

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

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

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



Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

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

Year ended September 30, 2022

**Contents**

Report of Independent Auditors.....	1
Management’s Discussion and Analysis .....	4
Audited Basic Financial Statements	
Statement of Fiduciary Net Position .....	11
Statement of Changes in Fiduciary Net Position .....	12
Notes to Financial Statements.....	13
Supplementary Information	
Combining Statement of Fiduciary Net Position .....	31
Combining Statement of Changes in Fiduciary Net Position .....	32
Internal Control and Compliance	
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 <i>Government</i> <i>Auditing Standards</i> .....	33

## Report of Independent Auditors

Board of Directors  
Marshall Islands Social Security Administration

### Opinion

We have audited the financial statements of the fiduciary activities of Marshall Islands Social Security Administration (MISSA), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise MISSA's basic financial statements as listed in the table of contents.

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

### *Basis for Opinion*

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MISSA'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 MISSA'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 MISSA's ability to continue as a going concern for a reasonable period of time.

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

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

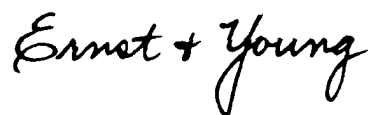
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial 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 financial statements that collectively comprise MISSA's basic financial statements. The supplementary information on pages 31 and 32 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 May 6, 2025 on our consideration of MISSA'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 MISSA'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 MISSA's internal control over financial reporting and compliance.

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

May 6, 2025

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

**Management's Discussion and Analysis**

Year ended September 30, 2022

The following Management's Discussion and Analysis (MD&A) of the Marshall Islands Social Security Administration's (MISSA) financial performance provides an overview to the financial statements of MISSA for the fiscal year ended September 30, 2022. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, we encourage the readers to consider it in conjunction with the audited financial statements, which follow this section.

**REQUIRED FINANCIAL STATEMENTS**

MISSA, a component unit of the Republic of the Marshall Islands (RepMar), prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Statements of Fiduciary Net Position reflect all of MISSA's assets and liabilities and provide information on the nature and amounts of investments available to ensure payment of retirement, survivor, disability and lump sum benefits. All additions to and deductions from the fiduciary net position held in trust for retirement, disability, survivor and lump sum benefits are accounted for in the Statements of Changes in Fiduciary Net Position. This statement measures MISSA's performance over the past year in increasing or decreasing the fiduciary net position available for future benefits.

**FINANCIAL ANALYSIS OF MISSA**

The Statement of Fiduciary Net position on page 11 and the Statement of Changes in Fiduciary Net Position on page 12 provide an indication of MISSA's financial condition. While these statements measure the value of MISSA's net position and the changes to them, another important factor to consider in determining the financial health of MISSA is its actuarial funded status.

A summary of MISSA's Statements of Fiduciary Net Position as of September 30, 2022, 2021 and 2020 is presented below:

<b>Summary Statements of Fiduciary Net Position</b>			
As of September 30,			
	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,693,314	\$ 4,036,935	\$ 4,772,892
Time certificate of deposit	3,500,000	3,500,000	2,000,000
Receivables, net	5,027,836	5,152,172	4,613,489
Investments:			
Cash management	95,264	95,931	143,764
Stocks	44,213,006	49,458,097	39,854,903
Mutual funds	37,899,767	44,083,970	38,938,905
Fixed assets, net	<u>281,765</u>	<u>399,800</u>	<u>477,210</u>
Total assets	<u>96,710,952</u>	<u>106,726,905</u>	<u>90,801,163</u>

Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**FINANCIAL ANALYSIS OF MISSA, CONTINUED**

**Summary Statements of Fiduciary Net Position, continued**

As of September 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>LIABILITIES</b>			
Accounts payable	237,006	188,175	195,984
Other liabilities and accruals	11,217	12,659	99,715
Due to affiliates	<u>1,256,749</u>	<u>2,358,756</u>	<u>2,350,881</u>
Total liabilities	<u>1,504,972</u>	<u>2,559,590</u>	<u>2,646,580</u>

**FIDUCIARY NET POSITION**

Held in trust for future benefits	<u>\$95,205,980</u>	<u>\$104,167,315</u>	<u>\$88,154,583</u>
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Despite the local economic downturn caused by Covid-19 in FY 2022, most of the local businesses were able to pay their MISSA contributions on time. The remaining few employers and workers who were seriously impacted by the pandemic, particularly those coming from retail, service and fishing sectors were given Covid-assistance money provided by the U.S and other foreign governments that are closely allied with the RMI.

By the end of September 2022, contributions totaled \$22.719 million. This enabled the Administration to meet its operational needs and ensure uninterrupted benefit payments without dipping into MISSA's Trust Funds. Further, the \$1.4 million subsidy that was appropriated for MISSA in FY 2022 helped the Administration to maintain enough cash reserves to cover its daily operations and jumpstart the preparation of the implementation of the Workers' Compensation Program on October 1, 2023.

On the other hand, MISSA's foreign investments incurred a heavy loss in FY 2022 as it was seriously impacted by the volatility in the world market caused by Russia's invasion of Ukraine, the lingering COVID-19 pandemic and worldwide inflation higher than seen in several decades that all weighed heavily on the economic outlook.

As of September 30, 2022, MISSA's total fiduciary net position held in reserve for future benefits amounted to \$95.2 million. MISSA has no debt and did not have material activity in its capital assets. Please refer to notes to financial statements for additional information concerning these matters.

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

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

**FINANCIAL ANALYSIS OF MISSA, CONTINUED**

A summary of MISSA's Statements of Changes in Fiduciary Net Position for the years ended September 2022, 2021 and 2020 is presented below:

**Summary Statements of Changes in Fiduciary Net Position**  
Year ended September 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Additions:			
Contributions	\$22,718,875	\$22,640,520	\$22,944,236
Net investment income/(loss)	(10,767,597)	13,856,118	2,092,993
RMI subsidy	1,388,800	1,587,200	1,686,400
Other	<u>298,485</u>	<u>340,056</u>	<u>456,283</u>
Total additions	<u>13,638,563</u>	<u>38,423,894</u>	<u>27,179,912</u>
Deductions:			
Benefit payments	21,346,041	21,202,996	20,932,495
Administrative	<u>1,253,857</u>	<u>1,208,166</u>	<u>1,246,808</u>
Total deductions	<u>22,599,898</u>	<u>22,411,162</u>	<u>22,179,303</u>
Change in net position	\$( <u>8,961,335</u> )	<u>\$16,012,732</u>	<u>\$ 5,000,609</u>

Management's Discussion and Analysis for the year ended September 30, 2021, is set forth in MISSA's report on the audit of its financial statements dated January 12, 2023. Such Management Discussion and Analysis explains the major factors impacting the fiscal year 2021 financial statements and can be obtained from MISSA's Administrator via the contact information on page 10.

**Additions:**

The RMI Government remained consistent in paying its bi-weekly remittances on time, which comprised 30.3% of total contributions. With the continual aggressive collection efforts by MISSA's Tax Compliance Officers, Auditors and court actions, MISSA was able to meet its targeted collection rate. Furthermore, affordable payment plans were offered to certain employers who failed to pay on time which encouraged them to sign new promissory notes. However, because of transitions in contractors being engaged by the United States Army Garrison in Kwajalein (USAG-KA), the total RMI labor force working in Kwajalein dropped, which consequently decreased MISSA's collections in Kwajalein.

