

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

**Marshall Islands Development Bank**

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

*Years ended September 30, 2024 and 2023  
with Report of Independent Auditors*



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

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

Years ended September 30, 2024 and 2023

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## Report of Independent Auditors

The Board of Directors  
Marshall Islands Development Bank

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of Marshall Islands Development Bank (MIDB), a component unit of the Republic of the Marshall Islands, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise MIDB's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

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 MIDB as of September 30, 2024 and 2023, 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 MIDB, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 MIDB'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 MIDB'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 MIDB'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.

## ***Other Matters***

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

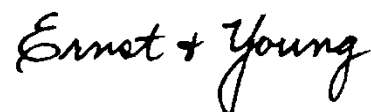
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on pages 35 and 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2025, on our consideration of MIDB'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 MIDB'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 MIDB's internal control over financial reporting and compliance.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

August 14, 2025

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

**Management's Discussion and Analysis**

Years ended September 30, 2024 and 2023

Fiscal year October 1, 2023 to September 30, 2024 has been a productive year for the Marshall Islands Development Bank (MIDB). During the fiscal year, the Bank's resources were utilized to prioritize Commercial, Small-Medium Enterprises, Food Security and Consumer Loans with the goal and purpose of improving the living standards and conditions of the people of the Republic of the Marshall Islands. Management's Discussion and Analysis will give you an overview of the Bank's financial highlights and activities for the fiscal year ended September 30, 2024 with comparative information for the fiscal years ended September 30, 2023 and 2022.

**FINANCIAL HIGHLIGHTS**

- MIDB's total assets increased by \$2.86M or 5.5% from \$51.68M in 2023 to \$54.54M in 2024.
- MIDB's total net position increased by \$1.14M or 2.3% over the course of this year's operations. Net position primarily represents funds from the RMI Government to carry out the objectives under MIDB's enabling legislation as well as loan programs under the SME Business and Housing Loan Program and the USDA Self-Help Housing Project Loan Program.
- Operating revenues increased by \$331K or 8.2% from \$4.04M in 2023 to \$4.37M in 2024, \$3.52M of which was generated through interest on loans. Operating and general administrative expenses also increased by \$300K or 8.9% from \$3.37M in 2023 to \$3.67M in 2024.
- Allowance for loan losses increased by \$130K from \$3.0M in 2023 to \$3.13M in 2024. Total non-operating revenues increased by \$167K or 51% from \$329K in 2023 to \$496K in 2024. At the same time, total non-operating expenses significantly decreased by \$828K from \$903K in 2023 to \$75K in 2024.

**ANALYSIS OF MIDB'S FINANCIAL STATUS**

This analysis serves as an overview to MIDB's basic financial statements. At the end of the fiscal year 2024, MIDB's assets of \$54.54M exceeded liabilities and deferred inflow of resources of \$4.84M by \$49.70M. However, \$0.79M or 2% of the net position is either invested in capital assets or restricted funds that can only be used for the purpose for which the funds were created. The capital assets are resources used by MIDB during its operations to provide services to the people and are assets that are not easily liquidated. As of September 30, 2024, unrestricted net position amounted to \$48.92M, enough to repay all outstanding debts.

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

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

**ANALYSIS OF MIDB'S FINANCIAL STATUS, CONTINUED**

A summary of MIDB's Statements of Net Position for 2024 with comparative presentation for 2023 and 2022 is presented below:

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

	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
<b>Assets:</b>					
Cash and cash equivalents	\$ 7,594,934	\$ 2,537,126	\$ 5,057,808	199.4%	\$ 14,488,488
Investments	10,192,021	10,138,420	53,601	0.5%	10,497,360
Loans receivable, net	35,227,589	32,814,094	2,413,495	7.4%	22,111,135
Current and other assets	825,682	5,830,587	(5,004,905)	(85.8)%	3,671,773
Capital assets	699,532	361,732	337,800	93.4%	492,658
<b>Total assets</b>	<b>54,539,758</b>	<b>51,681,959</b>	<b>2,857,799</b>	<b>5.5%</b>	<b>51,261,414</b>
<b>Liabilities:</b>					
Current and other liabilities	2,047,532	1,718,725	328,807	19.1%	1,826,300
Long-term debt	2,607,120	1,273,003	1,334,117	104.8%	1,792,000
Current and other liabilities	4,654,652	2,991,728	1,662,924	55.6%	3,618,300
<b>Deferred inflows of resources:</b>					
Leases	181,903	128,022	53,881	42.1%	226,400
<b>Net position:</b>					
Net investment in capital					
assets	199,858	234,704	(34,846)	(14.8)%	349,127
Restricted	586,309	554,886	31,423	5.7%	534,650
Unrestricted	48,917,036	47,772,619	1,144,417	2.4%	46,532,937
<b>Total net position</b>	<b>\$ 49,703,203</b>	<b>\$ 48,562,209</b>	<b>\$ 1,140,994</b>	<b>2.3%</b>	<b>\$ 47,416,714</b>

- Loan approvals for the year were approximately \$22.92M, broken down by projects, \$21.72M released under various consumer loans, \$0.58M for housing, \$0.40M for commercial loans, and \$0.22M for small-medium enterprise loans. Net loans receivable increased by \$2.41M or 7.3% from \$32.81M in 2023 to \$35.23M in 2024. Loans released increased from \$32.81M in 2023 to \$35.23M in 2024.
- Investment in stock includes MIDB's 16% holding in the outstanding shares of Marshall Islands Holdings, Inc. (MIHI), which engages in all aspects of holding company activities and is the sole shareholder of Bank of Marshall Islands (BOMI) and also has majority ownership in Marshall Islands Service Corporation (MISCO). During the year ended September 30, 2024, MIDB received dividend income from MIHI of \$135K.

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

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

**ANALYSIS OF MIDB'S FINANCIAL STATUS, CONTINUED**

- In 2018, MIDB entered into a subsidiary loan agreement with the Government of the Marshall Islands through the Ministry of Finance in a principal amount of \$4M. The proceeds are exclusively for the purpose of implementing the Home Energy Efficiency and Renewable Energy project. On March 26, 2019, MIDB received \$1M at an interest rate of 2% per annum. No further drawdowns have occurred.
- In 2022, MIDB entered into a Memorandum of Agreement with the Government of the Marshall Islands through the Ministry of Finance for the purpose of administering the Senior Citizen Housing Support project. Grant proceeds of \$992K were received by MIDB. During the fiscal year September 30, 2024, MIDB has released \$308K to the qualified senior citizen applicants.
- In 2024, MIDB obtain a \$2.4M long term-loan with Bank of Marshall Islands. Interest payment shall be at annual rate of 5.50% per annum until maturity date on November 30, 2028.

A summary of MIDB's Statements of Revenues, Expenses and Changes in Net Position for 2024 with comparative presentation for 2023 and 2022 is presented below:

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

	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
Operating:					
Operating revenues	\$ 4,373,209	\$ 4,042,659	\$ 330,550	8.2%	\$ 4,113,115
Loan loss recovery	19,994	1,050,171	(1,030,177)	(98.1)%	303,117
Operating expenses	<u>3,673,411</u>	<u>3,373,233</u>	<u>300,178</u>	8.9%	<u>3,119,200</u>
Operating income	<u>719,792</u>	<u>1,719,597</u>	<u>(999,805)</u>	(58.1)%	<u>1,297,032</u>
Nonoperating:					
Nonoperating revenues	496,132	329,202	166,930	50.7%	757,720
Nonoperating expenses	<u>74,930</u>	<u>903,304</u>	<u>(828,374)</u>	(91.7)%	<u>4,123</u>
	<u>421,202</u>	<u>(574,102)</u>	<u>995,304</u>	(173.4)%	<u>753,597</u>
Change in net position	1,140,994	1,145,495	(4,501)	(0.4)%	2,050,629
Net position - beginning	<u>48,562,209</u>	<u>47,416,714</u>	<u>1,145,495</u>	2.4%	<u>45,366,085</u>
Net position - ending	<u>\$ 49,703,203</u>	<u>\$ 48,562,209</u>	<u>\$ 1,140,994</u>	2.3%	<u>\$ 47,416,714</u>

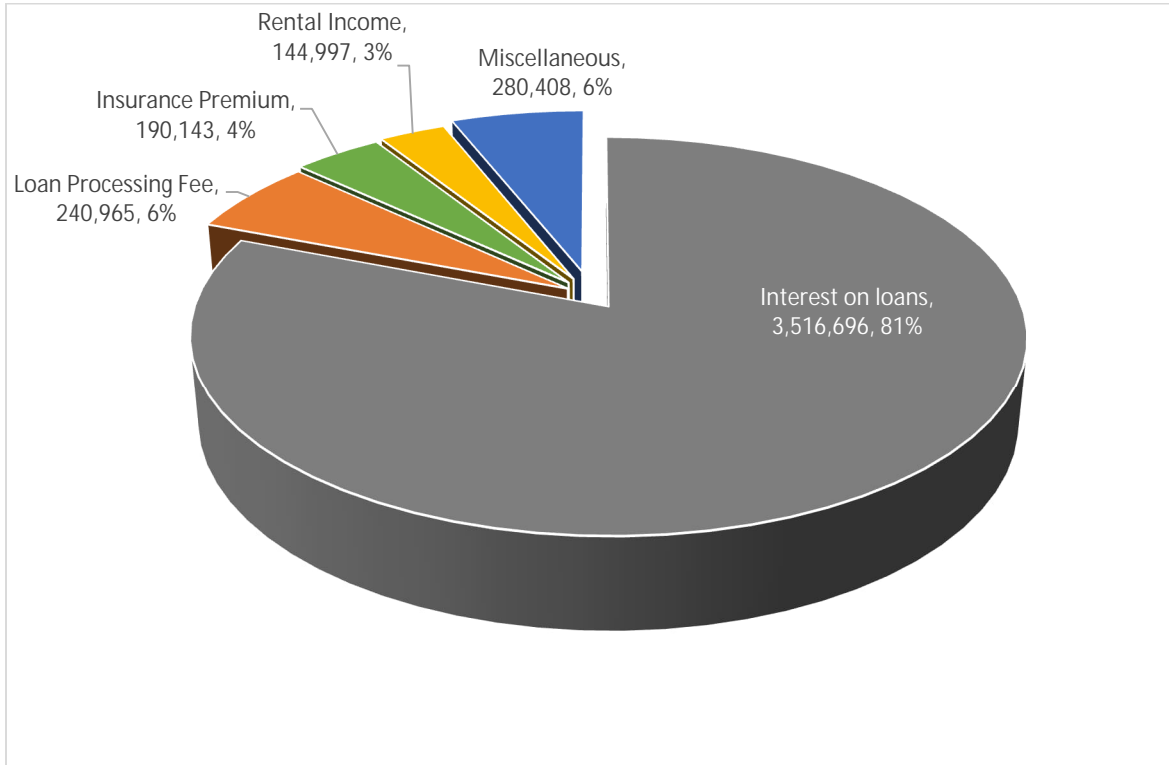
- Total operating revenues for 2024 increased by \$331K or 8.2% as compared to 2023. About 80% of MIDB's operating revenue comes from interest on loans, 74% of which was generated from consumer loans, 18% from commercial loans, 7% from housing loans and the remaining 1% from small-medium enterprise loans.

