

*Financial Statements, Required Supplementary  
Information, and Report on Compliance and Internal  
Control*

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

*Years ended September 30, 2023 and 2022  
with Report of Independent Auditors*



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

Financial Statements, Required Supplementary Information, and  
Report on Compliance and Internal Control

Years ended September 30, 2023 and 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 years ended September 30, 2023 and 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, 2023 and 2022, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits 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 January 3, 2025, 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*

January 3, 2025

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

**Management's Discussion and Analysis**

Years ended September 30, 2023 and 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, 2023. 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 2023, 2022 and 2021.

**Financial Operations**

**Summary Statements of Net Position**  
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Assets:					
Current and other assets	\$ 33,852,595	\$ 36,160,119	\$ (2,307,524)	(6.4)%	\$ 34,695,387
Capital assets	6,439,302	6,595,891	(156,589)	(2.4)%	6,517,456
Total assets	40,291,897	42,756,010	(2,464,113)	(5.8)%	41,212,843
Liabilities:					
Current and other liabilities	969,304	1,857,629	(888,325)	(47.8)%	917,277
Deferred inflows of resources:					
Lease revenues	106,326	116,840	(10,514)	(9.0)%	-
Net position:					
Net investment in capital assets	5,953,348	5,440,036	513,312	9.4%	6,517,456
Restricted	1,326,685	352,898	973,787	275.9%	474,793
Unrestricted	31,936,234	34,988,607	(3,052,373)	(8.7)%	33,303,317
Total net position	\$ 39,216,267	\$ 40,781,541	\$ (1,565,274)	(3.8)%	\$ 40,295,566

Total assets decreased by \$2,464,113 (or 5.8%) from \$42,756,010 in 2022 to \$40,291,897 in 2023. The decrease in total assets was attributable to a decrease in current and other assets by \$2,307,524 (or 6.4%) from \$36,160,119 in 2022 to \$33,852,595 in 2023 and a decrease in capital assets by \$156,589 (or 2.4%) from \$6,595,891 in 2022 to \$6,439,302 in 2023. The decrease in current and other assets is primarily attributable to a decrease in cash of \$4,694,905 (or 19%) and a decrease in MIMRA's investment in joint venture of \$1,587,503 (or 46%) offset by an increase in receivables of \$3,974,007 (or 51%). The decrease in cash is the result of net cash used in noncapital financing activities and capital and related financing activities of \$25,485,759 and \$1,521,666, respectively, offset by net cash provided by operating activities of \$22,146,846. The decrease in the joint venture investment is due to the continued equity accounting of joint venture losses incurred by Marshall Islands Fishing Company. The increase in receivables is due primarily to an increase in amounts due from the Parties to the Nauru Agreement (PNA) Office.

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

**Financial Operations, continued**

Total liabilities decreased by \$888,325 (or 48%) from \$1,857,629 in 2022 to \$969,304 in 2023. The decrease in total liabilities is primarily attributable to a decrease in contracts payable of \$644,099 (or 62%). This liability is associated with progress billings for the construction of an annex to the existing MIMRA building.

Total deferred inflows of resources decreased \$10,514 (or 9%) from \$116,840 in 2022 to \$106,326 in 2023. Deferred inflows of resources are associated with lease revenues accounted for in accordance GASB Statement No. 87.

Total net position decreased by \$1,565,274 (or 3.8%) from \$40,781,541 in 2022 to \$39,216,267 in 2023. Net position is affected by the changes in both assets and liabilities (and deferred inflows).

Changes in total net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of this 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, 2023 compared with 2022 and 2021 is presented below:

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

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Operating:					
Operating revenues	\$ 31,763,386	\$ 31,945,210	\$ (181,824)	(0.6)%	\$ 33,417,454
Operating expenses	(6,332,663)	(5,407,564)	(925,099)	17.1%	(5,957,541)
Operating income	25,430,723	26,537,646	(1,106,923)	(4.2)%	27,459,913
Nonoperating:					
Nonoperating revenues	2,591,506	414,583	2,176,923	525.1%	963,937
Nonoperating expenses	(29,587,503)	(27,251,159)	(2,336,344)	8.6%	(26,000,000)
	(26,995,997)	(26,836,576)	(159,421)	0.6%	(25,036,063)
(Loss) income before capital contributions	(1,565,274)	(298,930)	(1,266,344)	423.6%	2,423,850
Capital contributions	-	784,905	(784,905)	(100.0)%	1,193,158
Change in net position	\$ (1,565,274)	\$ 485,975	\$ (2,051,249)	(422.1)%	\$ 3,617,008

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 \$1,106,923 (or 4.2%) from \$26,537,646 in 2022 to \$25,430,723 in 2023. The decrease in operating income is due to the combined increase in operating expenses by \$925,099 (or 17%) and a marginal decrease in operating revenues by \$181,824 (or 0.6%).

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

**Financial Operations, continued**

The main drivers for the increase in operating expenses was the increase in salaries and wages of \$182,700 (or 7.9%), which reflects the implementation of a new pay scale, and the increase in travel expense of \$221,182 (or 108%), professional fees expense of \$340,514 (or 696%), and training and research expense of \$146,649 (or 394%). The increase in these expenses is due to increased activity associated with the World Bank's Pacific Islands Regional Oceanscape Program (PROP) grant project.

