 30, 2022. No dividends were received during the year ended September 30, 2022. As of September 30, 2022, due to the investee's recurring losses and its inability to generate sufficient cash flows to meet its debt obligation, the investment is recorded at a \$0 carrying value, which is net of an impairment allowance of \$980,000 in the accompanying statement of net position.

**Marshall Islands Marine Resources Authority**  
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**Notes to Financial Statements, continued**

**8. Related Party Transactions**

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

In accordance with Public Law 1997-60, as amended, MIMRA has negotiated certain access agreements for the purpose of collecting amounts received from sovereign nations in accordance with various international fishing rights treaties. During the year ended September 30, 2022, MIMRA collected \$3,617,510 under these treaties.

During the year ended September 30, 2022, MIMRA provided cash contributions to RepMar's General Fund of \$26,200,000 in accordance with annual legislative appropriations as enacted by the Nitijela. In 2016, the Nitijela of RepMar enacted the Marshall Islands Marine Resources Authority (MIMRA Surplus Funds Amendment) Act 2016, effective January 1, 2016, which provided a process for the transfer to RepMar's General Fund of any surplus funds from MIMRA.

MIMRA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions as of September 30, 2022, and for the year then ended is as follows:

	<u>Revenues</u>	<u>Expenses</u>	<u>Payables</u>	<u>Receivables</u>
Marshall Islands Fishing Company	\$ 3,231,000	\$ ---	\$ ---	\$ 60,000
Koo's Fishing Company, Ltd.	5,864,700	---	---	578,500
Marshall Islands Social Security Administration	---	200,223	94,555	---
Marshall Islands National Telecommunications Authority	---	39,009	---	---
Marshall's Energy Company, Inc.	---	171,177	---	---
RepMar	---	2,777	121,604	4,500
Other	---	<u>74,593</u>	---	<u>388</u>
	<u>\$ 9,095,700</u>	<u>\$ 487,779</u>	<u>\$ 216,059</u>	<u>643,388</u>
Less allowance for doubtful receivables				<u>(638,807)</u>
				<u>\$ 4,581</u>

In 2013, MIMRA advanced \$100,000 to Tobolar for the purpose of assisting in funding the purchase of copra. The advance is uncollateralized and is non-interest bearing and is due and payable by Tobolar from the proceeds of oil sales. Remaining balance of \$50,000 was collected in July 2022.

Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**9. Employee Retirement Plan**

MIMRA has implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least 3 months of service. Plan participants may contribute 5% up to 10% of their gross salaries to be matched 100% by MIMRA. Withdrawal from the Plan occurs upon termination of employment, retirement at age 65, permanent disability or death. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. MIMRA contributed \$81,758 to Plan participant accounts during the year ended September 30, 2022, and total plan assets were \$413,334 as of September 30, 2022.

**10. Financing**

*World Bank*

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

In 2021, MIMRA received \$1,759,387 from the World Bank in the form of financial support from IDA (Grant ID D17-MH) to support implementation of strengthening the shared management of selected Pacific Island oceanic and coastal fisheries, and the critical habitats upon which they depend. The grant closing date was originally September 30, 2020; however, the grant was extended to January 2022. A summary of the grant activities are as follows:

IDA Grant ID D17-MH:

Balance at beginning of the year	\$ 110,056
Grant expenses incurred during the year	( <u>110,056</u> )
Balance at end of the year	\$ <u>          ---</u>

Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**10. Financing, continued**

*World Bank, continued*

During the year ended September 30, 2022, MIMRA incurred expenses of \$91,080 under a World Bank grant from IDA (Grant ID E165-MH) to strengthen regional collaboration and national capacity for the management and the sustainable development of the oceanic and coastal fisheries sector in Republic of the Marshall Islands. As of September 30, 2022, a receivable due from the World Bank associated with this grant amounted to \$91,080, which was subsequently collected in June 2023. A summary of the grant activities are as follows:

IDA Grant ID E165-MH:

Balance at beginning of the year	\$ ---
Grant funds received during the year	91,080
Grant expenses incurred during the year	( <u>91,080</u> )
Balance at end of the year	\$ <u>---</u>

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

*The Nature Conservancy*

In 2019, MIMRA received a grant from The Nature Conservancy (TNC) to fund the implementation of the 2019 Joint-Conservancy-Grantee Workplan in order to support the shared objectives of exploring options to diversify and increase RMI's earnings from tuna resources, eliminating illegal, unreported, and unregulated fishing, marine spatial planning and assisting in the implementation of RMI National Oceans Policy. The grant closing date was originally February 21, 2021; however, due to cessation in the implementation of program objectives because of the COVID-19 pandemic, the grant remains open with grant extension being negotiated between MIMRA and TNC. A summary of the grant activities are as follows:

Balance at beginning of the year	\$ 108,224
Grant expenses incurred during the year	( <u>11,802</u> )
Balance at end of the year	\$ <u>96,422</u>

Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**10. Financing, continued**

*Chinese Taipei Trust Fund*

In 2017, MIMRA received joint assistance from Pacific Community and Forum Fisheries Agency to improve data collection by the Observers and management. The purpose of the assistance is to build technical capacity at MIMRA for the efficiency of the National Observer Program. A summary of the grant activities is as follows:

Balance at beginning of the year	\$ 27,389
Grant expenses incurred during the year	( 26,130)
Balance at end of the year	\$ <u>1,259</u>

*Protected Area Network*

In 2021, MIMRA received a \$230,776 grant from the Micronesian Conservation Trust for the purpose of funding Protected Area Network activities in the Marshall Islands. A summary of the grant activities is as follows:

Balance at beginning of the year	\$ 218,922
Grant funds received during the year	31,748
Grant expenses incurred during the year	( 39,568)
Balance at end of the year	\$ <u>211,102</u>

*Food and Agriculture Organization of the United Nations*

In 2021, MIMRA received a \$11,698 grant from the Food and Agriculture Organization of the United Nations (FAO) to support coastal and small-scale tuna fishers, as well as post-harvest activities and alternative preservation methods for processing and storing catches. A summary of the grant activities is as follows:

Balance at beginning of the year	\$ 9,872
Grant funds received during the year	48,565
Grant expenses incurred during the year	( 14,652)
Balance at end of the year	\$ <u>43,785</u>



Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**11. PNA Office**

The PNA was established by eight sovereign nations (Federated States of Micronesia, Marshall Islands, Kiribati, Tuvalu, Solomon Islands, Nauru, Papua New Guinea, and Palau) in 1982. The PNA Office was established as a quasi-governmental organization in Majuro as the Head Office of the PNA and is responsible for administering of the VDS program, including collection of revenues associated with this program. During the year ended September 30, 2022, MIMRA recognized revenues related to the VDS program of \$24,986,929. As of September 30, 2022, receivables due from the PNA Office associated with VDS revenues amounted to \$6,659,333.

**12. Commitments and Contingencies**

*Construction-in-Progress*

In 2022, MIMRA entered into a \$2,973,184 contract for the construction of an annex to an existing building. As of September 30, 2022, the remaining commitment under this contract is \$1,827,279.

*Litigation*

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

## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors  
Marshall Islands Marine Resources Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Marshall Islands Marine Resources Authority (MIMRA), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise MIMRA's basic financial statements, and have issued our report thereon dated March 27, 2024.

### Report on Internal Control Over Financial Reporting

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Ernst + Young LLP*

March 27, 2024