For the fiscal year ending September 30, 2022, the aggregate contributions from Majuro, Kwajalein and other atolls totaled \$22.719 million.



Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**FINANCIAL ANALYSIS OF MISSA, CONTINUED**

**Additions, continued:**

The following table presents MISSA's investment allocations as of September 30, 2022

Investment Type	As of September 30, 2022				As of September 30, 2021			
	Weight	Target	Market Value (\$'000)	Target Value (\$'000)	Weight	Target	Market Value (\$'000)	Target Value (\$'000)
Small Cap	4.82%	4.20%	2,930	2,553	4.97%	4.20%	3,608	3,049
Small Cap Value	3.01%	2.10%	1,830	1,277	3.08%	2.10%	2,238	1,525
Large Cap Growth	10.38%	12.60%	6,310	7,659	11.72%	12.60%	8,508	9,148
Large Cap	14.10%	14.70%	8,571	8,936	13.97%	14.70%	10,140	10,672
Large Cap Value	12.16%	11.90%	7,392	7,234	11.44%	11.90%	8,307	8,640
Int'l Small Cap	2.77%	2.80%	1,684	1,702	3.23%	2.80%	2,348	2,033
Int'l Small Cap Value	1.95%	2.10%	1,185	1,276	2.11%	2.10%	1,534	1,525
Int'l Large Cap	4.98%	7.00%	3,027	4,255	5.58%	7.00%	4,049	5,082
Int'l Large Cap Value	4.78%	4.90%	2,906	2,979	5.28%	4.90%	3,832	3,557
Emerging Markets	4.07%	4.20%	2,474	2,553	4.47%	4.20%	3,245	3,049
Domestic Real Estate	2.46%	2.10%	1,495	1,276	2.53%	2.10%	1,839	1,525
International Real Estate	1.32%	1.40%	802	851	1.52%	1.40%	1,102	1,016
Bonds	33.16%	30.00%	20,157	18,236	30.07%	30.00%	21,832	21,781
Cash and Equivalents	0.04%	0.00%	24	0	0.03%	0.00%	20	0
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>\$60,787</b>	<b>\$60,787</b>	<b>100%</b>	<b>100%</b>	<b>\$72,602</b>	<b>\$72,602</b>

The above allocations are based on the current investment policy statement adopted by the Board of Directors on August 18, 2016, wherein MISSA's total investment portfolio requires an allocation of 60% for equities and 40% for bonds.

Apart from MISSA's investment in Marshall Islands Holdings, Inc. (MIHI) and Marshall Islands Service Corporation (MISCO), all investments are limited to no-load mutual funds, unit investment trusts, Exchange Traded Funds, close-end mutual funds and other diversified marketable securities.

For the year ended September 30, 2022, the fair market value of MISSA's investments in the U.S. and international markets decreased by \$11.825 million and totaled \$60.787 million as world stocks were down by almost 20% in the worst year since the financial crisis while the bond market has been pounded as rates have risen. Having maintained a positive cash flow, no investment drawdowns were made in FY 2022. A total of \$1.829 million in dividends and interest payments were received and subsequently reinvested. Investment management fees have decreased by \$255 from \$164,881 in 2021 to \$164,626 in 2022.

Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**FINANCIAL ANALYSIS OF MISSA, CONTINUED**

**Additions, continued:**

MISSA presently holds a 36 % interest in MIHI, a local holding company incorporated on February 27, 2013. On October 31, 2013, MIHI acquired all the outstanding common stock of Bank of the Marshall Islands (BOMI). Prior to MIHI's acquisition of BOMI, MISSA owned 65,417 shares of stocks of BOMI valued at \$10,959,846. Between 2014 and 2017, MISSA received an additional 392 shares from MIHI, increasing the Administration's stockholding to 65,809 shares.

In 2018, MISSA received an additional 100 shares from MIHI and exchanged 3,334 MIHI shares at \$150 per share for 38,469 MISCO shares at \$13 per share. This reduced the Administration's stockholding with MIHI to 62,575 shares. In 2019, MISSA received 75 additional shares from MIHI and exchanged 2,500 MIHI shares at \$200 per share for \$38,461 MISCO shares at \$13 per share. This reduced the Administration's stockholding with MIHI to 60,150 shares. In 2020 and 2021, MISSA received 100 additional shares from MIHI, which increased MISSA's stockholding with MIHI to 60,250 shares. In 2022, MISSA received 50 additional shares from MIHI, which increased MISSA's stockholding with MIHI to 60,300 shares.

On November 10, 2017, the Board approved the transfer of \$1 million from MISSA's investments with MIHI to MISCO or the equivalent of 76,925 MISCO shares at \$13.00 per share. The transfer was made in two installments: the first was made on December 22, 2017, and the second, on December 19, 2018.

At September 30, 2022, MISSA's investment at MIHI decreased in value by \$0.698 million representing BOMI's fiscal year equity earnings less dividends received and value of sold shares. Annual dividend payment of \$482,105 was received from MIHI in December 2022 for calendar year 2022. At September 30, 2022, the investment at MIHI amounted to \$19.913 million. Likewise, MISSA holds 80,080 shares of MISCO stock with a current value of \$1.508 million.

**Deductions:**

Deductions represent benefit payments and administrative expenses. For the year ended September 30, 2022, total deductions amounted to \$22.6 million, which is slightly higher than the \$22.411 million paid in the previous year. The increase was due to the entry of new retirees to the retirement program.

Administrative expenses were maintained within the budgetary limit. For the year ended September 30, 2022, MISSA's administrative expenses totaled \$1.254 million. This amount represents 5.6% of total contributions generated during the year. As mandated by the Social Security Act of 1990, MISSA's administrative expenses have an allowable ceiling of as much as 20% of total revenues for any given year.

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

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

**FUTURE ECONOMIC OUTLOOK**

Since the adoption by the Nitijela of the proposed amendments to the MISSA Act in 2017, the Administration's cash flow remained positive over the years. In March 2022, a cash surplus of \$2.5 million was generated, which was deposited to a local bank under a special savings account with interest above the prevailing rate of a regular savings account. It is also projected that MISSA's combined average daily cash balance in its two local depository banks will be consistently maintained at \$5 to \$6 million in the succeeding years. MISSA needs at least \$2 million a month to cover benefit payments and administrative expenses.

Tax delinquency remains a constant challenge to the Administration. Despite repeated demands and court orders, certain employers continue to default on their payments. Despite this setback, MISSA's tax compliance officers and auditors are determined as ever to continue with their aggressive tax collection campaign, payroll audits and legal referrals to improve, or at the least, maintain their targeted collection rate of 88% to 90% percent of the amount due and collectible.

Nitijela's legislation of Bill 45 (P.L. 2021-36), passed on November 12, 2021, fixed the normal retirement age to 63. This is projected to increase benefits in FY 2023 and will gradually increase further in FY 2024. This may become another serious challenge to the Administration's long-term aim to generate annually at least \$1 million operating surplus intended to grow-back the Trust Fund. It is important to note that between 2010 and 2016, a total of \$22.3 million were withdrawn from the Trust Fund to cover the enormous deficits that MISSA incurred because of the widening gap between benefit payments and contributions.

The demand to either suspend or give back the 5%-10% benefit reductions brought about by the MISSA reform law in 2017 has become a constant issue being thrown to MISSA by its beneficiaries and has even become a persistent subject of debates in the Nitijela. If this demand is granted, MISSA will need to ask for more subsidies from the Government to compensate for the increase in benefit payments amounting to at least \$1 million every year.