MIMRA's net loss before capital contributions increased by \$1,266,344 (or 423%) from \$298,930 in 2022 to \$1,565,274 in 2023. Net loss before capital contributions is a function of both operating income and nonoperating income (loss). Nonoperating loss increased by \$159,421 (or 0.6%) from \$26,836,576 in 2022 to \$26,995,997 in 2023. The increase in nonoperating loss is due to the combined increase in nonoperating revenues by \$2,176,923 (or 525%) and increase in nonoperating expenses by \$2,336,344 (or 8.6%). The main driver for the increase in nonoperating revenues was the increase in grant revenues received under the World Bank PROP grant project of \$2,287,770 over prior year grant revenues, whilst the main driver for the increase in nonoperating expenses was the increase in contributions to RepMar's General Fund of \$1,800,000 over prior year contributions.

**Overall Analysis**

Management's Discussion and Analysis for the year ended September 30, 2022 is set forth in MIMRA's report on the audit of financial statements, which is dated March 27, 2024. That Management Discussion and Analysis explains the major factors impacting the 2022 financial statements and can be obtained from MIMRA's Administrator via the contact information on page 13.

**Operating Revenues**

Net operating revenues marginally decreased by \$181,824 (or 0.6%) from \$31,945,210 in 2022 to \$31,763,386 in 2023. Please see below details of the increase/(decrease) in revenue categories:

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Vessel Day Scheme	\$ 25,198,926	\$ 24,986,929	\$ 211,997	0.8%	\$ 26,027,040
Licensing registration	1,882,120	1,936,700	(54,580)	(2.8)%	2,164,000
Fishing rights	3,394,040	3,617,510	(223,470)	(6.2)%	3,629,878
Observers fees	650,678	626,050	24,628	3.9%	610,450
Transshipment fees	316,000	347,000	(31,000)	(8.9)%	347,000
Fish market	151,804	453,111	(301,307)	(66.5)%	-
Fishing violation	25,000	-	25,000		600,000
Other	253,922	166,170	87,752	52.8%	39,113
	31,872,490	32,133,470	(260,980)	(0.8)%	33,417,481
Bad debts expense	(109,104)	(188,260)	79,156	(42.0)%	(27)
	<u>\$ 31,763,386</u>	<u>\$ 31,945,210</u>	<u>\$ (181,824)</u>	<u>(0.6)%</u>	<u>\$ 33,417,454</u>

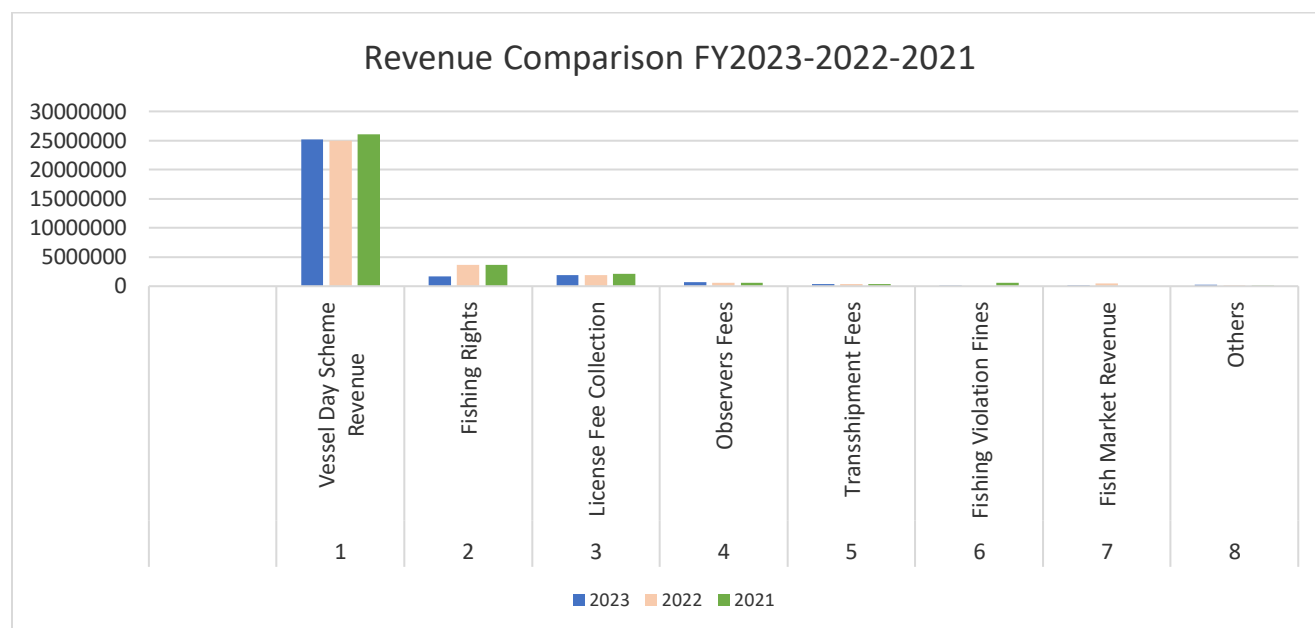


**Marshall Islands Marine Resources Authority**  
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**Management's Discussion and Analysis, continued**

**Operating Revenues, continued**

Below is a graphical comparison of MIMRA's operating revenues for 2023, 2022 and 2021:



VESSEL DAY SCHEME (VDS) revenues have increased marginally by \$211,997 (or 0.8%) from \$24,986,929 in 2022 to \$25,198,926 in 2023. A summary of VDS revenues are as follows:

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
PAE's Bilateral	\$ 22,095,965	\$ 21,843,057	\$ 252,908	1.2%	\$ 21,878,000
VDS Pooling Days (PNA)	3,054,961	3,125,872	(70,911)	(2.3)%	3,687,040
PNA Trading Days	48,000	18,000	30,000	166.7%	462,000
	<u>\$ 25,198,926</u>	<u>\$ 24,986,929</u>	<u>\$ 211,997</u>	0.8%	<u>\$ 26,027,040</u>