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

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

**ANALYSIS OF MIDB'S FINANCIAL STATUS, CONTINUED**

Please see chart below depicting the distribution of MIDB's operating revenues.



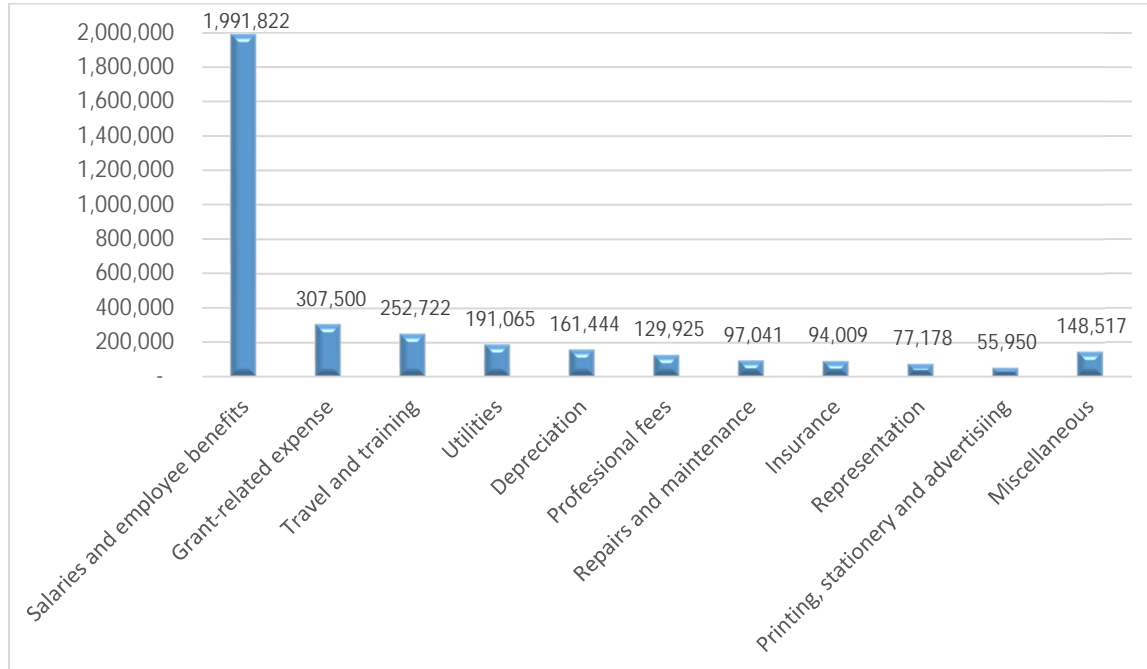
- Loan loss recovery for 2024 decreased by \$1.03M or 98% from \$1.05M in 2023 to \$20K in 2024 primarily due to collection of delinquent loan receivables.
- Total operating expenses for 2024 increased by \$300K or 8.9% with \$3.67M in 2024. MIDB's expenses cover a range of operating, general and administrative expenses.
- Provision for delinquent loans is provided based on MIDB's reasonable estimate, wherein the number of days an account is due, the amount of loan outstanding balance, and the borrower's capability to pay play vital information in the computation of additional allowance to be provided.

**Marshall Islands Development Bank**  
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**Management's Discussion and Analysis, continued**

**ANALYSIS OF MIDB'S FINANCIAL STATUS, CONTINUED**

The graph below shows itemized expenses and provides an over-all picture of MIDB's spending activities.



- Total non-operating revenues increased by \$167K or 50.7% from \$329K in 2023 to \$496K in 2024.
- Total non-operating expenses decreased by \$828K from \$903K in 2023 to \$75K in 2024.

Management's Discussion and Analysis for the year ended September 30, 2023 is set forth in MIDB's report on the audit of financial statements dated November 8, 2024. That Discussion and Analysis explains the major factors impacting the 2023 financial statements and can be obtained from MIDB's Managing Director at [rmimidb@gmail.com](mailto:rmimidb@gmail.com).

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

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

**CAPITAL ASSETS AND DEBT**

**Capital Assets**

Net capital assets increased by \$338K or 94% from \$362K in 2023 to \$700K in 2024. The net increase is due primarily to two additional leased properties for MIDB temporary offices in Majuro and Ebeye, current year depreciation and amortization expense of \$161K, and acquisitions of \$57K. A summary of MIDB's capital assets as of September 30, 2024 compared with 2023 and 2022 is presented below:

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

	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
Building and houses	\$ 2,727,738	\$ 2,727,738	\$ -	0.0%	\$ 2,727,738
Computer systems	408,096	400,581	7,515	1.9%	374,008
Motor vehicles	407,116	369,022	38,094	10.3%	369,022
Office furniture	84,327	83,532	795	1.0%	80,402
Office equipment	495,230	484,578	10,652	2.2%	480,855
	4,122,507	4,065,451	57,056	1.4%	4,032,025
Accumulated depreciation	(3,917,682)	(3,833,820)	(83,862)	2.2%	(3,736,331)
	204,825	231,631	(26,806)	(11.6)%	295,694
Construction materials	6,159	6,159	-	0.0%	53,523
	210,984	237,790	(26,806)	(11.3)%	349,217
Lease assets	601,676	159,488	442,188	277.3%	159,488
Accumulated amortization	(113,128)	(35,546)	(77,582)	218.3%	(16,047)
	488,548	123,942	364,606	294.2%	143,441
	<u>\$ 699,532</u>	<u>\$ 361,732</u>	<u>\$ 337,800</u>	93.4%	<u>\$ 492,658</u>

Please refer to Note 7 to the accompanying financial statements for additional information regarding MIDB's capital assets.

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

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

**CAPITAL ASSETS AND DEBT, CONTINUED**

**Long-term Debt**

Long term debt increased by \$1.33M or 105% in 2024. A summary of MIDB's debt as of September 30, 2024 compared with 2023 and 2022 is presented below:

**Summary of Long-term Debt**  
As of September 30

			\$ Change	% Change	
	2024	2023	2024-2023	2024-2023	2022
Due to primary government	\$ 565,503	\$ 1,273,003	\$ (707,500)	(55.6)%	\$ 1,792,000
Loans payable	2,041,617	-	2,041,617	100.0%	-
	<u>\$ 2,607,120</u>	<u>\$ 1,273,003</u>	<u>\$ 1,334,117</u>	104.8%	<u>\$ 1,792,000</u>

In 2018, MIDB entered into a subsidiary loan agreement with RepMar relating to a loan between RepMar and the International Cooperation and Development Fund (ICDF) for the Home Energy Efficiency and Renewable Energy Project. The total available subsidiary loan of \$4M was divided into four drawdowns of \$1M each. Loan drawdowns commenced in 2019 and there were no additions related to this subsidiary loan in 2023 and 2024. Repayment related to this subsidiary loan is \$200,000 during the year 2024. As of September 30, 2024, loan payable to RepMar associated with this subsidiary loan agreement amounted to \$200,000.

In 2022, MIDB received \$992,000 from RepMar for the purpose of administering the Senior Citizens Housing Support project. During the year ended September 30, 2024, MIDB's disbursement to ultimate grantees related to this project amounted to \$307,500. As of September 30, 2024, unexpended proceeds amounted to \$365,503.

In 2024, MIDB obtained a \$2.4M loan from Bank of Marshall Islands (BOMI) for the purpose of providing additional funding for MIDB's loan programs. As of September 30, 2024, the outstanding principal balance was \$2.04M.

Please refer to Notes 12 and 13 to the accompanying financial statements for additional information regarding MIDB's long-term debt.

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

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

**ECONOMIC OUTLOOK**

In the next years to come, MIDB is continuing to expect growth in the demand for housing loans, small to medium business loans and consumer loans, the latter being the major component of MIDB's loan portfolio. MIDB is involved in improving the living conditions of the RMI people through the housing loan projects under Mutual Self-Help Housing Projects and USDA Rural development.

MIDB is currently dependent on income generated from new loans. The net position is just sufficient to pay for MIDB's outstanding debts. MIDB may have to look for other sources of funds to maintain the current portfolio and the rising demand for loans. MIDB has adopted its rollover Business Plan which will guide the operation of MIDB in the next 3 years to 2027. MIDB is determined to provide more loans to introduce additional services that adhere to its mission of promoting the development and expansion of the economy of the Marshall Islands in order to improve the living conditions of the people.

**ADDITIONAL FINANCIAL INFORMATION**

This discussion and analysis are designed to provide MIDB's customers and other stake holders with an overview of MIDB's operations and financial condition as at September 30, 2024. Should the reader have questions regarding the information included in this report, or wish to request additional financial information, please contact the Marshall Islands Development Bank Managing Director at the above email address or at P.O Box 1048, Majuro, Marshall Islands, MH 96960.