As of September 30, 2022, MISSA's fiduciary net position have dropped significantly from the previous year due to the \$11.8 million decline in the market value of its foreign investments. The loss was driven by interest hikes to curb inflation worldwide, fears of global recession, the Russia-Ukraine war and rising concerns over COVID19 cases in China. However, FY 2023 brought a complete turnaround to the global market as MISSA's investments rebounded with an \$8.6 million increase in market value, equivalent to 14.18% time-weighted net return. But despite this growth, the 26% funded status of the Retirement Fund as of October 1, 2021 (based on the latest actuarial study) remains at an alarming level, although much better than the 18% funded ratio three years ago.

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

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

**FUTURE ECONOMIC OUTLOOK, CONTINUED**

MISSA's Investment Committee that oversees the Administration's investment performance has remained watchful and is in constant communication with the Investment Advisor to ensure that the terms and conditions in its Investment Policy Statement (IPS) are consistently and strictly followed. As part of the committee's terms of reference, all Board members are required to undergo basic fiduciary training to learn the fundamental knowledge of their duties and responsibilities as stewards of the Retirement Fund. Furthermore, a Request for Proposal will be released by MISSA in the early part of 2024 to review and select the new Investment Advisor and Custodian in accordance with the Investment Committee's Terms of Reference.

Despite the improving financial performance of MISSA and its positive cash flow in the past five years, the Administration believes that without the continuous RMI Government appropriation and support by the Nitijela, the long-term stability of the Fund will always face serious challenges. The October 1, 2021, actuarial report has shown that if the RMI Government will stop its subsidy to MISSA and the number of active contributors remain unchanged, the funded status of the Retirement Fund will gradually drop over the years and by 2031, nothing will be left in the Fund to pay present and future beneficiaries.

The November 20, 2023, elections in the country and completion of the 3-year term of the MISSA Board in March 2024 may bring changes in its composition. But the Administration remains optimistic that its incoming fund stewards will be as diligent and prudent as their former counterparts in safeguarding the long-term financial health of the Fund.

As MISSA continues to see a robust financial outlook in the coming year and after the November 2023 elections, it will remain confident that it will continue to receive the same strong support it received from the RMI Government, past and present. It is always the goal of MISSA to work closely with the legislators to continue seeking their support in searching for long-term solutions and ensure that the Retirement Fund remains viable and financially healthy through the years.

**CONTACTING MISSA'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our beneficiaries and others a general overview of MISSA's finances and to demonstrate its accountability for the money it collects. If you have questions about this report or need additional financial information, contact the Administrator, P.O. Box 175, Majuro, MH 96960 or via email at [bryan.edejer@rmimissa.net](mailto:bryan.edejer@rmimissa.net).

Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Statement of Fiduciary Net Position

September 30, 2022

**ASSETS**

Cash	\$ 5,693,314
Receivables, net	<u>5,027,836</u>
Investments:	
Cash management	95,264
Time certificate of deposit	3,500,000
Stocks	21,421,143
Exchange traded funds	22,791,863
Mutual funds	<u>37,899,767</u>
Total investments	<u>85,708,037</u>
Capital assets, net	<u>281,765</u>
Total assets	<u>96,710,952</u>

**LIABILITIES**

Accounts payable	237,006
Other liabilities and accruals	11,217
Due to affiliates	<u>1,256,749</u>
Total liabilities	<u>1,504,972</u>
Contingencies	

**NET POSITION**

Held in trust for retirement, disability and survivors' benefits	<u><u>\$ 95,205,980</u></u>
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Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Statement of Changes in Fiduciary Net Position

Year ended September 30, 2022

Additions:

Contributions:

Private employees	\$ 14,460,513
Government employees	6,884,914
Penalties and interest	<u>203,492</u>
Total contributions	21,548,919
Recovery from bad debts	<u>1,169,824</u>
Net contributions income	<u>22,718,743</u>

Investment loss:

Net change in the fair value of investments	( 12,431,505 )
Dividends	1,703,940
Interest	<u>124,726</u>
Total investment loss	( 10,602,839 )
Less investment expense:	
Investment fees	( <u>164,626</u> )
Net investment loss	( <u>10,767,465</u> )

Other additions	298,485
RepMar subsidy	<u>1,388,800</u>
Total additions	<u>13,638,563</u>

Deductions:

Benefit payments:

Retirement	12,170,478
Survivors	7,920,694
Disability	892,531
Lump sum	<u>362,338</u>
Total benefit payments	21,346,041

Administrative	<u>1,253,857</u>
Total deductions	<u>22,599,898</u>

Change in net position	( 8,961,335 )
Net position at beginning of year	<u>104,167,315</u>
Net position at end of year	<u><u>\$ 95,205,980</u></u>

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

**Notes to Financial Statements**

Year ended September 30, 2022

**1. Organization**

The Marshall Islands Social Security Administration (MISSA), a fiduciary component unit of the Government of the Republic of the Marshall Islands (RepMar), was established pursuant to Public Law 1990-75 (the Social Security Act of 1990), as amended. The law repealed the Social Security Act of 1987 and established MISSA to administer the Marshall Islands Social Security Retirement Fund (the Retirement Fund). The Retirement Fund was established to provide a financially sound social security system with pension benefits and early retirement, whereby workers would be ensured a measure of security in their old age and during disability, and whereby surviving spouses and surviving children of deceased workers would be ensured support after the loss of the family's income. Additionally, MISSA is responsible for processing, monitoring, and distributing benefit claims under the Prior Service Benefits Program (see Note 3). Accordingly, MISSA established the Prior Service Fund to account for activities under this program.

In 2016, the Cabinet of RepMar established a National Task Force to review the financial status of MISSA and to make recommendations for reform to prolong the longevity of the Retirement Fund. The Nitijela subsequently enacted Public Law 2016-26 (the Social Security (Amendment) Act 2016), which implemented reform measures as recommended by the Task Force with an effective date of January 1, 2017. The Nitijela further enacted Public Law 2017-29 (the Social Security (Amendment) Act 2017), which further enhanced the reform measures outlined in Public Law 2016-26 and deferred the effective date to March 6, 2017. On November 22, 2018, the Nitijela enacted Public Law 2018-98 (Social Security Amendment Act 2018), which amends certain sections of the Social Security Act to provide for: (i) cab drivers to be defined as employees subject to MISSA taxes and benefits; (ii) to increase the percentage of lump-sum payment for workers who do not have enough accrued quarters; and (iii) to provide options for non-citizens or nationals to claim lump-sum payment when they leave the Marshall Islands at the age of retirement.

On September 30, 2019, the Nitijela enacted Public Law 2019-107 (Workers Compensation Act 2019), which established legislation for the purpose of providing compensation and rehabilitation of workers in respect of work-related injuries and fatalities. The effective implementation date is October 1, 2023, and designated MISSA as the administrator of the program.

MISSA operates under the authority of a nine-member Board of Directors appointed by the Cabinet of RepMar.

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

**Notes to Financial Statements, continued**

**2. Summary of Significant Accounting Policies**

The accounting policies of MISSA conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically fiduciary 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*, which was subsequently amended by Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, establish financial reporting standards for governmental entities, which includes the requirement for MISSA to present Management's Discussion and Analysis (MD&A). The MD&A is required supplementary information and precedes the basic financial statements. In addition, these statements require that resources be classified for accounting and reporting purposes as held in trust for retirement, disability, and survivors' benefits. Management of MISSA has determined that, per its enabling legislation, the net position of MISSA is to be held in trust for retirement, disability, and survivors' benefits.