VDS revenues are based on days sold during the year. Total corresponding days purchased by fishing companies are as follows:




	# of Days 2023	# of Days 2022	# of Days Change 2023-2022	% Change 2023-2022	# of Days 2021
PAE's Bilateral	2,854	2,783	71	2.6%	2,909
VDS Pooling Days (PNA)	197	262	(65)	(24.8)%	292
PNA Trading Days	16	6	10	166.7%	154
	<u>3,067</u>	<u>3,051</u>	<u>\$ 16</u>	0.5%	<u>3,355</u>

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

**Operating Revenues, continued**

LICENSING AND REGISTRATION revenues have decreased by \$54,580 (or 2.8%) from \$1,936,700 in 2022 to \$1,882,120 in 2023. Licensing and registration revenues are based on the registration of the number of foreign or domestic vessels fishing in the RMI waters. License fees charged for Purse seine foreign boats are \$5,000 per boat while domestic boats are \$25,000 per boat; \$10,000 per boat for carrier/bunker; and \$1,000 per boat for domestic longline boats. Below are the details of boats registered, which increased by 45 boats (or 23%) from 193 in 2022 to 238 in 2023.

	 # of Boats 2023	 # of Boats 2022	# of Boats Change 2023-2022	% Change 2023-2022	 # of Boats 2021
Foreign Boats (Purse Seine):					
China	12	10	2	20.0%	9
Japan	24	26	(2)	(7.7)%	27
Korea	24	21	3	14.3%	15
Philippines	6	16	(10)	(62.5)%	16
Taiwan	22	30	(8)	(26.7)%	23
Other	6	4	2	50.0%	14
	<u>94</u>	<u>107</u>	(13)	(12.1)%	<u>104</u>
Domestic Boats (Purse Seine):					
Koos's Fishing	4	4	-	0.0%	3
MIFCO	2	2	-	0.0%	2
Pan Pacific	5	5	-	0.0%	6
	<u>11</u>	<u>11</u>	-	0.0%	<u>11</u>
Japan Fisheries:					
Pole and Line	13	-	13		13
Longline	6	5	1	20.0%	3
	<u>19</u>	<u>5</u>	14	280.0%	<u>16</u>
Domestic (Longline):					
China Overseas	11	2	9	450.0%	4
Lian Cheng Fisheries	24	6	18	300.0%	31
	<u>35</u>	<u>8</u>	27	337.5%	<u>35</u>
Carrier/Bunker:					
Bunker	14	14	-	0.0%	14
Carrier	65	48	17	35.4%	58
	<u>79</u>	<u>62</u>	17	27.4%	<u>72</u>
	<u>238</u>	<u>193</u>	45	23.3%	<u>238</u>

Foreign Purse Seine boats registered this year have decreased by 13 (or 12%) while domestic boats maintained their status quo at 11 boats. Japan Fisheries have registered 19 boats in 2023, which shows a 280% increase, or 14 more boats compared to 2022. Another domestic-based company Marshall Islands Fishing Venture (MIFV) that operates China Overseas and Lian Cheng Fisheries had 27 boats registered in 2023 over 2022. All 35 boats have registered for one year. Bunkers and carriers have registered 79 boats this year, which is 17 more boats compared to 2022.

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

**Operating Revenues, continued**

Aside from paying license fees, China, Japan, Philippines, Taiwan, Korea and others, have purchased 495 fishing days in 2023 amounting to \$5,459,500, a decrease of \$154,500 (or 14 days) compared to 2022. Korea was also involved in the bidding process with PNA of which VDS pooling days from member countries are offered.

As shown earlier, the pooling days have contributed \$3,054,961 (or 197 days) in 2023 compared to \$3,125,872 (or 261 days) in 2022. Domestic-based companies such as Koo's Fishing, MIFCO (joint venture) and PPF have contributed to the total VDS fishing days income in 2023 of \$16,685,000 (or 2,375 days) compared with \$15,400,000 (or 2,200 days) in 2022. Koo's Fishing purchased 800 days in 2023 and 2022, respectively, while MIFCO and PPF purchased 440 days and 1,120 days, respectively, in 2023 compared with 450 days and 950 days, respectively, in 2022.

Actual total revenues, including both operating and non-operating revenues, generated in 2023, amounted to \$34,354,892, which is higher compared to total revenues in 2022 of \$32,388,877, an increase of \$1,966,067 (or 6.1%).

**Operating Expenses**

Operating expenses decreased by 9.2% from 2021 to 2022 and increased by 17% from 2022 to 2023. Please see below details of the increase/(decrease) in expense categories:

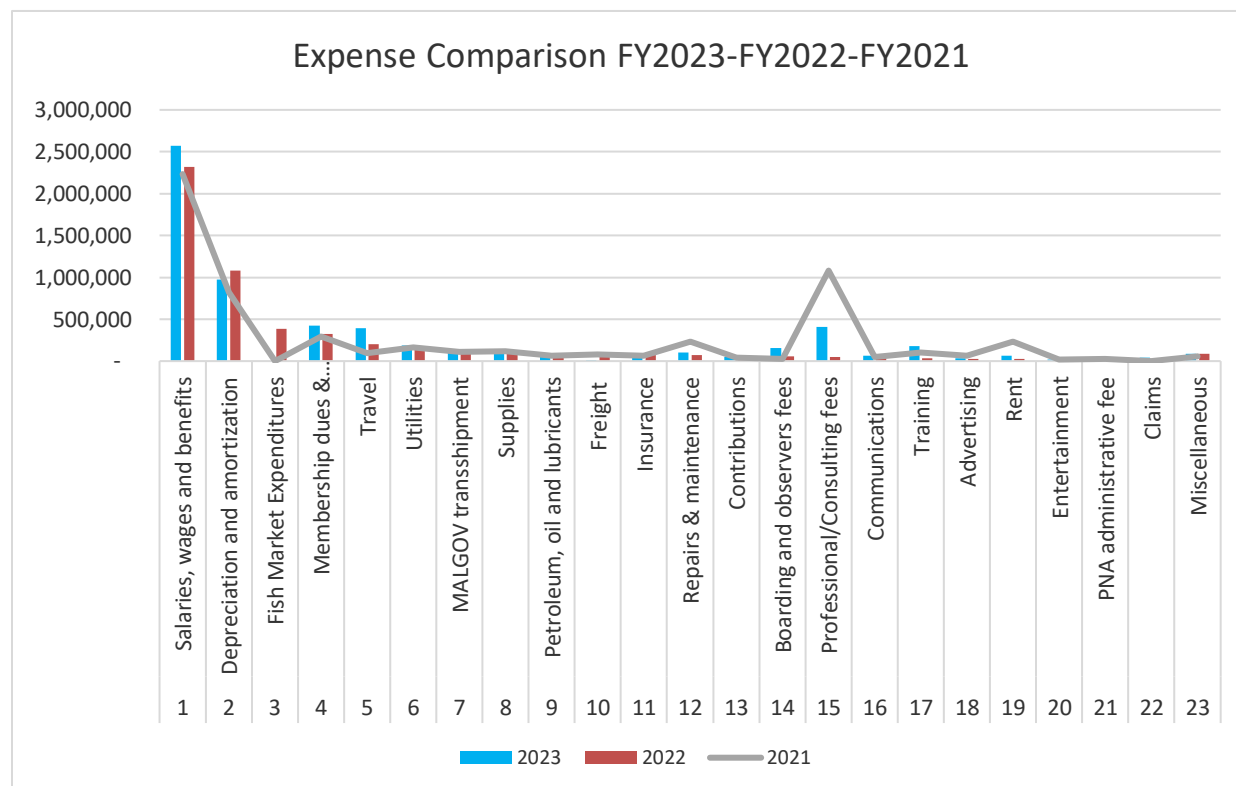
	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Salaries and wages	\$ 2,502,625	\$ 2,319,925	\$ 182,700	7.9%	\$ 2,233,171
Depreciation and amortization	1,034,156	1,082,633	(48,477)	(4.5)%	822,635
Travel	425,752	204,570	221,182	108.1%	98,175
Membership dues/subscriptions	415,503	322,743	92,760	28.7%	296,278
Professional fees	389,441	48,927	355,405	696.0%	1,078,466
Utilities	188,325	160,293	28,032	17.5%	161,067
Training and research	183,862	37,213	146,649	394.1%	100,959
Boarding and observer fees	153,248	55,633	97,615	175.5%	25,458
Supplies	143,657	107,986	35,671	33.0%	114,356
Petroleum, oil and lubricants	132,739	90,049	42,690	47.4%	61,117
Transshipment inspection	129,200	109,600	19,600	17.9%	113,600
Repairs and maintenance	105,573	71,828	33,745	47.0%	232,955
Donations and contributions	82,133	60,695	21,438	35.3%	37,474
Fish market expenses	81,778	381,866	(300,088)	(78.6)%	-
Rent	18,769	24,093	(5,324)	(22.1)%	231,504
Communications	61,809	43,098	18,711	43.4%	46,357
Insurance	60,351	73,132	(12,781)	(17.5)%	60,385
Claims	41,162	-	41,162		-
Miscellaneous	182,580	213,280	(30,700)	(14.4)%	243,584
	<u>\$ 6,332,663</u>	<u>\$ 5,407,564</u>	<u>\$ 939,990</u>	17.1%	<u>\$ 5,957,541</u>

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

**Operating Expenses, continued**

Below is a graphical comparison of MIMRA's operating expenses for 2023, 2022 and 2021:



In 2023, total operating expenses increased by \$939,990 (or 17%) from \$5,407,564 in 2022 to \$6,332,663 in 2023. The main driver of this increase is attributable to World Bank (WB) project expenses, which increased by \$1,063,530 from \$201,136 in 2022 to \$1,264,666 in 2023. Other donor-related expenses associated with The Nature Conservancy, Chinese Taipei Fund, Protected Area Network Fund, and FAO increased by \$72,270 from \$92,152 in 2022 to \$164,422 in 2023. Thus, operating expenses for MIMRA's operations in 2023, exclusive of all donor-related organizations, are \$4,903,575, which is lower compared to 2022 expenses of \$5,114,276 by \$210,701. Among MIMRA's operating expenses, the following have increased in 2023 compared with 2022: salaries and wages - increased by 7.9% due to the implementation of a new pay scale; membership dues - increased by 29% due to the new computation by Western and Central Pacific Fisheries Commission and the International Whaling Commission; travel - increased by 108% due to increased travel due to various meetings attended; fuel expenses - increased by 47% due to the global increase in gas prices; observer fees - increased by 175% due to the increase in the number of observers trips and debriefing activities associated with port monitoring; and professional fees - increased by 695 % of which 90% of the total amount are payments for WB-Consultant Fees. On the other hand, other expenses decreased in 2023 compared with 2022: insurance - decreased by 17% due to the discount given on the workmen's compensation annual premium; and donations and contributions - decreased by 35% due to the donation for Miss Marshall Islands in 2022.