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

**Statements of Net Position**

	September 30,	
	2024	2023
<b>Assets</b>		
Current assets		
Cash	\$ 4,358,586	\$ 1,982,240
Restricted assets	3,236,348	554,886
Certificates of deposit	---	2,449,872
Receivables, net:		
Loans	13,206,983	11,572,957
Leases	61,589	82,828
Accrued interest	291,197	212,009
Other	187,188	199,152
Due from primary government	162,052	2,839,355
Total current assets	<u>21,503,943</u>	<u>19,893,299</u>
Receivables, net:		
Loans	22,020,606	21,241,137
Leases	123,656	47,371
Investment in shares of stock	10,192,021	10,138,420
Capital assets:		
Non-depreciable capital assets	6,159	6,159
Capital assets, net of accumulated depreciation and amortization	693,373	355,573
Total assets	<u><u>\$ 54,539,758</u></u>	<u><u>\$ 51,681,959</u></u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
Liabilities:		
Current liabilities		
Due to primary government	\$ 200,000	\$ 1,073,003
Loan payable	450,744	---
Accounts payable and accrued expenses	427,817	290,063
Accrued interest payable	81,835	65,847
Lease liabilities	85,376	15,763
Deposits pledged	30,531	62,837
Customer refunds payable	1,007,675	1,172,950
Total current liabilities	<u>2,283,978</u>	<u>2,680,463</u>
Due to primary government, net of current portion	365,503	200,000
Loan payable, net of current portion	1,590,873	---
Lease liabilities, net of current portion	414,298	111,265
Total liabilities	<u>4,654,652</u>	<u>2,991,728</u>
Deferred inflows of resources:		
Lease revenues	181,903	128,022
Commitments		
Net position:		
Net investment in capital assets	199,858	234,704
Restricted	586,309	554,886
Unrestricted	48,917,036	47,772,619
Total net position	<u>49,703,203</u>	<u>48,562,209</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 54,539,758</u></u>	<u><u>\$ 51,681,959</u></u>

*See accompanying notes.*

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

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

	Year ended September 30,	
	2024	2023
Operating revenues:		
Interest income on loans	\$ 3,516,696	\$ 2,984,910
Loan fees	240,965	226,605
Insurance premiums	190,143	210,669
Rental income	144,997	178,503
Interest income on bank deposits	99,220	84,127
Lease revenue	91,433	98,378
Federal grants	55,722	196,438
Interest income on lease	6,512	10,112
Miscellaneous	27,521	52,917
Total operating revenues	4,373,209	4,042,659
Recovery of loan losses	19,994	1,050,171
Net operating revenues	4,393,203	5,092,830
Operating expenses:		
Interest expense on loans payable	122,602	9,847
Interest expense on deposits pledged	2,188	2,830
Insurance loss on loans	41,448	61,438
Total operating expenses	166,238	74,115
General and administrative expenses:		
Salaries and employee benefits	1,991,822	1,842,527
Grants	307,500	318,997
Travel and training	252,722	162,642
Utilities	191,065	152,239
Depreciation and amortization	161,444	116,988
Professional fees	129,925	72,919
Repairs and maintenance	97,041	84,448
Insurance	94,009	178,910
Representation	77,178	78,401
Printing, stationery and advertising	55,950	86,330
Communications	46,980	54,873
Promotion and donation	39,367	36,177
Fuel	22,148	27,336
Office and house rental	21,000	21,000
Entertainment	11,688	23,249
Taxes and licenses	3,933	3,523
Miscellaneous	3,401	38,559
Total general and administrative expenses	3,507,173	3,299,118
Income from operations	719,792	1,719,597
Nonoperating revenues (expenses):		
Contributions from RepMar	307,500	318,997
Investment earnings (loss)	188,632	( 145,728 )
Payment of USDA loan guarantee	( 51,774 )	10,205
Interest expense on leases	( 23,156 )	( 7,576 )
Contributions to RepMar	---	( 750,000 )
Total nonoperating revenues (expenses), net	421,202	( 574,102 )
Change in net position	1,140,994	1,145,495
Net position at beginning of year	48,562,209	47,416,714
Net position at end of year	\$ 49,703,203	\$ 48,562,209

*See accompanying notes.*

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

**Statements of Cash Flows**

	Year ended September 30,	
	2024	2023
Cash flows from operating activities:		
Cash received from customers	\$ 3,896,925	\$ 3,583,762
Cash payments to suppliers for goods and services	( 1,286,322 )	( 1,284,485 )
Cash payments to employees for services	( 1,934,403 )	( 1,849,544 )
Interest received on bank deposits	99,220	84,127
Operating grants received	141,431	253,927
Interest paid	( 108,802 )	( 7,830 )
Net cash provided by operating activities	<u>808,049</u>	<u>779,957</u>
Cash flows from noncapital financing activities:		
Net change in due from primary government	2,677,303	( 1,967,395 )
Proceeds from long term debt	2,400,000	---
Contributions paid to RepMar	---	( 750,000 )
Repayment of long term debt	( 758,383 )	( 200,000 )
Net change in pledged deposits	( 32,306 )	15,165
Net cash provided by (used in) noncapital financing activities	<u>4,286,614</u>	<u>( 2,902,230 )</u>
Cash flows from capital and related financing activities:		
Additions to premises, equipment and foreclosed assets	( 57,056 )	( 33,426 )
Principal paid on lease liabilities	( 69,542 )	( 16,503 )
Interest paid on lease liabilities	( 23,156 )	( 7,576 )
Cash used in capital and related financing activities	<u>( 149,754 )</u>	<u>( 57,505 )</u>
Cash flows from investing activities:		
Loan originations and principal collections, net	( 2,420,230 )	( 9,675,865 )
Additions to TCD	( 200,167 )	( 319,136 )
(Payments) recoveries of USDA guaranteed loans	( 51,774 )	10,205
Dividends received	135,031	213,212
Net cash used in investing activities	<u>( 2,537,140 )</u>	<u>( 9,771,584 )</u>
Net change in cash and cash equivalents	2,407,769	( 11,951,362 )
Cash and cash equivalents at beginning of year	2,537,126	14,488,488
Cash and cash equivalents at end of year	<u>\$ 4,944,895</u>	<u>\$ 2,537,126</u>
Consisting of:		
Cash	\$ 4,358,586	\$ 1,982,240
Restricted cash	586,309	554,886
	<u>\$ 4,944,895</u>	<u>\$ 2,537,126</u>

*See accompanying notes.*

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

**Statements of Cash Flows, continued**

	Year ended September 30,	
	2024	2023
Cash flows from operating activities:		
Income from operations	\$ 719,792	\$ 1,719,597
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Recovery of loan losses	( 19,994 )	( 1,050,171 )
Depreciation and amortization	161,444	116,988
Insurance loss on loans	41,448	61,438
Bad debts	( 12,751 )	23,235
Change in assets, liabilities and deferred inflows of resources:		
Receivables:		
Leases	( 55,046 )	96,688
Accrued interest	( 80,387 )	( 104,120 )
Other	24,715	110,986
Accounts payable and accrued expenses	137,755	24,201
Accrued interest payable	15,988	4,847
Customer refunds payable	( 165,275 )	( 135,285 )
Unearned premiums	30,581	( 8,741 )
Unearned loan fees	( 44,102 )	18,672
Deferred inflow of resources - lease revenue	53,881	( 98,378 )
Net cash provided by operating activities	\$ <u>808,049</u>	\$ <u>779,957</u>
Supplemental information of noncash capital and related financing activities:		
Recognition of additional lease assets and lease liabilities:		
Lease assets	\$ 442,188	\$ ---
Lease liabilities	( 442,188 )	---
	\$ <u>---</u>	\$ <u>---</u>
Supplemental information of noncash financing activities:		
Unrealized loss (gain) on investment in shares of stock:		
Investment (earnings) loss	\$ ( 53,601 )	\$ 358,940
Investment in shares of stock	53,601	( 358,940 )
	\$ <u>---</u>	\$ <u>---</u>
Supplemental information of noncash financing activities:		
Recognition of contribution from RepMar:		
Contributions from RepMar	\$ 307,500	\$ 318,997
Due to primary government	( 307,500 )	( 318,997 )
	\$ <u>---</u>	\$ <u>---</u>
Supplemental information of noncash investing activities:		
Reinstated loans which were subsequently collected:		
Allowance for loan losses	\$ 150,367	\$ 162,287
Loans receivable	( 150,367 )	( 162,287 )
	\$ <u>---</u>	\$ <u>---</u>

See accompanying notes.

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

**Notes to Financial Statements**

Years ended September 30, 2024 and 2023

**1. Organization**

The Marshall Islands Development Bank (MIDB), a component unit of the Republic of the Marshall Islands (RepMar), was incorporated under the laws of RepMar as a non-stock corporation pursuant to the Marshall Islands Development Bank Act of 1988 (Public Law 1988-1). MIDB was established to promote the development and expansion of the economy of the Marshall Islands in order to improve the standard of living of the people. The primary activities of MIDB have been designed to strengthen the nation's economic base, increase employment and production, improve the standards of housing, promote exports, and reduce the country's dependence on imports and foreign aid through the approval of viable development loans. MIDB has received funds under Section 211 of the Compact of Free Association (the Compact), direct contributions from RepMar and funds from the U.S. Department of Agriculture (USDA) under the Rural Housing and Community Development Service Housing Preservation and Self-Help Housing Program Grants. MIDB also assumed the assets and liabilities of the former Marshall Islands Economic Development Loan Office, Inc.

MIDB is governed by a seven-member Board of Directors appointed by the Cabinet of RepMar.

MIDB'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 MIDB conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically proprietary funds. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as 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 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 Development Bank**  
(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 these requirements, equity is presented in the following net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Restricted - nonexpendable net position subject to externally imposed stipulations that requires MIDB to maintain such permanently. As of September 30, 2024 and 2023, MIDB does not have nonexpendable net position. Expendable net position whose use by MIDB is subject to externally imposed stipulations that can be fulfilled by actions of MIDB pursuant to those stipulations or that expire by the passage of time. As of September 30, 2024 and 2023, MIDB has expendable net position of \$586,309 and \$554,886, respectively.
- 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 MIDB'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.