**Basis of Accounting**

MISSA is accounted for as a Fiduciary Fund Type - Private Purpose Trust Fund and prepares its financial statements using the accrual basis of accounting. It recognizes employee and employer contributions as revenues in the quarter employee earnings are paid. Retirement benefits are recognized as expenses when payable. Expenses are recorded when the corresponding liabilities are incurred regardless of when payment is made.

**Cash and Time Certificates of Deposit**

For the purposes of the statement of fiduciary net position, cash includes cash on hand and cash in checking and savings accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified.

**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 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.



**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

**Notes to Financial Statements, continued**

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

**Investments, continued**

MISSA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement. Investments not categorized under the fair value hierarchy are shown at either Net Asset Value (NAV) or amortized cost.

Investments of 20% or more of the voting stock of an investee are presumed to give the investor significant influence and are carried using the equity method. Under the equity method, the investor records, as earnings or loss, its proportionate share of the investee's earnings or loss.

**Receivables and the Allowance for Doubtful Accounts**

Contributions are due from employers located within the Republic of the Marshall Islands. These receivables are not collateralized and are non-interest bearing. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts. The allowance is established through a provision for bad debts charged to expense.

**Capital Assets**

Capital assets with a cost that equals or exceeds \$200 are generally capitalized at the time of acquisition. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

Buildings and improvements	5 - 15 years
Motor vehicles	3 - 5 years
Computer equipment	3 years
Furniture	5 years
Office equipment	3 years

**Marshall Islands Social Security Administration**  
(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 statement of fiduciary 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. MISSA has no items that qualify for reporting in this category.

**Compensated Absences**

Annual vacation leave is earned by all permanent employees and accumulates at the rate of one working day per bi-weekly pay period. Upon termination, employees are eligible to receive compensation for their accrued annual leave balances. As of September 30, 2022, the accumulated annual leave liability amounted to \$3,582 and is included in the statement of fiduciary net position within other liabilities and accruals.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of fiduciary 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. MISSA has no items that qualify for reporting in this category.

**Contributions**

Contributions to the Retirement Fund are governed by the Social Security Act of 1990, as amended by the Social Security (Amendment) Act 2016, which imposes a tax on the quarterly income of every employee not currently subject to the United States Social Security System or any other recognized Social Security System. Employees are required to contribute an amount equal to 8% of wages while every employer is required to contribute an amount equal to that contributed by employees. Maximum quarterly taxable wages are \$10,000.

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

**Notes to Financial Statements, continued**

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

**Benefit Obligations**

Retirement benefits are paid to every person who is a service insured or a fully insured individual as defined by the Social Security Act of 1990, as amended, has attained an age of 60 years prior to March 6, 2017, and has filed an application for old age insurance benefits. Thereafter, the old age insurance benefits have been redefined as follows: a fully insured worker who has attained an age of 61 years by March 6, 2017; 62 years by January 1, 2019; 63 years by January 1, 2021; 64 years by January 1, 2023; and 65 years by January 1, 2025, shall be entitled to old age insurance benefits. Effective March 6, 2017, new applications for early or deferred retirement benefits will no longer be allowed.

Benefits are also paid to surviving spouses of deceased workers, subject to eligibility requirements, if they do not remarry. Eligible children who are not married and are not working may also receive benefits until age eighteen (18) or up until age twenty-two (22), if in school. Eligible children who become disabled before age twenty-two will continue to receive benefits for the duration of the disability. Disability benefits are paid to qualified workers for the duration of the disability or until retirement or death, at which time retirement or survivor benefits become available.

Effective October 1, 1990, benefits are paid monthly and are computed as follows:

- a) Pension element - two percent of index covered earnings, plus;
- b) Social element - 14.5% of the first \$11,000 of cumulative covered earnings plus 0.7% of cumulative covered earnings in excess of \$11,000 but not in excess of \$44,000. The \$11,000 and \$44,000 bend points may be increased from time to time by wage index adjustments granted by the Board of MISSA.

The minimum benefit is \$129 per month, effective October 1, 1995.

Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

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

**Benefit Obligations, continued**

Effective March 6, 2017, Public Law 2017-29 enacted MISSA to enforce a decrease in monthly benefit payments, which was to be phased in over a period of three years as follows:

<u>Monthly Benefit Range</u>	<u>2017</u>	<u>Percent of Reduction in</u>			<u>But Not Less Than</u>
		<u>2018</u>	<u>2019 and onward</u>		
\$301 - \$400	1.67%	3.33%	5.00%		\$300
\$401 - \$500	2.00%	4.00%	6.00%		\$380
\$501 - \$600	2.33%	4.67%	7.00%		\$470
\$601 - \$700	2.67%	5.33%	8.00%		\$558
\$701 - \$800	3.00%	6.00%	9.00%		\$644
\$801 - \$1,700	3.33%	6.67%	10.00%		\$728 - \$1,440

The maximum monthly benefit for retirees prior to March 6, 2017, shall be \$1,600. Thereafter, the maximum monthly benefit shall be \$1,200.

**Future Liabilities and Contributions**

No recognition is given in the accompanying financial statements to the present value of the liabilities of prospective benefit payments or the present value of future contributions required from employees or employers.

**Recently Adopted Accounting Pronouncements**

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

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

- GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract.

Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

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

**Recently Adopted Accounting Pronouncements, continued**

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.
- GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.
- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:
  - 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance.

Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

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

**Recently Adopted Accounting Pronouncements, continued**

- 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance.
- 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance.
- 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance.
- 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance.
- 6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance.

The implementation of these statements did not have a material effect on the accompanying financial statements.

Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

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

**Upcoming Accounting Pronouncements**

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

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

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

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

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



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

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

**Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of net position and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

**Notes to Financial Statements, continued**

**3. Prior Service Benefits Program**

Under the terms of a Prior Service Claim Adjudication Service Agreement between MISSA and the Trust Territory Prior Service Trust Fund, MISSA is to provide for the processing of benefit claims and to assist in the monitoring of continuing eligibility under the Prior Service Program. The Prior Service Trust Fund Administration (PSTFA) will reimburse MISSA \$2,000 per annum plus an amount equal to eight percent of the total amount of automated and manual benefit payments. Any cost for MISSA personnel who assist in searching and locating prior service documents in cooperation with the Prior Service Administration will be reimbursed on a dollar-for-dollar basis.

In 2005, an agreement was entered into between the PSTFA Board and the U.S. Department of the Interior to delegate the Board's obligations to and responsibility for the enrollees eligible for the Prior Service Benefits Program to the Social Security Systems of the Republic of the Marshall Islands, the Republic of Palau, the Federated States of Micronesia, and the Retirement Fund of the Commonwealth of the Northern Mariana Islands. Based on the agreement, the Social Security Administration (SSA) of each Government shall be entitled to an administrative fee not to exceed 20% of the share of allocated funds.

MISSA assumed administrative functions and for the year ended September 30, 2022, received an allocation of \$58,900 from PSTFA. Total benefits and administrative expenses for the year ended September 30, 2022, amounted to \$81,933. However, while MISSA accepts the liability for any amounts received, MISSA does not accept the obligation to pay future benefits unless additional funds are received from PSTFA. As of September 30, 2022, no funds are available for future benefit payments under the Prior Service Benefits Program.