**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 2023 amounted to \$28,000,000, which is higher than the 2022 amount of \$26,200,000 (up by \$1,800,000 or 6.9%). This increase in expenses contributed to MIMRA's overall decrease in net position of \$1,565,274 (or 3.8%) during the year, which negatively impacts MIMRA's financial condition as shown by the change in net position at end of the year from \$40,781,541 in 2022 to \$39,216,267 in 2023.

**Capital Assets**

At the end of 2023, MIMRA has a net investment in capital assets of \$6,326,934 compared to \$6,462,176 in 2022, representing a decrease of \$135,242 (or 2.1%) during the year. 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

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Buildings	\$ 3,553,668	\$ 3,553,668	\$ -	0.0%	\$ 3,534,918
Equipment	3,230,552	3,332,066	(101,514)	(3.0)%	3,143,491
Vehicles	820,559	794,059	26,500	3.3%	735,452
Motorboats	547,961	544,161	3,800	0.7%	1,182,636
Furniture, fixtures and other	185,374	183,114	2,260	1.2%	182,439
	8,338,114	8,407,068	(68,954)	(0.8)%	8,778,936
Accumulated depreciation	(3,926,433)	(3,090,797)	(835,636)	27.0%	(2,261,480)
	4,411,681	5,316,271	(904,590)	(17.0)%	6,517,456
CWIP	1,915,253	1,145,905	769,348	67.1%	-
	<u>\$ 6,326,934</u>	<u>\$ 6,462,176</u>	<u>\$ (135,242)</u>	(2.1)%	<u>\$ 6,517,456</u>

In 2023, net cash used in capital and related financing activities amounted to \$1,521,666, which included capital asset acquisitions of \$1,523,363. These capital asset acquisitions primarily relate to construction work in progress associated with the construction of an annex to an existing building. Refer to note 5 to the accompanying financial statements for additional information over MIMRA's capital assets.

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

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

FY2024 budget has been formulated and approved by the MIMRA Board. Projected revenues, both operating and non-operating, amount to \$37,841,205. Prices for VDS remains at \$11,000 per day for foreign companies and \$8,000 per day for domestic companies. There are also days that are sold more than the stated price, including VDS pooling, which average \$12,627 per day. Projected expenses are detailed as follows: \$32,160,000 for contributions to RepMar's General Fund and \$6,218,366 for MIMRA operations, which includes \$2,331,395 for Administration (Finance, Corporate Affairs and Legal Divisions); \$1,268,001 for the Coastal and Community Affairs Division; \$1,165,919 for the Oceanic and Industrial Affairs Division; \$813,051 for the Coastal Policy Planning and Statistics Division; \$200,000 for the RMI Protected Areas Network; \$200,000 for Fish Aggregating Devices; \$140,000 for the Competent Authority; and \$100,000 for Aquaculture operating and capital expenditures. Capital expenditures plus the supplemental budget amounting to \$3,039,868 has also been approved and shall be used for the MIMRA headquarters extension, for Competent Authority laboratory/offices, and for the renovation of different outer-island fish markets. 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, will be used in 2024.

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.

The Marshall Islands still has the highest fuel prices in the Micronesia region which has an average of \$7.00 per gallon during 2023. It is higher by at least between 50% - 60% of the pump prices all over the world, which average \$4.69 per gallon. Compared with the rest of Micronesia, the Marshall Islands have higher pump prices by as much as 10%. Commodities in the islands continue to have high prices compared to previous years. MIMRA's cost saving and conservation measures adopted in 2011 are still being adopted in the formulation of the 2024 budget. Some staff 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.

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

Management's Discussion and Analysis, continued

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

The COVID-19 pandemic has affected MIMRA's revenues for the last three years. The pandemic is essentially over as declared by WHO in May 2023, and it is business as usual. It is expected that 2024 fishing business will fully return to pre-pandemic levels; however, while the pandemic is ending, El Nino and/or La Nina may affect the fishing Industry into 2024 and 2025.

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

Statements of Net Position

	September 30, 2023	2022
<b>ASSETS</b>		
Current assets:		
Cash	\$ 20,121,973	\$ 24,816,878
Receivables:		
Affiliates	639,388	643,388
Trade	1,024,017	1,466,568
Leases, current portion	6,617	5,789
Due from PNA Office	11,243,940	6,659,333
Due from World Bank	2,671	91,080
Other	133,332	100,696
	13,049,965	8,966,854
Less allowance for doubtful accounts	( 1,364,755 )	( 1,255,651 )
	11,685,210	7,711,203
Prepayments	80,064	72,570
Total current assets	31,887,247	32,600,651
Leases receivable, net of current portion	107,799	114,416
Capital assets:		
Nondepreciable capital assets	1,915,253	1,145,905
Capital assets, net of accumulated depreciation	4,411,681	5,316,271
Lease assets, net	112,368	133,715
Investment in joint venture	1,857,549	3,445,052
Total noncurrent assets	8,404,650	10,155,359
	<u>\$ 40,291,897</u>	<u>\$ 42,756,010</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
Current liabilities:		
Accounts payable	\$ 106,153	\$ 31,960
Contracts payable	386,234	1,030,333
Payable to affiliates	146,126	216,059
Lease liabilities, current portion	14,183	25,802
Other liabilities and accruals	231,071	453,755
Total current liabilities	883,767	1,757,909
Lease liabilities, net of current portion	85,537	99,720
Total liabilities	969,304	1,857,629
Deferred inflows of resources:		
Lease revenues	106,326	116,840
Commitment and contingency		
Net position:		
Net investment in capital assets	5,953,348	5,440,036
Restricted	1,326,685	352,898
Unrestricted	31,936,234	34,988,607
Total net position	39,216,267	40,781,541
	<u>\$ 40,291,897</u>	<u>\$ 42,756,010</u>

See accompanying notes.