**Cash and Cash Equivalents and Certificates of Deposit**

Custodial credit risk is the risk that in the event of a bank failure, MIDB'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. MIDB does not have a deposit policy for custodial credit risk.

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

**Notes to Financial Statements, continued**

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

**Cash and Cash Equivalents and Certificates of Deposit, continued**

For purposes of the statements of net position and cash flows, cash and cash equivalents are defined as amounts in demand deposits as well as short-term investments maturing within three months of the date acquired. Deposits maintained in certificates of deposit with original maturity dates greater than ninety days are separately classified. As of September 30, 2024 and 2023, the carrying amount of cash and cash equivalents and certificates of deposit are \$7,594,934 and \$4,986,998, respectively, and the corresponding bank balances are \$7,985,880 and \$5,290,614, respectively. Of the bank balances, \$1,145,872 and \$1,054,756, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$6,840,008 and \$4,235,858, respectively, are maintained in a financial institution not subject to depository insurance.

As of September 30, 2024 and 2023, bank deposits in the amount of \$250,000 were FDIC insured. MIDB 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.

**Investments**

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

Equity investments in the common stock of Marshall Islands Holdings, Inc. and Marshall Islands Service Corporation (investees) are stated at the Net Asset Value (NAV). The NAV is used as a practical expedient to estimate fair value. The NAV is determined based on the total shareholders' equities reported by the respective investees.

**Loans Receivable, Interest Receivable and Allowances for Losses**

Loans and interest receivables are due from customers, both individuals and businesses, located within the Republic of the Marshall Islands and are stated at the unpaid principal balances adjusted for charge-offs less the allowances for losses, and unearned loan fees and insurance premiums. Interest on loans is calculated using the simple interest method on daily balances of the principal amount outstanding. Loans are not carried at fair value because they do not meet the definition of an investment under GASB.

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

Notes to Financial Statements, continued

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

**Loans Receivable, Interest Receivable and Allowances for Losses, continued**

For the statements of net position presentation purposes, the current portion of loans is determined based on expected principal collections, including those loans that are scheduled to mature, within the next twelve months. Actual loan collections in subsequent period may differ significantly due to term extensions that may be in the normal course of business.

The allowances for loan losses and interest receivable losses are established through a provision for losses charged to expense. Loans and interest receivables are charged against the allowances for losses when management believes that collection is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans and interest receivables that may be uncollectible, based on evaluations of the collectability and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay.

**Other Receivables**

Other receivables are due from government agencies, businesses and individuals located within the Republic of the Marshall Islands and are interest-free and uncollateralized. The allowance for uncollectible 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 evaluations of the collectability of these accounts and prior collection experience. Management determines the adequacy of the allowance for uncollectible accounts based upon review of the aged accounts receivable. The allowance is established through a provision for bad debts charged against revenues.

**Premises and Equipment**

Premises and equipment with a cost that equals or exceeds \$500 are capitalized. Such assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

	<u>Estimated Useful Lives</u>
Building and houses	5 - 15 years
Computer systems	5 years
Motor vehicles	3 years
Office furniture	5 years
Office equipment	5 years

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

**Notes to Financial Statements, continued**

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

**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. MIDB has no items that qualify for reporting in this category.

**Leases**

MIDB is a party as lessee for various long-term land leases and lease of office space. MIDB 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.

MIDB is also a party as lessor for various long-term leases of office space. MIDB 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 commence of the lease term that relate to future periods.

**Customer Refunds Payable**

Customer refunds payable represent allotment payments received by MIDB from employers for payments on loans that have already been repaid in full.

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

Notes to Financial Statements, continued

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

**Credit Life Insurance Policies**

MIDB underwrites its own credit life insurance policies on the lives of certain borrowers up to the amount of the borrower's outstanding loan balance at the time of death.

Loan insurance premiums are generally recognized as revenue on a pro rata basis up to a maximum of three-year term. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums.

Loan losses are charged directly to earnings and against the loan receivable when management believes the collectability of a loan is confirmed i.e., death of borrower.

**Recognition of Loan Processing Revenues**

Loan processing fees are generally recognized as revenue on a pro rata basis up to a maximum of three-year term. The portion of loan processing fees that will be earned in the future is deferred and reported as unearned loan processing fees.

**Classification of Revenues**

MIDB has classified its revenues as either operating or nonoperating according to the following criteria:

- *Operating Revenues* - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) insurance premiums, loan fees and interest income on loans and bank deposits, (2) rental occupancy income associated with MIDB assets, and (3) USDA federal grant revenues.
- *Nonoperating Revenues* - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB, such as RepMar appropriations and investment income.

**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. As of September 30, 2024 and 2023, MIDB has recorded deferred inflow of resources for lease revenues.

Marshall Islands Development Bank  
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Notes to Financial Statements, continued

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

**Recently Adopted Accounting Pronouncements**

During the year ended September 30, 2024, MIDB implemented the following pronouncements:

- GASB Statement No. 99, *Omnibus 2022*, which 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. It also provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, which 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.

**Upcoming Accounting Pronouncements**

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 Development Bank  
(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, 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 have occurred, have begun to occur, or are 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.

Marshall Islands Development Bank  
(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, continued**

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

**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 revenue tax of 3% on revenues. MIDB is specifically exempt from gross revenue tax pursuant to Section 817 of Public Law 1988-1.

**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 disclosures 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. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and valuation of foreclosed assets.

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

Notes to Financial Statements, continued

**3. Investments**

A summary of MIDB's investments as of September 30, 2024 and 2023 that are valued using the Net Asset Value (NAV) per share is as follows:

	<u>2024</u>	<u>2023</u>
Marshall Islands Holdings, Inc.	\$10,134,187	\$10,077,215
Marshall Islands Service Corporation	<u>57,834</u>	<u>61,205</u>
	<u>\$10,192,021</u>	<u>\$10,138,420</u>

MIDB owns 26,376 shares of common stock of Marshall Islands Holdings, Inc. (MIHI), which comprises 16% of the outstanding shares as of September 30, 2024 and 2023. MIHI engages in all aspects of holding company activities in the Marshall Islands and is the sole shareholder of Bank of Marshall Islands and has majority ownership in Marshall Islands Service Corporation (MISCO). In addition, the direct investment in MISCO comprises of less than 1% of the outstanding shares as of September 30, 2024 and 2023. During the years ended September 30, 2024 and 2023, related dividend income received by MIDB was \$135,031 and \$213,212, respectively.

**4. Loans Receivable**

Loans receivable as of September 30, 2024 and 2023 are summarized as follows:

	<u>2024</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Loans receivable	\$15,117,902	\$23,595,905	\$38,713,807
Less: unearned premiums	( 80,530)	( 126,432)	( 206,962)
Less: unearned loan processing fees	( 57,021)	( 89,524)	( 146,545)
Less: allowance for loan losses	<u>( 1,773,368)</u>	<u>( 1,359,343)</u>	<u>( 3,132,711)</u>
	<u>\$13,206,983</u>	<u>\$22,020,606</u>	<u>\$35,227,589</u>

	<u>2023</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Loans receivable	\$13,704,693	\$22,479,965	\$36,184,658
Less: unearned premiums	( 71,992)	( 104,389)	( 176,381)
Less: unearned loan processing fees	( 77,815)	( 112,831)	( 190,646)
Less: allowance for loan losses	<u>( 1,981,929)</u>	<u>( 1,021,608)</u>	<u>( 3,003,537)</u>
	<u>\$11,572,957</u>	<u>\$21,241,137</u>	<u>\$32,814,094</u>

**Marshall Islands Development Bank**  
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**Notes to Financial Statements, continued**

**4. Loans Receivable, continued**

An analysis of the change in the allowance for loan losses during the years ended September 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$3,003,537	\$3,894,457
Reinstated loans which were subsequently collected	150,367	162,287
Recovery of loan losses	( 21,193)	( 1,051,099)
Charge-offs	<u>---</u>	<u>( 2,108)</u>
Ending balance	<u>\$3,132,711</u>	<u>\$3,003,537</u>

The loan portfolio is comprised of consumer, housing, and business loans. A majority of the 2024 and 2023 loan portfolio is unsecured, while the remaining portion is secured by various forms of collateral. Additionally, these loans are normally cosigned by third parties. The basis for expected repayment of a significant portion of the consumer loans and housing loans is the continued employment of the borrower and allotment agreements between MIDB and the borrower's employer. All loans are at fixed rates ranging from 4% - 7% for business loans, 6% - 7% for housing loans, and 5% - 14% for consumer loans.