**4. Deposits and Investments**

The deposit and investment policies of MISSA are governed by its enabling legislation. The Board is required to engage one or more fund custodians to assume responsibility for the physical possession of MISSA's investments. Legally authorized investments are as follows:

- (i) Government obligations - Obligations issued or guaranteed as to principal and interest by RepMar or by the Government of the United States, provided that the total market value of the investments in obligations guaranteed by RepMar shall at the time of purchase not exceed twenty-five percent (25%) of the total market value of all investments of MISSA, and further provided that the principal and interest on each obligation are payable in the currency of the United States.

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

**Notes to Financial Statements, continued**

**4. Deposits and Investments, continued**

- (ii) Corporate obligations and mortgage-backed securities - Obligations of any public or private entity or corporation created or existing under the laws of the Marshall Islands or of the United States or any state, territory or commonwealth thereof, or obligations of any other government or economic community which are payable in United States dollars, or pass through and other mortgage-backed securities provided that the obligation is issued by an agency of the United States Government or is rated in one of the four highest categories by two nationally recognized rating agencies in the United States. No investment under this heading shall exceed five percent of the market value of the Retirement Fund or ten percent of the outstanding value of the issue at the time of purchase.
- (iii) Preferred and common stocks - Shares of preferred or common stocks of any corporation created or existing under the laws of the Marshall Islands or under the laws of the United States or any state, territory or commonwealth thereof provided that the purchase of such shares shall be considered reasonable and prudent by MISSA's investment advisor at the time of purchase, that not more than fifteen percent (15%) percent of the market value of the Retirement Fund shall be invested in the stock of any one corporation, and that no more than twenty-five percent (25%) percent of the market value of the Retirement Fund shall be invested in any one industry group.
- (iv) Insurance company obligations - Contracts and agreements supplemental thereto providing for participation in one or more accounts of a life insurance company authorized to do business in the Marshall Islands or in any state, territory, or commonwealth of the United States provided that the total market value of these investments at no time shall exceed ten percent (10%) of all investments of the Retirement Fund.

**Deposits**

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

As of September 30, 2022, the carrying amount of MISSA's cash and time certificates of deposit was \$9,193,314 and the corresponding bank balances was \$9,507,472. Of the bank balance amount, \$1,133,502 was maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of \$8,373,970 was maintained in a financial institution not subject to depository insurance. As of September 30, 2022, bank deposits in the amount of \$250,000 were FDIC insured. MISSA does not require collateralization of its cash deposits; therefore, deposit levels more than FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**4. Deposits and Investments, continued**

**Investments**

As of September 30, 2022, investments in marketable securities are as follows:

Mutual funds	\$37,899,767
Exchange Traded funds	22,791,863
Cash management funds	<u>95,264</u>
	<u>\$60,786,894</u>

MISSA has the following recurring fair value measurements as of September 30, 2022:

	September 30, 2022	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Exchange Traded funds	\$22,791,863	\$22,791,863	\$ -	\$ -
Mutual funds	<u>37,899,767</u>	<u>37,899,767</u>	<u>-</u>	<u>-</u>
	60,691,630	<u>\$60,691,630</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	<u>95,264</u>			
	<u>\$60,786,894</u>			

MISSA owns 60,300 shares of common stock in Marshall Islands Holdings, Inc. (MIHI), which engages in all aspects of holding company activities in the RMI and which is the sole shareholder of Bank of Marshall Islands (BOMI). In addition, MISSA owns 80,080 shares of common stock of Marshall Islands Service Corporation (MISCO), which is majority-owned by MIHI.

The investment in MIHI is accounted for on the equity method since the investment constitutes 36% ownership share as of September 30, 2022. As of September 30, 2022, MISSA's investment in MIHI amounted to \$19,913,092. The investment in MISCO is stated at NAV. As of September 30, 2022, MISSA's investment in MISCO amounted to \$1,508,051.

As of September 30, 2022, MISSA maintained bank deposits with BOMI totaling \$8,373,970. During the year ended September 30, 2022, MISSA received cash dividend payments from MIHI of \$481,735.

During the year ended September 30, 2022, the total net increase in fair value of investments included \$392,215 of equity in the net earnings of MIHI.

Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**4. Deposits and Investments, continued**

**Investments, continued**

A summarized financial information of MIHI as of and for the year ended December 31, 2022, is presented on the table below:

Total assets	\$ <u>180,657,410</u>
Total liabilities	\$ <u>120,505,090</u>
Equity:	
Attributable to stockholders of MIHI	\$ <u>53,650,809</u>
Noncontrolling interest	\$ <u>6,501,511</u>
Net income attributed to:	
Stockholders of MIHI	\$( <u>561,454</u> )
Noncontrolling interests	\$ <u>622,058</u>

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of September 30, 2022, MISSA's investment portfolio did not include investments in debt securities. Accordingly, MISSA is not exposed to credit risk from investments.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, MISSA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. MISSA's investments are held and administered by trustees. MISSA's custodian holds investment securities in MISSA's name. MISSA's custodian is not affiliated or related to investment brokers. Accordingly, these investments are not exposed to custodial credit risk.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amounts of investments in any one issuer that represents five percent (5%) or more of total investments for MISSA. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. There was no concentration of credit risk for investments as of September 30, 2022.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. MISSA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of September 30, 2022, MISSA's investment portfolio did not include investments in debt securities. Accordingly, MISSA is not exposed to interest rate risk.

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**5. Receivables**

Receivables as of September 30, 2022, including applicable allowances for doubtful accounts, are as follows:

Contributions	\$ 4,769,715
Court judgments	3,269,789
Notes	1,928,793
Due from RepMar	347,200
Interest	211,423
Other	<u>129,818</u>
	10,656,738
Less allowance for doubtful accounts	<u>( 5,628,902)</u>
	<u>\$ 5,027,836</u>

Court judgments represent amounts due from employers for delinquent contributions that have been referred to attorneys for collection and have been adjudicated by the Court. These amounts are comprised of unpaid contributions together with penalties, interest, and attorney fees and are subject to interest of 9% per annum. Notes represent amounts due from employers for delinquent contributions wherein the employer has entered into a promissory note agreement with MISSA with stipulated repayment terms and conditions, including interest of 12% per annum.

**6. Capital Assets**

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

	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Depreciable capital assets:				
Buildings and improvements	\$ 942,669	\$ ---	\$ ---	\$ 942,669
Motor vehicles	137,390	---	---	137,390
Computer equipment	93,691	6,820	---	100,511
Furniture	61,884	2,514	---	64,398
Office equipment	<u>46,582</u>	<u>3,259</u>	<u>---</u>	<u>49,841</u>
	1,282,216	12,593	---	1,294,809
Less accumulated depreciation	<u>( 882,416)</u>	<u>( 130,628)</u>	<u>---</u>	<u>( 1,013,044)</u>
	<u>\$ 399,800</u>	<u>\$ ( 118,035)</u>	<u>\$ ---</u>	<u>\$ 281,765</u>

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

**Notes to Financial Statements, continued**

**7. Related Party Transactions**

As of September 30, 2022, due to affiliates are amounts payable to the Marshall Islands Health Fund (MIHF) of \$1,256,749, which represent unremitted Basic Health Benefits Plan employee and employer contributions collected by MISSA at the year end. In return, MISSA receives a fixed fee of \$200,000 per year for collecting contributions on behalf of the MIHF. During the year ended September 30, 2022, MISSA and the MIHF agreed to reduce the fixed fee to \$150,000.