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

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	2023	2022
Operating revenues:		
Vessel Day Scheme	\$ 25,198,926	\$ 24,986,929
Fishing rights	3,394,040	3,617,510
Licensing and registration fees	1,882,120	1,936,700
Observer fees	650,678	626,050
Transshipment fees	316,000	347,000
Fish Market	151,804	453,111
Fishing violation fines	25,000	---
Other	253,922	166,170
Total operating revenues	31,872,490	32,133,470
Bad debts expense	( 109,104 )	( 188,260 )
Total net operating revenues	31,763,386	31,945,210
Operating expenses:		
Salaries and wages	2,502,625	2,319,925
Depreciation and amortization	1,034,156	1,082,633
Travel	425,752	204,570
Membership dues and subscriptions	415,503	322,743
Professional fees	389,441	48,927
Utilities	188,325	160,293
Training and research	183,862	37,213
Boarding and observer fees	153,248	55,633
Supplies	143,657	107,986
Petroleum, oil and lubricants	132,739	90,049
Transshipment inspection	129,200	109,600
Repairs and maintenance	105,573	71,828
Contributions	82,133	60,695
Fish market	81,778	381,866
Communications	61,809	43,098
Insurance	60,351	73,132
Claims	41,162	---
Advertising	27,481	25,331
Rent	18,769	24,093
Interest	16,945	---
Entertainment	14,680	21,926
Freight	10,934	79,610
Miscellaneous	112,540	86,413
Total operating expenses	6,332,663	5,407,564
Operating income	25,430,723	26,537,646

See accompanying notes.

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

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

Nonoperating revenues (expenses):		
World Bank	2,378,850	91,080
Equity in loss of joint venture	( 1,587,503 )	( 29,084 )
Interest income	165,674	272,274
Other grants	46,982	80,313
Loss on disposal of capital assets	---	( 2,137 )
Contributions to local governments	---	( 1,049,022 )
Contributions to RepMar	( 28,000,000 )	( 26,200,000 )
Total nonoperating expenses, net	( 26,995,997 )	( 26,836,576 )
Loss before capital contributions	( 1,565,274 )	( 298,930 )
Capital contributions:		
Government of Japan Grant in Aid	---	513,964
Overseas Fishery Cooperation Foundation of Japan	---	270,941
	---	784,905
Change in net position	( 1,565,274 )	485,975
Net position at beginning of year	40,781,541	40,295,566
Net position at end of year	<u>\$ 39,216,267</u>	<u>\$ 40,781,541</u>

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

**Statements of Cash Flows**

	Year ended September 30,	
	2023	2022
Cash flows from operating activities:		
Cash received from customers	\$ 27,697,073	\$ 26,998,780
Cash payments to suppliers for goods and services	( 3,052,800 )	( 2,110,267 )
Cash payments to employees for services	( 2,497,427 )	( 2,311,230 )
Net cash provided by operating activities	<u>22,146,846</u>	<u>22,577,283</u>
Cash flows from noncapital financing activities:		
Operating grants received	2,514,241	80,313
Payments made to RepMar	( 28,000,000 )	( 26,200,000 )
Net cash used in noncapital financing activities	<u>( 25,485,759 )</u>	<u>( 26,119,687 )</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	1,697	10,969
Acquisition of capital assets	( 1,523,363 )	( 397,321 )
Net cash used in capital and related financing activities	<u>( 1,521,666 )</u>	<u>( 386,352 )</u>
Cash flows from investing activities:		
Interest received on savings deposit	<u>165,674</u>	<u>272,274</u>
Net change in cash	( 4,694,905 )	( 3,656,482 )
Cash at beginning of year	<u>24,816,878</u>	<u>28,473,360</u>
Cash at end of year	<u>\$ 20,121,973</u>	<u>\$ 24,816,878</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 25,430,723	\$ 26,537,646
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,034,156	1,082,633
Bad debts expense	109,104	188,260
Changes in assets, liabilities, and deferred inflows of resources:		
Receivables:		
Affiliates	4,000	59,000
Trade	442,551	( 248,768 )
Leases	5,789	7,844
Due from PNA Office	( 4,584,607 )	( 4,934,733 )
Other	( 32,636 )	( 6,824 )
Prepayments	( 7,494 )	4,052
Accounts payable	74,193	( 92,668 )
Payable to affiliates	( 69,933 )	14,922
Lease liabilities	( 25,802 )	( 42,748 )
Deferred inflow of resources - lease revenue	( 10,514 )	( 11,209 )
Other liabilities and accruals	( 222,684 )	19,876
Net cash provided by operating activities	<u>\$ 22,146,846</u>	<u>\$ 22,577,283</u>

See accompanying notes.