**5. Accrued Interest Receivable**

Accrued interest receivable as of September 30, 2024 and 2023 is summarized as follows:

	<u>2024</u>	<u>2023</u>
Interest receivable	\$295,691	\$215,304
Less: allowance for doubtful interest	<u>( 4,494)</u>	<u>( 3,295)</u>
	<u>\$291,197</u>	<u>\$212,009</u>

An analysis of the change in the allowance for interest receivable during the years ended September 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$3,295	\$2,367
Provision for uncollectible interest	<u>1,199</u>	<u>928</u>
Ending balance	<u>\$4,494</u>	<u>\$3,295</u>

**Marshall Islands Development Bank**  
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**Notes to Financial Statements, continued**

**6. Other Receivables**

Other receivables as of September 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Rental	\$359,647	\$341,132
Grants	80,807	166,516
Other	<u>132,506</u>	<u>90,027</u>
	572,960	597,675
Less: allowance for uncollectible accounts	<u>(385,772)</u>	<u>(398,523)</u>
	<u>\$187,188</u>	<u>\$199,152</u>

**7. Capital Assets**

Capital asset activity for the years ended September 30, 2024 and 2023 is as follows:

	<u>2024</u>			
	<u>October 1, 2023</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2024</u>
Nondepreciable capital assets:				
Construction materials	\$ <u>6,159</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>6,159</u>
Depreciable capital assets:				
Building and houses	2,727,738	---	---	2,727,738
Computer systems	400,581	7,515	---	408,096
Motor vehicles	369,022	38,094	---	407,116
Office furniture	83,532	795	---	84,327
Office equipment	<u>484,578</u>	<u>10,652</u>	<u>---</u>	<u>495,230</u>
	4,065,451	57,056	---	4,122,507
Less accumulated depreciation	<u>(3,833,820)</u>	<u>( 83,862)</u>	<u>---</u>	<u>(3,917,682)</u>
	<u>231,631</u>	<u>( 26,806)</u>	<u>---</u>	<u>204,825</u>
Lease assets:				
Right-to-use assets	159,488	442,188	---	601,676
Less accumulated amortization	<u>( 35,546)</u>	<u>( 77,582)</u>	<u>---</u>	<u>( 113,128)</u>
	<u>123,942</u>	<u>364,606</u>	<u>---</u>	<u>488,548</u>
	<u>355,573</u>	<u>337,800</u>	<u>---</u>	<u>693,373</u>
	<u>\$ 361,732</u>	<u>\$337,800</u>	<u>\$ ---</u>	<u>\$ 699,532</u>

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

Notes to Financial Statements, continued

**7. Capital Assets, continued**

	<u>2023</u>			
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Nondepreciable capital assets:				
Construction materials	\$ <u>53,523</u>	\$ <u>---</u>	\$(47,364)	\$ <u>6,159</u>
Depreciable capital assets:				
Building and houses	2,727,738	---	---	2,727,738
Computer systems	374,008	26,573	---	400,581
Motor vehicles	369,022	---	---	369,022
Office furniture	80,402	3,130	---	83,532
Office equipment	<u>480,855</u>	<u>3,723</u>	<u>---</u>	<u>484,578</u>
	4,032,025	33,426	---	4,065,451
Less accumulated depreciation	<u>(3,736,331)</u>	<u>(97,489)</u>	<u>---</u>	<u>(3,833,820)</u>
	<u>295,694</u>	<u>(64,063)</u>	<u>---</u>	<u>231,631</u>
Lease assets:				
Right-to-use assets	159,488	---	---	159,488
Less accumulated amortization	<u>( 16,047)</u>	<u>(19,499)</u>	<u>---</u>	<u>( 35,546)</u>
	<u>143,441</u>	<u>(19,499)</u>	<u>---</u>	<u>123,942</u>
	<u>439,135</u>	<u>(83,562)</u>	<u>---</u>	<u>355,573</u>
	<u>\$ 492,658</u>	<u>\$(83,562)</u>	<u>\$(47,364)</u>	<u>\$ 361,732</u>

**8. Restricted Assets**

Restricted assets as of September 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Restricted cash	\$ 586,309	\$554,886
Restricted certificate of deposit	<u>2,650,039</u>	<u>---</u>
	<u>\$3,236,348</u>	<u>\$554,886</u>

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

**Notes to Financial Statements, continued**

**8. Restricted Assets, continued**

MIDB maintains a savings deposit account in the amount of \$586,309, which is restricted to collateralize loans funded by Rural Housing Service (RHS). The Memorandum of Understanding signed with the RHS requires MIDB to create and maintain an escrow account with an initial deposit of \$500,000. If the account falls below \$500,000, MIDB shall deposit in the escrow account 5% of all RHS loans issued until such time that the account has reached \$500,000.

The restricted certificate of deposit amounting to \$2,650,039 is used to collateralize the loan obtained during 2024 from the Bank of Marshall Islands.

**9. Leases**

*As Lessor*

MIDB is a lessor for non-cancelable leases of buildings and office space. The terms of the agreements range from 1 to 5 years generally at fixed monthly payments with no variable payments or escalation clauses. MIDB recognizes a lease receivable and a deferred inflow of resources at commencement of the lease term. As of September 30, 2024 and 2023, lease receivables totaled \$185,245 and \$130,199, respectively, and deferred inflow of resources totaled \$181,903 and \$128,022, respectively. Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2024, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 61,589	\$ 8,659	\$ 70,248
2026	39,716	5,680	45,396
2027	29,270	3,886	33,156
2028	30,921	2,235	33,156
2029	<u>23,749</u>	<u>644</u>	<u>24,393</u>
	<u>\$185,245</u>	<u>\$21,104</u>	<u>\$206,349</u>

*As Lessee*

MIDB has leases for certain use of land and office space. The terms of the agreements range from 2 to 50 years generally at fixed monthly payments with no variable payments. The calculated interest rate used was 5.5%.

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

**Notes to Financial Statements, continued**

**9. Leases, continued**

*As Lessee, continued*

The following is a summary of principal and interest requirements to maturity for the lease liabilities as of September 30, 2024:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 85,376	\$ 25,472	\$110,848
2026	84,116	20,732	104,848
2027	82,616	16,232	98,848
2028	87,268	11,580	98,848
2029	83,931	6,670	90,601
2030 - 2034	10,463	18,803	29,266
2035 - 2039	5,683	17,417	23,100
2040 - 2044	7,468	15,632	23,100
2045 - 2049	9,813	13,287	23,100
2050 - 2054	12,896	10,204	23,100
2055 - 2059	16,946	6,154	23,100
2060 - 2063	<u>13,098</u>	<u>1,556</u>	<u>14,654</u>
	<u>\$499,674</u>	<u>\$163,739</u>	<u>\$663,413</u>

**10. Insurance Loss on Loans**

MIDB is self-insured for losses incurred under credit life insurance policies which it has underwritten. As of September 30, 2024 and 2023, the outstanding principal balance of loans covered by MIDB's self-insurance amounted to \$14,562,671 and \$13,113,944, respectively. Insurance loss on loans during the years ended September 30, 2024 and 2023 amounted to \$41,448 and \$61,438, respectively.

**11. Employee Retirement Plan**

MIDB has implemented a defined contribution retirement savings plan (the Plan) for their employees, whereby employees eighteen years and older are eligible to participate upon regularization of employment. Plan participants may contribute any amount of their salaries to be matched 100% by their respective employers up to 10% of base salaries. Withdrawal from the Plan occurs upon termination of employment, death, or financial hardship. 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, 2024 and 2023, MIDB contributed \$71,804 and \$71,816, respectively, to Plan participant accounts, and total combined Plan assets as of September 30, 2024 and 2023 were \$620,980 and \$420,683, respectively.

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

**Notes to Financial Statements, continued**

**12. Related Party Transactions**

MIDB is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including Majuro Resort, Inc. (MRI) and Tobolar Copra Processing Authority (TCPA).

In 2018, MIDB entered into a subsidiary loan agreement with RepMar relating to a loan dated November 8, 2016, between RepMar and the International Cooperation and Development Fund (ICDF) for the Home Energy Efficiency and Renewable Energy Project. The project aims to increase local energy resources and efficient utilization of energy through the household sector, both of which are expected to reduce pollution through a reduction in the use of imported fossil fuel for power generation. Loan proceeds are to be lent to MIDB for the purpose of providing funds to household borrowers. The applicant households must take an energy audit to obtain a list of the inefficient appliances and light fittings in need of replacement, which will later be provided to MIDB for loan approval. Total available subsidiary loan of \$4,000,000 was divided into four drawdowns of \$1,000,000 each. Loan drawdowns commenced in 2019 of \$1,000,000 with repayment commencing December 15, 2021, in equal semi-annual installments with interest at 2% per annum with no further loan drawdowns having occurred. Loan repayment is based on total drawdowns made. During each of the years ended September 30, 2024 and 2023, loan repayments were \$200,000. As of September 30, 2024 and 2023, loan payable to RepMar associated with this subsidiary loan agreement amounted to \$200,000 and \$600,000, respectively, and is included in due to primary government in the accompanying statements of net position. Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	<u>\$200,000</u>	<u>\$2,000</u>	<u>\$202,000</u>

ICDF loans are governed by the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Lender (the “General Conditions”), which set forth covenants to ensure compliance with the terms and conditions of the Projects during the implementation phase and payment of debt service. The primary requirements of the General Conditions are summarized below:

The Borrower shall implement the Projects with due diligence and due care and in accordance with sound financial standards and practice.

Events of default with finance related consequences - Section 13.1 of the General Conditions sets forth various events of default, which occur when the Borrower shall have failed to pay, when due, any interest or installment of principal or any other sums due under the loan agreement; or the Borrower shall have failed to perform any of the covenants provided under Section 11 of the General Conditions.

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

**Notes to Financial Statements, continued**

**12. Related Party Transactions, continued**

Acceleration of maturity - Section 13.2 of the General Conditions specify that in the case of default that has occurred and continues for a period of 21 days, the ICDF, at its option, may by notice to the Borrower declare the principal of the loan then outstanding, together with all accrued interest and other charges thereon, to be due and payable immediately. Default interest at a rate equal to 4% above the applicable LIBOR, as defined in the General Conditions, shall accrue on each installment payment of the principal amount of the loan, interest thereon, which are overdue.

In 2019, MIDB provided a \$6,000,000 loan to RepMar for the purpose of funding copra subsidies to TCPA, with interest at a preferential rate of 1.25% per annum for a term of two years. As of September 30, 2022, the related amount due from RepMar was \$871,960. The loan was subsequently paid in full by RepMar on December 12, 2022.

On September 29, 2022, MIDB approved a \$2,020,000 loan facility to MRI, interest at 4% per annum, due February 28, 2039, with an 18-month grace period, and collateralized by a chattel mortgage over a 150-room hotel, an assignment of business operations payments and guaranteed by RepMar. As of September 30, 2023, drawdowns against this loan facility amounted to \$520,000. During 2024, there were no additions related to this loan facility. As of September 30, 2024 and 2023, the amount outstanding on this loan is \$420,918 and \$519,799, respectively. On November 5, 2024, amount of this loan facility was amended from \$2,020,000 to \$1,344,186 and maturity date is amended to November 30, 2036. As of September 30, 2024, MIDB has a \$824,186 loan commitment related to this amended loan facility.