During the year ended September 30, 2022, MISSA received an appropriation of \$1,288,800 from RepMar's General Fund to subsidize monthly benefit payments as enacted by Public Law 2017-29. In addition, MISSA received an appropriation of \$100,000 from RepMar's General Fund for the purpose of establishing the Workers Compensation Fund.

**8. Employee Retirement Plan**

In 2017, MISSA implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least 3 months of service. Plan participants may contribute up to 10% of their gross salaries, with MISSA paying 20% of the employees' share for those with two years of service, 40% for three years of service, 60% for four years of service, 80% for five years of service and 100% for six years of service or more. Withdrawal from the Plan occurs upon termination of employment, retirement at age 65, permanent disability or death. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. MISSA contributed \$23,264 to Plan participant accounts during the year ended September 30, 2022, and total plan assets was \$209,563 as of September 30, 2022.

**9. Contingencies**

MISSA obtained an actuarial valuation of the Retirement Fund as of October 1, 2021. The valuation reported actuarial accrued liabilities and market value of assets for the Retirement Fund of \$393.32 million and \$104.167 million, respectively, as of October 1, 2021. The funded ratio of the Retirement Fund as of October 1, 2021, is 26%. As of September 30, 2022, MISSA recorded total fund equity of \$95,195,890 in the Retirement Fund, as funds available to fund future benefit obligations. These conditions indicate that MISSA may be unable to meet its future benefit obligations.

MISSA is of the opinion that there are outstanding contributions due to the Retirement Fund; however, a reasonable estimate of this amount cannot be determined due primarily to noncompliance by employers.

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**10. Risk Management**

MISSA 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. MISSA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. MISSA is also exposed to investment risk. This risk is limited by diversification of the portfolio, establishment and monitoring of investment policies and guidelines, and monitoring of investment performance. In addition, investment consultants monitor MISSA's activities and advise the Board of Directors.



Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Combining Statement of Fiduciary Net Position

September 30, 2022

	Retirement Fund	Prior Service Fund	Worker's Compensation	Total Before Elimination	Elimination	Total
<b>ASSETS</b>						
Cash	\$ 5,677,388	\$ 3,260	\$ 12,666	\$ 5,693,314	\$ ---	\$ 5,693,314
Receivables, net	<u>5,027,236</u>	<u>600</u>	<u>---</u>	<u>5,027,836</u>	<u>---</u>	<u>5,027,836</u>
Investments:						
Cash management	95,264	---	---	95,264	---	95,264
Time certificate of deposit	3,500,000	---	---	3,500,000	---	3,500,000
Stocks	21,421,143	---	---	21,421,143	---	21,421,143
Exchange traded funds	22,791,863	---	---	22,791,863	---	22,791,863
Mutual funds	<u>37,899,767</u>	<u>---</u>	<u>---</u>	<u>37,899,767</u>	<u>---</u>	<u>37,899,767</u>
Total investments	<u>85,708,037</u>	<u>---</u>	<u>---</u>	<u>85,708,037</u>	<u>---</u>	<u>85,708,037</u>
Capital assets, net	<u>281,765</u>	<u>---</u>	<u>---</u>	<u>281,765</u>	<u>---</u>	<u>281,765</u>
Total assets	<u>96,694,426</u>	<u>3,860</u>	<u>12,666</u>	<u>96,710,952</u>	<u>---</u>	<u>96,710,952</u>
<b>LIABILITIES</b>						
Accounts payable	230,570	5,387	1,049	237,006	---	237,006
Other liabilities and accruals	11,217	---	---	11,217	---	11,217
Due to affiliates	<u>1,256,749</u>	<u>---</u>	<u>---</u>	<u>1,256,749</u>	<u>---</u>	<u>1,256,749</u>
Total liabilities	<u>1,498,536</u>	<u>5,387</u>	<u>1,049</u>	<u>1,504,972</u>	<u>---</u>	<u>1,504,972</u>
<b>NET POSITION</b>						
Held in trust for retirement, disability, and survivors' benefits	<u>\$ 95,195,890</u>	<u>\$ ( 1,527 )</u>	<u>\$ 11,617</u>	<u>\$ 95,205,980</u>	<u>\$ ---</u>	<u>\$ 95,205,980</u>

Marshall Islands Social Security Administration  
(A Component Unit of the Republic of the Marshall Islands)

Combining Statement of Changes in Fiduciary Net Position

Year ended September 30, 2022

	Retirement Fund	Prior Service Fund	Worker's Compensation	Total Before Elimination	Elimination	Total
Additions:						
Contributions:						
Private employees	\$ 14,460,513	\$ ---	\$ ---	\$ 14,460,513	\$ ---	\$ 14,460,513
Government employees	6,884,914	---	---	6,884,914	---	6,884,914
Penalties and interest	203,492	---	---	203,492	---	203,492
Total contributions	21,548,919	---	---	21,548,919	---	21,548,919
Recovery from bad debts	1,169,824	---	---	1,169,824	---	1,169,824
Net contributions income	22,718,743	---	---	22,718,743	---	22,718,743
Investment loss:						
Net change in the fair value of investments	( 12,431,505 )	---	---	( 12,431,505 )	---	( 12,431,505 )
Dividends	1,703,940	---	---	1,703,940	---	1,703,940
Interest	124,594	---	132	124,726	---	124,726
Total investment loss	( 10,602,971 )	---	132	( 10,602,839 )	---	( 10,602,839 )
Less investment expense:						
Investment fees	( 164,626 )	---	---	( 164,626 )	---	( 164,626 )
Net investment loss	( 10,767,597 )	---	132	( 10,767,465 )	---	( 10,767,465 )
Other additions	239,585	58,900	---	298,485	---	298,485
RepMar subsidy	1,288,800	---	100,000	1,388,800	---	1,388,800
Total additions	13,479,531	58,900	100,132	13,638,563	---	13,638,563
Deductions:						
Benefit payments:						
Retirement	12,154,555	15,923	---	12,170,478	---	12,170,478
Survivors	7,868,570	52,124	---	7,920,694	---	7,920,694
Disability	892,531	---	---	892,531	---	892,531
Lump sum	362,338	---	---	362,338	---	362,338
Total benefit payments	21,277,994	68,047	---	21,346,041	---	21,346,041
Administrative	1,151,456	13,886	88,515	1,253,857	---	1,253,857
Total deductions	22,429,450	81,933	88,515	22,599,898	---	22,599,898
Change in net position	( 8,949,919 )	( 23,033 )	11,617	( 8,961,335 )	---	( 8,961,335 )
Net position at beginning of year	104,145,809	21,506	---	104,167,315	---	104,167,315
Net position at end of year	\$ 95,195,890	\$ ( 1,527 )	\$ 11,617	\$ 95,205,980	\$ ---	\$ 95,205,980

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

Board of Directors  
Marshall Islands Social Security Administration

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 fiduciary activities of Marshall Islands Social Security Administration (MISSA), which comprise the statement of fiduciary net position as of September 30, 2022, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 6, 2025.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MISSA'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 MISSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MISSA'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.

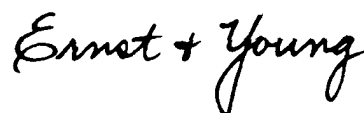
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

As part of obtaining reasonable assurance about whether MISSA'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 the entity'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, cursive script font.