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

Statements of Cash Flows, continued

Summary of noncash capital and financing activities:

Loss from equity share investment:

Decrease in investment in joint venture	\$ 1,587,503	\$ 29,084
Equity in loss of joint venture	( 1,587,503 )	( 29,084 )
	<u>\$ ---</u>	<u>\$ ---</u>

Government of Japan Grant in Aid and JICS:

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

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

**Notes to Financial Statements**

Years ended September 30, 2023 and 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, 2023 and 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, 2023 and 2022, MIMRA has expendable net position as follows:

	<u>2023</u>	<u>2022</u>
World Bank (International Development Association)	\$1,114,184	\$ ---
Protected Area Network (PAN)	165,237	211,102
The Nature Conservancy (Tuna Fisheries Improvement)	36,838	96,422
Food and Agriculture Organization (FAO)	10,096	43,785
Chinese Taipei Grant	---	1,259
The Nature Conservancy (Tuna Co.)	<u>330</u>	<u>330</u>
	<u>\$1,326,685</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 statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2023 and 2022, the carrying amount of cash was \$20,121,973 and \$24,816,878, respectively, and the corresponding bank balance was \$20,336,265 and \$24,845,446, respectively. Of the bank balance amount, \$13,365,767 and \$7,349,966, respectively, was maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of \$6,970,498 and \$17,495,480, respectively, was maintained in a financial institution not subject to depository insurance.

As of September 30, 2023 and 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 income.

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 statements 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:

	<u>Estimated Useful Lives</u>
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 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. 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, 2023 and 2022, the accumulated vacation leave liability totals \$94,133 and \$93,326, respectively, and is included within the statements 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 statements 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 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 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.

**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.

**Recently Adopted Accounting Pronouncements**

During the year ended September 30, 2023, MIMRA implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves 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. 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. 96, *Subscription-Based Information Technology Arrangements*, which 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

This Statement provides clarification of provisions in:

- 1) GASB Statement No. 87, *Leases*, 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.
- 2) 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.
- 3) GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- 4) GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

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**

**Upcoming Accounting Pronouncements**

In April 2022, GASB issued Statement No. 99. 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.

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.

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 December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues identified through agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following: a) management's discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

**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.

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

**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 years ended December 31, 2023 and 2022, respectively, for investees accounted for using the equity method of accounting for investments, are as follows:

	<u>2023</u>	<u>2022</u>
Assets	\$ <u>32,054,394</u>	\$ <u>21,122,586</u>
Liabilities	\$ <u>29,414,266</u>	\$ <u>13,883,723</u>
Net earnings	\$( <u>4,598,735</u> )	\$ <u>836,997</u>

No dividend distribution was received during the years ended September 30, 2023 and 2022, respectively.

An analysis of the change in the investment in joint venture during the years ended September 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$3,445,052	\$3,474,136
Equity in loss of MIFCO	( <u>1,587,503</u> )	( <u>29,084</u> )
Ending balance	\$ <u>1,857,549</u>	\$ <u>3,445,052</u>

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

**5. Capital Assets**

Capital asset activities for the years ended September 30, 2023 and 2022, are as follows:

	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Nondepreciable capital assets:				
Construction in progress	\$1,145,905	\$ 769,348	\$ ---	\$1,915,253
Depreciable capital assets:				
Building	3,553,668	---	---	3,553,668
Equipment	3,332,066	77,356	(178,870)	3,230,552
Equipment improvements	109,270	---	---	109,270
Vehicles	794,059	26,500	---	820,559
Furniture and fixtures	73,844	2,260	---	76,104
Motorboats	<u>544,161</u>	<u>3,800</u>	<u>---</u>	<u>547,961</u>
	8,407,068	109,916	(178,870)	8,338,114
Less accumulated depreciation	<u>(3,090,797)</u>	<u>(1,012,809)</u>	<u>177,173</u>	<u>(3,926,433)</u>
	<u>5,316,271</u>	<u>( 902,893)</u>	<u>( 1,697)</u>	<u>4,411,681</u>
	<u>\$6,462,176</u>	<u>\$ ( 133,545)</u>	<u>\$ ( 1,697)</u>	<u>\$6,326,934</u>
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Nondepreciable capital assets:				
Construction in progress	\$ ---	\$1,145,905	\$ ---	\$1,145,905
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>
	<u>\$6,517,456</u>	<u>\$ 1,006,848</u>	<u>\$ (1,062,128)</u>	<u>\$6,462,176</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 addition, 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. Leased Assets**

Leased asset activities for the years ended September 30, 2023 and 2022, are as follows:

	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Lease assets:				
Right-to-use assets	\$ 168,270	\$ ---	\$ ---	\$ 168,270
Less accumulated amortization	( 34,555)	( 21,347)	---	( 55,902)
	<u>\$ 133,715</u>	<u>\$( 21,347)</u>	<u>\$ ---</u>	<u>\$ 112,368</u>
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Lease assets:				
Right-to-use assets	\$ 168,270	\$ ---	\$ ---	\$ 168,270
Less accumulated amortization	---	( 34,555)	---	( 34,555)
	<u>\$ 168,270</u>	<u>\$( 34,555)</u>	<u>\$ ---</u>	<u>\$ 133,715</u>

**7. 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, 2023 and 2022, lease receivables totaled \$114,416 and \$120,205, respectively, and deferred inflow of resources associated with MIMRA's leases totaled \$106,326 and \$116,840, respectively.



Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**7. Leases, continued**

*As Lessor, continued*

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2023, are as follows:

Year ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	11,301	10,385	21,686
2029 - 2033	51,869	27,563	79,432
2034 - 2036	<u>18,530</u>	<u>3,264</u>	<u>21,794</u>
	<u>\$114,416</u>	<u>\$95,242</u>	<u>\$209,658</u>

*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, 2023:

Year ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$14,183	\$ 13,462	\$ 27,645
2025	7,142	11,547	18,689
2026	6,348	10,583	16,931
2027	2,941	9,726	12,667
2028	3,338	9,329	12,667
2029 - 2033	24,795	38,542	63,337
2034 - 2038	<u>40,973</u>	<u>17,523</u>	<u>58,496</u>
	<u>\$99,720</u>	<u>\$110,712</u>	<u>\$210,432</u>

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

**8. Long-term Liabilities**

Long-term liabilities as of September 30, 2023 and 2022, and changes for the years then ended were as follows:

	<u>October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2023</u>	<u>Due Within One Year</u>
Lease liability	\$ <u>125,522</u>	\$ <u>---</u>	\$( <u>25,802</u> )	\$ <u>99,720</u>	\$ <u>14,183</u>
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2022</u>	<u>Due Within One Year</u>
Lease liability	\$ <u>168,270</u>	\$ <u>---</u>	\$( <u>42,748</u> )	\$ <u>125,522</u>	\$ <u>25,802</u>

**9. 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, 2023 and 2022. No dividends were received during the years ended September 30, 2023 and 2022. As of September 30, 2023 and 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 statements of net position.