In 2022, MIDB received \$992,000 from RepMar for the purpose of administering the Senior Citizens Housing Support project. During 2024, the project grant period was extended through September 30, 2026. During the years ended September 30, 2024 and 2023, MIDB's disbursement to ultimate grantees related to this project amounted to \$307,500 and \$318,997, respectively, and are included in grant-related expense in the accompanying financial statements. MIDB recognized contributions from RepMar of \$307,500 and \$318,997, respectively, related to this project. As of September 30, 2024 and 2023, unexpended proceeds amounting \$365,503 and \$673,003, respectively, are included in due to primary government in the accompanying statements of net position.

In 2023, MIDB paid \$750,000 to RepMar as budgetary support of MIDB for 2023 general election and Micro Games preparation.

On March 6, 2023, MIDB approved a \$3,789,520 loan facility to RepMar, interest at 4% per annum, due May 9, 2024. As of September 30, 2024, the amount outstanding on this loan is \$162,052.

On November 24, 2023, MIDB obtained a loan from an affiliate bank amounting to \$2,400,000, interest at 5.5% per annum, due November 30, 2028. As of September 30, 2024, the amount outstanding on this loan is \$2,041,617.

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

**Notes to Financial Statements, continued**

**12. Related Party Transactions, continued**

As of September 30, 2024 and 2023, MIDB has deposits with an affiliate bank of \$6,840,008 and \$4,235,858, respectively. The deposits accrue interest at rates of 0.25% to 3% per annum. Interest earned during the years ended September 30, 2024 and 2023 was \$98,999 and \$83,927, respectively.

As of September 30, 2024 and 2023, MIDB employees have outstanding loans of \$1,402,659 and \$1,301,486, respectively. In addition, the directors of MIDB have outstanding loans as of September 30, 2024 and 2023 of \$254,439 and \$363,381, respectively. All loans were made at normal commercial terms and conditions and included in loans receivable, net in the accompanying statements of net position.

**13. Change in Long-Term Liabilities**

Changes in long-term liabilities for the years ended September 30, 2024 and 2023 were as follows:

	Balance October <u>1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2024</u>	Due Within <u>One Year</u>
2024:					
Due to Primary					
Government	\$1,273,003	\$ ---	\$( 707,500)	\$ 565,503	\$200,000
Loan payable	---	2,400,000	( 358,383)	2,041,617	450,744
Lease liabilities	<u>127,028</u>	<u>442,188</u>	<u>( 69,542)</u>	<u>499,674</u>	<u>85,376</u>
	<u>\$1,400,031</u>	<u>\$2,842,188</u>	<u>\$(1,135,425)</u>	<u>\$3,106,794</u>	<u>\$736,120</u>
	Balance October <u>1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2023</u>	Due Within <u>One Year</u>
2023:					
Due to Primary					
Government	\$1,792,000	\$ ---	\$(518,997)	\$1,273,003	\$1,073,003
Lease liabilities	<u>143,531</u>	<u>---</u>	<u>( 16,503)</u>	<u>127,028</u>	<u>15,763</u>
	<u>\$1,935,531</u>	<u>\$---</u>	<u>\$(535,500)</u>	<u>\$1,400,031</u>	<u>\$1,088,766</u>

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

Notes to Financial Statements, continued

**14. Risk Management**

MIDB 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. MIDB has elected to purchase insurance covering a 5-story commercial building in Delap Village against fire, lightning, and typhoon. MIDB has also purchased commercial automobile insurance and fire, lightning, and typhoon insurance covering office contents from independent third parties for the risks of losses to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. MIDB management believes that the policies purchased are sufficient to cover any loss, if any, to which it is exposed.

**15. Commitments**

Loans recorded by USDA are subject to a MIDB guarantee, the balance of which is \$11,936,555 and \$10,014,839 as of September 30, 2024 and 2023, respectively. During the years ended September 30, 2024 and 2023, MIDB paid and received collections in the amount of \$51,774 and \$10,205, respectively, from related delinquent loans.

**16. Contingencies**

*Litigation*

MIDB is party to a legal proceeding. No provision for any liability has been made in the accompanying financial statements because management believes that no unfavorable outcome is likely to occur.

## Supplementary Information

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

**Combining Statement of Net Position**

September 30, 2024

	Marshall Islands Development Bank	RMI Small- Medium Enterprise Project	USDA Self-Help Housing Project	Total
<b>Assets</b>				
Current assets				
Cash	\$ 4,306,803	\$ ---	\$ 51,783	\$ 4,358,586
Restricted assets	3,236,348	---	---	3,236,348
Receivables, net:				
Loans	13,072,656	134,327	---	13,206,983
Leases	61,589	---	---	61,589
Accrued interest	289,719	1,478	---	291,197
Other	163,013	1,557	22,618	187,188
Due from primary government	162,052	---	---	162,052
Total current assets	21,292,180	137,362	74,401	21,503,943
Receivables, net:				
Loans	21,716,386	304,220	---	22,020,606
Leases	123,656	---	---	123,656
Investment in shares of stock	10,192,021	---	---	10,192,021
Capital assets:				
Nondepreciable capital assets	6,159	---	---	6,159
Depreciable capital assets, net	674,789	---	18,584	693,373
Total assets	<u>\$ 54,005,191</u>	<u>\$ 441,582</u>	<u>\$ 92,985</u>	<u>\$ 54,539,758</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>				
Liabilities:				
Current liabilities				
Due to primary government	\$ 200,000	\$ ---	\$ ---	\$ 200,000
Loan payable	450,744	---	---	450,744
Accounts payable and accrued expenses	293,402	81,831	52,584	427,817
Accrued interest payable	81,835	---	---	81,835
Lease liabilities	85,376	---	---	85,376
Deposits pledged	30,261	---	270	30,531
Customer refunds payable	1,007,675	---	---	1,007,675
Total current liabilities	2,149,293	81,831	52,854	2,283,978
Due to primary government, net of current portion	365,503	---	---	365,503
Loan payable, net of current portion	1,590,873	---	---	1,590,873
Lease liabilities, net of current portion	414,298	---	---	414,298
Total liabilities	4,519,967	81,831	52,854	4,654,652
Deferred inflows of resources:				
Lease revenues	181,903	---	---	181,903
Commitments				
Net position:				
Net investment in capital assets	181,274	---	18,584	199,858
Restricted	586,309	---	---	586,309
Unrestricted	48,535,738	359,751	21,547	48,917,036
Total net position	49,303,321	359,751	40,131	49,703,203
Total liabilities, deferred inflows of resources and net position	<u>\$ 54,005,191</u>	<u>\$ 441,582</u>	<u>\$ 92,985</u>	<u>\$ 54,539,758</u>

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

**Combining Statement of Revenues, Expenses and Changes in Net Position**

Year ended September 30, 2024

	Marshall Islands Development Bank	RMI Small- Medium Enterprises Project	USDA Self-Help Housing Project	Total
Operating revenues:				
Interest income on loans	\$ 3,472,733	\$ 43,963	\$ ---	\$ 3,516,696
Loan fees	236,568	4,397	---	240,965
Insurance premiums	190,143	---	---	190,143
Rental income	144,997	---	---	144,997
Interest income on bank deposits	99,169	---	51	99,220
Lease revenue	91,433	---	---	91,433
Federal grants	---	---	55,722	55,722
Interest income on lease	6,512	---	---	6,512
Miscellaneous	27,521	---	---	27,521
Total operating revenues	<u>4,269,076</u>	<u>48,360</u>	<u>55,773</u>	<u>4,373,209</u>
Recovery of loan losses	19,994	---	---	19,994
Net operating revenues	<u>4,289,070</u>	<u>48,360</u>	<u>55,773</u>	<u>4,393,203</u>
Operating expenses:				
Interest expense on loans payable	122,602	---	---	122,602
Interest expense on deposits pledged	2,188	---	---	2,188
Insurance loss on loans	41,448	---	---	41,448
Total operating expenses	<u>166,238</u>	<u>---</u>	<u>---</u>	<u>166,238</u>
General and administrative expenses:				
Salaries and employee benefits	1,797,783	---	194,039	1,991,822
Grants	307,500	---	---	307,500
Travel and training	249,382	---	3,340	252,722
Utilities	191,065	---	---	191,065
Depreciation and amortization	158,511	---	2,933	161,444
Professional fees	129,425	---	500	129,925
Repairs and maintenance	62,058	---	34,983	97,041
Insurance	84,753	---	9,256	94,009
Representation	77,178	---	---	77,178
Printing, stationery and advertising	55,506	---	444	55,950
Communications	45,903	---	1,077	46,980
Promotion and donation	39,367	---	---	39,367
Fuel	16,542	---	5,606	22,148
Office and house rental	21,000	---	---	21,000
Entertainment	11,688	---	---	11,688
Taxes and licenses	3,753	---	180	3,933
Miscellaneous	3,123	---	278	3,401
Total general and administrative expenses	<u>3,254,537</u>	<u>---</u>	<u>252,636</u>	<u>3,507,173</u>
Income (loss) from operations	<u>868,295</u>	<u>48,360</u>	<u>( 196,863 )</u>	<u>719,792</u>
Nonoperating revenues (expenses):				
Contributions from RepMar	307,500	---	---	307,500
Investment earnings	188,632	---	---	188,632
Payment of USDA loan guarantee	( 51,774 )	---	---	( 51,774 )
Interest expense on leases	( 23,156 )	---	---	( 23,156 )
Total nonoperating revenues, net	<u>421,202</u>	<u>---</u>	<u>---</u>	<u>421,202</u>
Change in net position	<u>1,289,497</u>	<u>48,360</u>	<u>( 196,863 )</u>	<u>1,140,994</u>
Net position at beginning of year	<u>48,013,824</u>	<u>311,391</u>	<u>236,994</u>	<u>48,562,209</u>
Net position at end of year	<u>\$ 49,303,321</u>	<u>\$ 359,751</u>	<u>\$ 40,131</u>	<u>\$ 49,703,203</u>

## 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 Development Bank

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 Development Bank (MIDB), as of and for the year ended September 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2025.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MIDB'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 MIDB's internal control. Accordingly, we do not express an opinion on the effectiveness of MIDB'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 MIDB'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MIDB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

August 14, 2025

*The Auditor's Communication With Those Charged  
With Governance*

**Marshall Islands Development Bank**

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

*Year ended September 30, 2024*



August 14, 2025

To the Board of Directors of  
Marshall Islands Development Bank

We have performed an audit of the financial statements of the business-type activities of Marshall Islands Development Bank (MIDB), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated August 14, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

## **REQUIRED COMMUNICATIONS**

Professional standards require the auditor to provide the Board of Directors (the Board) with additional information regarding the scope and results of the audit that may assist the Board in overseeing the financial reporting and disclosure processes which the management of MIDB is responsible. We summarize these required communications as follows:

### **Overview of the planned scope and timing of the audit**

Our audit scope and timing are consistent with the plan communicated in our engagement letter dated February 5, 2025 and at our audit planning meeting with management.