**10. 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. During the years ended September 30, 2023 and 2022, MIMRA contributed \$97,595 and \$81,758, respectively, to the Plan participant accounts. As of September 30, 2023 and 2022, total plan assets were \$583,664 and \$413,334, respectively.

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

**11. 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). 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, 2023 and 2022, and for the years then ended is as follows:

	2023			
	<u>Revenues</u>	<u>Expenses</u>	<u>Payables</u>	<u>Receivables</u>
Marshall Islands Fishing Company	\$3,156,000	\$ 40	\$ ---	\$ 61,000
Koo's Fishing Company, Ltd.	5,835,000	85	---	573,500
Marshall Islands Social Security Administration	---	227,860	142,177	---
Marshall Islands National Telecommunications Authority	---	49,187	---	---
Marshall's Energy Company, Inc.	---	193,869	---	---
RepMar	---	39,745	3,949	4,888
Other	---	26,988	---	---
	<u>\$8,991,000</u>	<u>\$537,774</u>	<u>\$146,126</u>	<u>639,388</u>
Less allowance for doubtful receivables				<u>(638,807)</u>
				<u>\$ 581</u>

	2022			
	<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	94,455	---
Marshall Islands National Telecommunications Authority	---	39,009	---	---
Marshall's Energy Company, Inc.	---	171,177	---	---
RepMar	---	2,777	121,604	4,500
Other	---	74,593	---	388
	<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 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. During the years ended September 30, 2023 and 2022, MIMRA provided cash contributions to RepMar's General Fund of \$28,000,000 and \$26,200,000, respectively, in accordance with annual legislative appropriations as enacted by the Nitijela.

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 years ended September 30, 2023 and 2022, MIMRA collected \$3,394,040 and \$3,617,510, respectively, under these treaties.

Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**12. 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 D017-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 31, 2022. A summary of the grant activities are as follows:

	<u>2023</u>	<u>2022</u>
IDA Grant ID D017-MH:		
Balance at beginning of the year	\$ ---	\$110,056
Grant expenses incurred during the year	<u>---</u>	<u>(110,056)</u>
Balance at end of the year	\$ <u>---</u>	\$ <u>---</u>

During the years ended September 30, 2023 and 2022, MIMRA incurred expenses of \$1,264,666 and \$91,080, respectively, 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.

In 2023, MIMRA received \$2,378,850 from the World Bank in the form of additional financial support from IDA (Grant ID E165-MH). A summary of the grant activities are as follows:

	<u>2023</u>	<u>2022</u>
IDA Grant ID E165-MH:		
Balance at beginning of the year	\$ ---	\$ ---
Grant funds received during the year	2,378,850	91,080
Grant expenses incurred during the year	<u>(1,264,666)</u>	<u>( 91,080)</u>
Balance at end of the year	\$ <u>1,114,184</u>	\$ <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.

Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**12. Financing, continued**

*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 the grant extension being currently negotiated between MIMRA and TNC. A summary of the grant activities are as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$96,422	\$108,224
Grant expenses incurred during the year	(59,584)	( 11,802)
Balance at end of the year	<u>\$36,838</u>	<u>\$ 96,422</u>

*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 are as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$ 1,259	\$ 27,389
Grant expenses incurred during the year	(25,284)	( 26,130)
Balance at end of the year	<u>\$(24,025)</u>	<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 are as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$211,102	\$218,922
Grant funds received during the year	---	31,748
Grant expenses incurred during the year	( 45,865)	( 39,568)
Balance at end of the year	<u>\$165,237</u>	<u>\$211,102</u>

Marshall Islands Marine Resources Authority  
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Notes to Financial Statements, continued

**12. Financing, continued**

*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 are as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	\$43,785	\$ 9,872
Grant funds received during the year	---	48,565
Grant expenses incurred during the year	(33,689)	( 14,652)
Balance at end of the year	<u>\$10,096</u>	<u>\$ 43,785</u>

**13. PNA Office**

The PNA was established by eight sovereign nations (Federated States of Micronesia, Marshall Islands, Kiribati, Tuvalu, Solomon Islands, Nauru, Papua New Guinea, and Palau) in 1982. The PNA Office was established as a quasi-governmental organization in Majuro as the Head Office of the PNA and is responsible for administering of the VDS program, including collection of revenues associated with this program. During the years ended September 30, 2023 and 2022, MIMRA recognized revenues related to the VDS program of \$25,198,926 and \$24,986,929, respectively. As of September 30, 2023 and 2022, receivables due from the PNA Office associated with VDS revenues amounted to \$11,243,940 and \$6,659,333, respectively.

**14. Commitment and Contingency**

*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, 2023, the remaining commitment under this contract was \$1,057,931.

*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*

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, 2023, and the related notes to the financial statements, which collectively comprise MIMRA's basic financial statements, and have issued our report thereon dated January 3, 2025.

### 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*

January 3, 2025