### **Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)**

The financial statements, required supplementary information, and supplementary information are the responsibility of MIDB's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

**Changes to the audit strategy, timing of the audit and significant risks identified**

Our audit strategy is consistent with the plan communicated during the May 2025 meeting.

**Matters relevant to our evaluation of the entity's ability to continue as a going concern**

We did not identify any events or conditions that led us to believe there was substantial doubt about MIDB's ability to continue as a going concern.

**Our views about the qualitative aspects of the entity's significant accounting practices, including:**

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year.

We have provided a discussion of significant accounting policies and our views regarding significant accounting estimates and financial statement disclosures and related matters in Note 2 of the basic financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

**Related party relationships and transactions**

We noted no significant matters regarding MIDB's relationships and transactions with related parties other than disclosed in Note 12 to the financial statements.

**Changes to the terms of the audit with no reasonable justification for the change**

None.

**Significant unusual transactions**

We are not aware of any significant unusual transactions executed by MIDB.

**Difficult or contentious matters subject to consultation outside of the audit team**

There were no difficult or contentious matters that required consultation outside of the audit team.

**Material corrected misstatements related to accounts and disclosures**

Refer to “Management Representations Letter” in Appendix A.

**Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial**

Refer to “Management Representations Letter” in Appendix A.

**Significant deficiencies and material weaknesses in internal control over financial reporting**

No material weaknesses have been identified.

**Fraud and noncompliance with laws and regulations (illegal acts)**

We are not aware of any matters that require communication.

**Obtain information relevant to the audit**

Inquiries regarding matters relevant to the audit were performed during the May 2025 meeting and at the update status meetings during the audit.

**Independence matters**

We are not aware of any matters that in our professional judgment would impair our independence.

**New accounting pronouncements**

Management is still assessing the impact of adopting the following GASB Statements:

- GASB Statement No. 101 – *Compensated Absences*
- GASB Statement No. 102 – *Certain Risk Disclosures*
- GASB Statement No. 103 – *Financial Reporting Model Improvements*
- GASB Statement No. 104 – *Disclosure of Certain Capital Assets*

**Significant issues discussed with management in connection with the auditor’s initial appointment or recurring retention**

We are not aware of any matters that require communication.

**Disagreements with management and significant difficulties encountered in dealing with management when performing the audit**

There were no difficulties encountered in dealing with management in performing the audit.

**Management's consultations with other accountants**

We are not aware of any consultations made by management with other accountants or specialists.

**Other material written communications with management**

None.

**Other matters**

There are no other matters arising from the audit that are significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

**AICPA ethics ruling regarding third-party service providers**

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with MIDB or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

**Representations we are requesting from management**

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix A.

**Engagement team's involvement with preparation of the financial statements**

Under GAS 2018 Revision, Chapter 3 Ethics, Independence and Professional Judgment, Paragraph 3.73-74 Provision of Nonaudited Services to Audited Entities explains that the audit team should make consideration of management's ability to effectively oversee the non-audit services to be provided. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- The preparation of the financial statements is based on MIDB's trial balance with our understanding that MIDB's underlying books and records are maintained by MIDB's accounting department and that the final trial balance prepared by MIDB is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of MIDB.
- MIDB's Chief Financial Officer has the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

\*\*\*\*\*

This communication is intended solely for the information and use of the Board of Directors and management of MIDB and the Office of the Auditor-General, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

*Ernst + Young*

Board of Directors  
Marshall Islands Development Bank

August 14, 2025

## Appendix

A – Management Representations Letter

A – Management Representations Letter



**MARSHALL ISLANDS DEVELOPMENT BANK**

P.O. Box 1048  
Majuro, Republic of the Marshall Islands  
Phone: (692)625-3230, 625-3223, 625-5270  
Web: [www.mimdb.com](http://www.mimdb.com)

August 14, 2025

**Ernst & Young LLP**  
231 Ypao Road Suite 201  
Ernst & Young Building  
Tamuning, Guam 96913

In connection with your audits of the financial statements of the business-type activities of Marshall Islands Development Bank (the Bank), a component unit of the Republic of the Marshall Islands, which comprise the statements of net position as of September 30, 2024 and 2023, and the related statements of revenues, expenses and changes in net position and of cashflows for the years then ended, and the related notes to the financial statements, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position of the business-type activities of the Bank and the changes in financial position and cash flows in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

**Management's responsibilities**

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated February 5, 2025, for the preparation and fair presentation of the financial statements (including disclosures) in accordance with US GAAP applied on a basis consistent with that of the preceding years.

In preparing the financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for one year after the date that the financial statements are issued, and provided appropriate financial statement disclosure, when applicable, related to going concern and the use of the going concern basis of accounting.

A – Management Representations Letter, continued



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We acknowledge our responsibility for the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters. This responsibility includes identifying the use of new technologies or techniques in preparing such information (e.g., the use of generative artificial intelligence), and additional details you may require regarding the use of any such technologies and techniques in order to perform your audit procedures.
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Bank from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

From November 8, 2024 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements of any opinion unit that comprises the basic financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

***Governmental entities***

We recognize that we are responsible for the Bank's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have provided you all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

A – Management Representations Letter, continued



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***Governmental entities, continued***

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.

We have taken timely and appropriate steps to remedy fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements, that you have reported.

***Uncorrected misstatements***

We believe that the effects of any uncorrected misstatements (including those related to supplementary information), summarized in the accompanying schedule (Appendix B), accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements and to the supplementary information.

***Corrected misstatements***

We have reviewed and approved the adjustment, summarized in the accompanying schedule (Appendix A), and reflected this adjustment in the financial statements.

***Internal control***

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

***Minutes and contracts and internal audit reports***

The dates of meetings of shareholders, directors, committees of directors and important management committees, are as follows:

<b>Date of Meeting</b>	<b>Meeting Type</b>
October 6, 2023	Special Meeting
October 25, 2023	Regular Meeting
November 22, 2023	Regular Meeting
November 23, 2023	Special Meeting
December 27, 2023	Regular Meeting
January 31, 2024	Regular Meeting
February 23, 2024	Regular Meeting
March 25, 2024	Regular Meeting

A – Management Representations Letter, continued



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April 22, 2024	Regular Meeting
May 29, 2024	Regular Meeting
June 14, 2024	Special Meeting
June 26, 2024	Regular Meeting
July 24, 2024	Special Meeting
August 1, 2024	Regular Meeting
August 28, 2024	Regular Meeting
August 29, 2024	Special Meeting
September 25, 2024	Regular Meeting
October 30, 2024	Regular Meeting
December 4, 2024	Regular Meeting
January 29, 2025	Regular Meeting
February 13, 2025	Special Meeting
February 26, 2025	Regular Meeting
March 7, 2025	Special Meeting
April 30, 2025	Regular Meeting

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant agreements and contracts, including amendments, and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that have a material effect on the financial statements.

We also have made available to you all internal audit reports that were issued to management during the year that address internal control over financial reporting.

***Methods, significant assumptions, and data used in making accounting estimates***

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

***Ownership and pledging of assets***

Except for right-of-use assets recognized in accordance with GASB Statement No. 87, for which we were provided a right-to-use another entity's nonfinancial asset (the underlying asset), the Bank has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Bank has satisfactory title appear in the statements of net position.

A – Management Representations Letter, continued



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***Receivables and revenues***

Adequate provision has been made for any receivable as of the statement of net position dates that may not be collectible, including any losses, costs and expenses that may be incurred related to the collection of those receivables.

***Financial instruments***

The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

- The extent, nature and terms of financial instruments with off-balance-sheet risk.
- The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments.
- Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

***Investments in subsidiaries and other entities***

The Net Asset Value (NAV) method is used to account for the Bank's investment in common stock of Marshall Islands Holdings, Inc. and Marshall Islands Service Corporation as the Bank does not have a readily determinable fair value.

***Leases***

We have identified and accounted for all contracts that meet the criteria to be accounted for as a lease under GASB Statement No. 87 - as amended. We have appropriately considered any renewal, termination or purchase options in the contract.

To measure the lease liability, we used the rate the lessor charges to us or the rate implicit in the lease. When the interest rate could not be readily determined, we then estimated our incremental borrowing rate (IBR). We believe our IBR is a reasonable estimate and represents an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

***Long-lived assets used, including amortizable intangible assets***

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets used, including intangible assets that are subject to amortization, may not be recoverable.

A – Management Representations Letter, continued



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***Related party relationships and transactions***

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 - as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

***Side agreements and other arrangements***

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

***Arrangements with financial institutions***

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

***Events of default under debt agreements***

No events of default have occurred with respect to any of the Bank's debt agreements.

***Contingent liabilities***

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with GASB Statement No.62 - as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statements.

A – Management Representations Letter, continued



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***Contingent liabilities, continued***

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No.62 - as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No.62 - as amended.

***Oral or written guarantees***

There are no oral or written guarantees other than those reported in the basic financial statements, including guarantees of the debt of others.

***Purchase commitments***

At September 30, 2024 and 2023, the Bank had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2024 and 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

***Non-compliance with laws and regulations, including fraud***

We acknowledge that we are responsible to determine that the Bank's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Bank's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Bank.

A – Management Representations Letter, continued



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***Independence***

We have communicated to you the names of all the Bank's affiliates, as described in the AICPA Code of Professional Conduct ET section 1.224.020 *State and Local Government Client Affiliates*, officers and directors, or individuals who serve in such capacity for the Bank.

We are not aware of any business relationship between the Bank and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an "EY Firm"), other than one pursuant to which an EY Firm performs professional services.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Bank's audit.

***Conflicts of interest***

There are no instances where any officer or employee of the Bank has an interest in a company with which the Bank does business that would be considered a "conflict of interest". Such an interest would be contrary to Bank policy.

***Effects of adopting new accounting standards***

We have not completed the process of evaluating the effects that will result from adopting the following amendments to the codification provided in the Governmental Accounting Standards Board (GASB), as discussed in Note 2:

- GASB Statement No. 101
- GASB Statement No. 102
- GASB Statement No. 103
- GASB Statement No. 104

The Bank is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such amendments are adopted.

***Required supplementary information***

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis, which have been measured and presented conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement.

There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

A – Management Representations Letter, continued



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There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

***Supplementary information***

We are responsible for the preparation and fair presentation of the Combining Statement of Net Position and Combining Statement of Revenues, Expenses and Changes in Net Position (the “supplementary information”) and its form and content in conformity with the GASB. We believe the supplementary information, including its form and content, is fairly stated in all material respects in conformity with the GASB.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

***Additional representations***

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the basic financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.
- Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of revenues, expenses and changes in net position.

A – Management Representations Letter, continued



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- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and, if applicable, depreciated.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.
- We are following either our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or are following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.
- Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements. Allowance for doubtful accounts is determined by specific identification and collective assessment of accounts receivables. In specific identification, we considered collection history and debtors' ability to pay.
- Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of net position date and have been appropriately reduced to their estimated net realizable value. Additionally, the Bank is responsible for determining and maintaining the adequacy of the allowance for loans and lease losses, other receivables, as well as estimates used to determine such amounts. Management believes that the allowances are adequate to absorb currently estimated bad debts in the account balances.
- All additions to the Bank's property accounts consist of replacements or additions that are properly capitalizable and are for the purpose of increasing capacity, extending facilities, reducing operating costs, or meeting changed operating conditions.
- We believe that the Bank is in compliance with all significant limitations and restrictions of the subsidiary loan agreement covenants with the Republic of Marshall Islands relating to the Home Energy Efficiency and Renewable Energy Project as of September 30, 2024.

***Other matters***

We have received a draft copy of the financial statements of the Bank as of and for the years ended September 30, 2024 and 2023. The accuracy and completeness of the financial statements, including footnote disclosures, are our responsibility.

A – Management Representations Letter, continued



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*Other matters, continued*

You have assisted in the preparation of the Bank's financial statements based on the information in the Bank's trial balance and accounting records. It is our understanding that:

- The Bank's underlying books and records are maintained by the Bank's accounting department and that the final trial balance prepared by the Bank is complete;
- All adjusting journal entries posted to the trial balance have been approved by the Bank; and
- Management of the Bank has designated a competent representative to oversee your services and that there are Bank personnel with sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements.

We acknowledge that we have reviewed the draft financial statements for accuracy and completeness, and we take responsibility for them.

*Subsequent events*

Subsequent to September 30, 2024, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Bank's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and, where applicable, cash flows of the Bank.

Very truly yours,

Dwight Heine, *Managing Director*

Kyo Gary, *Deputy Managing Director*

Mary Pedregosa – Gumapal, *Chief Financial Officer*

A – Management Representations Letter, continued



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**Appendix A – Corrected Misstatements**

**Communication schedule for corrected misstatements**

Entity: Marshall Islands Development Bank

Period ended: 30-Sep-2024

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							Income statement effect of the current period	
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI		Debit/(Credit)	Non taxable
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)		Debit/(Credit)	
AJE1	TB.01	To record grant revenue and related grant expense relative to Senior Citizen Housing Program									
		Grant-related expense								307,500	
		Contributions from RepMar								(307,500)	
AJE 2	EI.YE N	To record additional provision for loan losses									
		Provision for loan losses								600,000	
		Allowance for loan losses		(600,000)							
<b>Total of corrected misstatements before income tax</b>			0	(600,000)	0	0	0	0	0	600,000	
Financial statement amounts			21,503,943	33,035,815	(2,283,978)	(2,552,577)	(48,562,209)			(1,140,994)	
Effect of corrected misstatements on F/S amounts			0.0%	-1.8%	0.0%	0.0%	0.0%			-52.6%	

[For US PCAOB audits we are required to communicate all misstatements that are accumulated on our SAD.]

A – Management Representations Letter, continued



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**Appendix B – Uncorrected Misstatements**

Communication schedule for uncorrected misstatements

Entity:		Marshall Islands Development Bank		Period Ended:		30-Sep-2024		Currency:		USD		
Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	WP ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		Prior period Debit/(Credit)	Non-taxable
(misstatements are recorded as journal entries with a description.)			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non-taxable		
Factual misstatements:												
Judgmental misstatements:												
SAD 01	EI YE	To record additional provision for loan loss										
		Provision for loan losses							1,190,000	X	1,630,000	
		Allowance for loan losses	(1,190,000)									
Total of uncorrected misstatements before income tax			(1,190,000)	0	0	0	0	0	1,190,000		1,630,000	
Total of uncorrected misstatements			(1,190,000)	0	0	0	0	0	1,190,000		1,630,000	
Financial statement amounts			21,503,943	33,035,815	(2,283,978)	(2,357,477)	(48,582,709)		(1,140,394)		(1,140,394)	
Effect of uncorrected misstatements on F/S amounts			-5.5%	0.0%	0.0%	0.0%	0.0%		-164.3%		-142.3%	
Memo: Total of non-taxable items (marked 'X' above)									7,180,000		0	
Uncorrected misstatements before income tax									-104.3%	1,190,000		1,630,000
Less: Tax effect of misstatements at current year marginal rate								0%	0		0	
Uncorrected misstatements in income tax										0	0	
Cumulative effect of uncorrected misstatements after tax but before turnaround									-104.3%	1,190,000		1,630,000
Turnaround effect of prior period uncorrected misstatements												
All factual and projected misstatements:									After tax	Memo: Before tax		
Judgmental misstatements (Note 3):									0	0		
Cumulative effect of uncorrected misstatements, after turnaround effect									38.6%	(440,394)	(1,630,000)	
Current year income before tax											(1,140,394)	
Current year income after tax											(7,040,894)	

*Management Letter*

**Marshall Islands Development Bank**

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

*Year ended September 30, 2024*



August 14, 2025

The Board of Directors and Management  
Marshall Islands Development Bank

In planning and performing our audit of the financial statements of the business-type activities of Marshall Islands Development Bank (MIDB) as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MIDB's internal control. Accordingly, we do not express an opinion on the effectiveness of MIDB'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 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 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.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

### **Loans Receivable**

Condition: A review of a representative sample of thirty (30) loans revealed an absence of a signed loan agreement amendment for one loan. We recommend that management implement a systematic process to ensure that all amendments to loan agreements are properly signed and filed.

Recommendation: We recommend management strengthen internal controls over lending and credit administration and monitoring of such controls.

## **Allowance for Loans Losses**

Condition: Management uses loss reserve ratios that are not directly related to the level of credit losses and not supported by a loss migration analysis. Furthermore, management does not have a robust system to determine allowance for loan losses based on a migration of historical losses or individual evaluation of loan impairment and related losses.

Recommendation: We recommend management establish internal control policies and procedures requiring comprehensive analysis of historical losses and other qualitative factors in determining the adequacy of the allowance.

## **Customer Refunds Payable**

Condition: MIDB receives loan payments from borrowers through payroll allotments remitted by the borrower's employer. Continuing payments received after the borrower's loan is paid off are deposited to the borrower's deposit account. An examination of the schedule of customer refunds payable indicated that there are 3,040 deposit accounts aggregating \$898,050, which were not timely assessed and monitored, and which have been non-moving/inactive for more than one year.

Recommendation: We recommend that management establish internal control policies and procedures to monitor borrower loan accounts with excess payments in a timely manner. Furthermore, we recommend that management consider designating a person responsible for informing related borrowers of excess payments.

## **Undrawn Loan Funds**

Condition: At September 30, 2024, undrawn loan funds amounted to \$454,894, which included 401 non-moving/inactive accounts aggregating \$269,971, which were not timely assessed and monitored, and which have been outstanding for more than one year.

Recommendation: We recommend management establish internal control policies and procedures to timely monitor long outstanding undrawn loan funds.

## **RMI Withholding Taxes**

Condition: MIDB filed and paid income taxes withheld in a manner inconsistent with 48 MIRC Chapter 1, Income Tax Act of 1989, Section 105. Specifically, examination of employer's Withholding Tax Returns (Form 1178) indicated the following:

<b>Payroll Period</b>	<b>Date Filed</b>	<b>Date Paid</b>
11/16/2023 to 12/13/2023	12/22/2023	01/03/2024
12/14/2023 to 01/10/2024	01/31/2024	01/31/2024
04/04/2024 to 05/01/2024	05/20/2024	05/20/2024

Form 1178 is due within two weeks following the preceding four-week pay period. MIDB was noncompliant with this requirement.

Recommendation: We recommend that management file and remit RMI withholding tax payments in accordance with the established requirement.

### **Lease Agreements**

Condition: Examination of lease agreements indicated that revised lease arrangements for one land leas was not formally documented.

Recommendation: We recommend management require lease agreements with counterparties be formally documented to memorialize revised contractual arrangements.

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This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Office of the Auditor-General, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

At this time, we would like to thank all the staff and management of MIDB for their cooperation extended to us during the course of our audit. We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

*Ernst + Young*