May 6, 2025

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

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

*Year ended September 30, 2022*



*Management Letter*

**Marshall Islands Social Security Administration**  
(A Component Unit of the Republic of the Marshall Islands)

*Year ended September 30, 2022*



May 6, 2025

Management and the Board of Directors  
Marshall Islands Social Security Administration

In planning and performing our audit of the financial statements of the fiduciary activities of Marshall Islands Social Security Administration (MISSA) a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered MISSA's internal control over financial reporting (internal control) 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 MISSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MISSA'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:

### **Unclaimed Benefit Payments**

**Condition:** We noted that certain benefit payments disbursed to members or beneficiaries dating as far back as 2009 totaling \$39,716 were returned as undeliverable or unclaimed. These amounts have remained unresolved and continue to be carried on MISSA's records.

**Recommendation:** We recommend that management perform a comprehensive review of all returned benefit payments and assess their eligibility for escheatment in accordance with applicable unclaimed property regulations. Where possible, efforts should be made to contact the intended recipients. Additionally, management should consider implementing enhanced tracking and follow-up procedures to promptly resolve returned payments in the future.

## **Long Outstanding Receivables**

Condition: Receivables relating to contributions, Court judgments and promissory notes amounting to \$4,769,715, \$3,269,789 and \$1,928,793, respectively, included amounts deemed uncollectable as of September 30, 2022, resulting in a combined allowance for uncollectable accounts of \$5,579,463, which represents 56% of total receivables. Of the total deemed uncollectable, \$4,312,237 represented receivables aged more than five years dating back since.

Recommendation: We recommend management establish internal control policies and procedures requiring regular assessment of the collectability of accounts receivable. Furthermore, we recommend management establish a written policy governing receivable collections and write-offs.

## **Revenue Collections**

Condition: During the year ended September 30, 2022, MISSA collections for 2022 per the collection report amounted to \$22,110,708 whereas the corresponding general ledger balance amounted to \$21,956,134. An unreconciled difference of \$154,574 resulted, which was considered immaterial to the financial statements. Furthermore, 2022 social security contributions amounting to \$236,440 were incorrectly recorded as health fund contributions while 2022 health fund contributions amounting to \$43,269 were incorrectly recorded as social security contributions. An audit adjustment was proposed to correct the net understatement of \$193,171 in social security contributions.

Recommendation: We recommend management establish internal control policies and procedures requiring timely reconciliation and recording of MISSA collections between social security contributions and health fund contributions.

## **Retirement Savings Plan**

Condition: During the year ended September 30, 2022, MISSA made contributions of \$23,462 to retirement savings plans for the benefit of MISSA employees. These matching contributions, which represent employer match based on employee contributions, may constitute wages under the Income Tax Act 1989 and thus may be subject to withholding taxes. No withholding taxes were withheld by MISSA.

Recommendation: We recommend management obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on the matching employer contributions.



### **Board Sitting Fees**

Condition: During the year ended September 30, 2022, MISSA paid sitting fees of \$49,050 to Board members. These fees may constitute wages under the Income Tax Act 1989 and thus may be subject to withholding taxes. No withholding taxes were withheld by MISSA.

Recommendation: We recommend management obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on sitting fees paid to Board members.

\*\*\*\*\*

This communication is intended solely for the information and use of management and the Board of Directors of MISSA, 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.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

*Ernst + Young*

May 6, 2025

Board of Directors  
Marshall Islands Social Security Administration

We have performed an audit of the financial statements of the fiduciary activities of Marshall Islands Social Security Administration (MISSA), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2022, 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 May 6, 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 MISSA is responsible. We summarize these required communications as follows:

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

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated March 27, 2023 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, supplementary and other information are the responsibility of MISSA'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 July 2023 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 MISSA'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. A discussion of significant accounting policies and sensitive accounting estimates have been included in Note 2 of the financial statements.

We are not aware of any significant policies used by MISSA in controversial or emerging areas or for which there is a lack of authoritative guidance.

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.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor MISSA's operations. These budgets include determining how existing financial resources will be used in MISSA's operations.
- Evaluating whether there are indicators that the carrying value of MISSA's long-lived assets is impaired.

- Determining the adequacy of the allowance for doubtful accounts.
- Determining the reasonableness of economic useful lives assigned to depreciable assets.

**Related party relationships and transactions**

A discussion of related party relationships and transactions is included in Note 7 of the financial statements. We noted no significant matters regarding MISSA's relationships and transactions with related parties.

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

We are not aware of any matters that require communication.

**Significant unusual transactions**

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

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

None.

**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**

We have issued our 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* dated May 6, 2025. In that report, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

**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 July 2023 meeting 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. 91
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101

### **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 material disagreements with MISSA's management on financial accounting and reporting matters during 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, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

### **Representations 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.

### **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 MISSA 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.

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

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) 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.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of MISSA.
- The preparation of the financial statements is based on MISSA's trial balance with our understanding that MISSA's underlying books and records are maintained by MISSA's accounting department and that the final trial balance prepared by MISSA is complete.
- MISSA's Chief Financial Officer has the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosure.

\*\*\*\*\*

May 6, 2025

This communication is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Ernst + Young*

## Appendix

A - Summary of Corrected Misstatements

B - Summary of Uncorrected Misstatements

C - Management's Representation Letter



A - Summary of Corrected Misstatements

Appendix A – Schedule of Corrected Misstatements									
Communication schedule for corrected misstatements									
Entity: Marshall Islands Social Security Administration									
Period ended: 30-Sep-2022 Currency: USD									
Corrected misstatements									
No.	W/P ref.	Account	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
(misstatements are recorded as journal entries with a description)									
			Debit(Credit)	Debit(Credit)	Debit(Credit)	Debit(Credit)	Debit(Credit)	Debit(Credit)	Non taxable
AJE 1		To record the recovery of the bad debts							
E0120		Accrued Int. Recible-Employers	24						
E0120		Accrued Penalties Recible-Emp	(99)						
E0120		Allowance for doubtful Accounts-Accrued	(339)						
E0120		Allow for Uncollectible Notes	520,816						
E0120		Allowance for Court Judgement	777,807						
E0120		Recovery of Bad debt							(1,296,259)
AJE 2		To record the equity earnings for Associate Investments,MSH							
UB0110		Equity Earnings of Affiliate	(698,310)						698,310
AJE 3		To record the accrual of 4th Qtr of FY22 subsidy from RMI Govt							
E0120		Due from RMI Govt	347,200						
UE1-0110		Fund subsidy from RMI govt							(347,200)
AJE 4		Reversal of wrong recording of subsidy from Regular related to Worker's compensation Fund							
UE1 - 0110		Fund Subsidy from RMI Govt							100,000
E0120		Due From Workmen's Compensation Fund	(109,000)						
AJE 5		To record the impact of social security taxes wrongly recorded as Health fund taxes.							
UA0110		Due to MOH	77,183						
UA0110		Contribution private employment							(193,171)
UA0110		Accrued contribution receivable	115,956						
AJE 6		To record the entry for FV change in investment in MISCO							
H-0130		Investment in MISCO	477,854						
H-0130		Unrealized Gains/Losses-Invmt							(477,854)
Total of corrected misstatements before income tax			1,510,224	0	0	0	0	0	(1,510,224)
Financial statement amounts			10,721,150	85,989,801	(1,594,972)	0	(194,167,315)	0	8,961,336
Effect of corrected misstatements on F/S amounts			14.2%	0.0%	0.0%	0.0%	0.0%		-16.9%

B - Summary of Uncorrected Misstatements

Appendix B– Schedule of Uncorrected Misstatement

Communication schedule for uncorrected misstatements

Entity:

Marshall Islands Social Security Administration

Period Ended: 30-Sep-2022

Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P 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	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)	
Factual misstatements:										
PAJE # 1		To record the impact of understatement of social security taxes.								
	UA-0100	Due to MOH			407,215					
		Contribution to Govt Employment							(407,215)	
Total of uncorrected misstatements before income tax			0	0	407,215	0	0	0	(407,215)	
Total of uncorrected misstatements			0	0	407,215	0	0	0	(407,215)	
Financial statement amounts			10,721,150	85,969,802	(1,504,972)	0	(194,167,315)			8,961,335

C - Management's Representation Letter



MARSHALL ISLANDS SOCIAL SECURITY ADMINISTRATION

**Head Office**

P.O. Box 175, Majuro, Marshall Islands MH 96960  
Phone: (692) 625-3101, Fax: (692) 625-4570  
Email: bryanedejer@rmissa.net

**Ebeye Branch**

P.O. Box 5850, Ebeye, Kwajalein, MH96970  
Phone: (692) 329-3788, Fax: 329-3902

May 6, 2025

Ernst & Young LLP  
Majuro, Marshall Islands  
P.O Box 1288, 96960

In connection with your audit of the financial statements of the fiduciary activities of Marshall Islands Social Security Administration (MISSA), a component unit of the Republic of the Marshall Islands, as of September 30, 2022 and for the year then ended, 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 MISSA and the changes in financial position and cash flows, where applicable, thereof in conformity with US generally accepted accounting principles (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 March 27, 2023, 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 periods.

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

C - Management's Representation Letter, continued

***Management's responsibilities, continued***

We acknowledge our responsibility 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. 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, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within MISSA 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.

From October 1, 2021 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 MISSA's compliance with laws, regulations, and provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives, all laws and regulations that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

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

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 a process to track the status of audit findings and recommendations.

C - Management's Representation Letter, continued

We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

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.

***Corrected misstatements***

We are in agreement with the audit adjustments you have proposed (Appendix A) and have posted the adjusting journal entries to MISSA's books.

***Uncorrected misstatements***

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule (Appendix B), accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements. In addition, to the extent that uncorrected misstatements have been subsequently identified in the current period that affect prior period financial statements, we have evaluated the effect of correcting prior period financial statements and believe that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to both the current and prior period financial statements.

***Internal control***

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

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

C - Management's Representation Letter, continued

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

The dates of meetings of Board of Directors and important management committees are as follows:

<b><u>Date Meeting</u></b>	<b><u>Type</u></b>
October 5, 2021,	Special Board Meeting
November 15, 2021,	Regular Board Meeting
February 18, 2022,	Special Board Meeting
April 25, 2022,	Special Board Meeting
May 13, 2022,	Regular Board Meeting
June 21, 2022,	Special Board Meeting
Aug 11, 2022,	Regular Board Meeting
Sep 01, 2022,	Special Board Meeting
Oct 05, 2022,	Special Board Meeting
Nov 25, 2022,	Special Board Meeting
Dec 09, 2022,	Regular Board Meeting
Jan 18, 2023,	Special Board Meeting
Feb 21, 2023,	Regular Board Meeting
April 26, 2023,	Special Board Meeting
Aug 21, 2023,	Special Board Meeting
Aug 31, 2023,	Special Board Meeting
Sep 6, 2023,	Special Board Meeting
Sep 26, 2023,	Special Board Meeting
Oct 12, 2023,	Special Board Meeting
Feb 16, 2024,	Regular Board Meeting
Feb 29, 2024,	Special Board Meeting

We have made available to you all minutes of the meetings of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

***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***

MISSA has satisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of any law, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which MISSA has satisfactory title appear in the statement of fiduciary net position.



C - Management's Representation Letter, continued

***Receivables and revenues***

Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62 - as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of fiduciary net position date in respect of any accrued contributions receivable rendered prior to that date and for uncollectible accounts and allowances, etc., that may be incurred in the collection of receivables at that date.

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

The equity method is used to account for MISSA's investment in the common stock of Marshall Islands Holdings, Inc. because MISSA has the ability to exercise significant influence over the investee's operating and financial policies.

***Leases***

MISSA does not have any lease contracts that fall under the category of GASB statement No.87.

***Long-lived assets to be held and used, including amortizable intangible assets***

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

***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.

C - Management's Representation Letter, continued

***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 other than those disclosed in the financial statements.

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 other than those disclosed in the financial statements.

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 other than those disclosed or accrued in the financial statements.

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, *Contingencies* other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statement of financial position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 - as amended.

There are no oral or written guarantees, including guarantees of the debt of others.

***Oral or written guarantees***

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

***Purchase commitments***

At September 30, 2022, MISSA had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2022 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 MISSA'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 a system of internal control 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.



C - Management's Representation Letter, continued

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

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in MISSA'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 MISSA.

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.

***Independence***

We have communicated to you the names of MISSA's affiliates, officers and directors, or individuals who serve in such capacity for MISSA.

We are not aware of any business relationship between MISSA and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

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

***Conflicts of interest***

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

***Effects of new accounting principles***

We have not completed the process of evaluating the effects that will result from adopting the amendments to the codification provided in Governmental Accounting Standards Board (GASB), as discussed in Note 1.

- GASB Statement No. 91
- GASB Statement No. 94
- GASB Statement No. 96
- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101

MISSA 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 statement is adopted.

C - Management's Representation Letter, continued

***Going concern***

In preparing the financial statements, we evaluated the entity's ability to continue as a going concern for twelve months after the date that the financial statements are issued (or available to be issued, if applicable), and provide appropriate financial statement disclosure, as necessary under GASB requirements.

***Required supplementary information***

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis, which have been measured and presented in 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.

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 supplementary information and its form and content in conformity with US GAAP. We believe the supplementary information, including its form and content, is fairly stated in all material respects, in relation to the financial statements as a whole.

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.

***Other 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 violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- 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) are properly classified and, if applicable, approved.

C - Management's Representation Letter, continued

***Other representations, continued***

- 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 change in net position.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Capital assets, including infrastructure, 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.

Subsequent events have been evaluated and classified as recognized or non recognized through the date of this letter.

***Additional representations***

- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- Risk disclosures associated with deposits and investment securities transactions are presented in accordance with GASB requirements.
- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and, if applicable, depreciated.

***Financial statements approval***

We have received a draft copy of the financial statements of MISSA as of and for the year ended September 30, 2022. The accuracy and completeness of the financial statements, including footnote disclosures, are the responsibility of the management of MISSA.

C - Management's Representation Letter, continued

*Financial statements approval, continued*

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

- MISSA's underlying books and records are maintained by MISSA's accounting department and that the final trial balance prepared by MISSA is complete; and
- Management of MISSA has designated a competent representative to oversee your services and that there are MISSA 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, 2022, 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 MISSA'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.

\*\*\*\*

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and was, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of MISSA and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



\_\_\_\_\_  
Anelie Sarana,  
Finance Manager



\_\_\_\_\_  
Bryan Edejer  
Administrator

C - Management's Representation Letter, continued

Appendices

A – Schedule of Corrected Misstatements

B – Schedule of Uncorrected Misstatements

C - Management's Representation Letter, continued

Appendix A – Schedule of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: Marshall Islands Social Security Administration

Period ended: 30-Sep-2022

Currency: USD

Corrected misstatements		Account	Assets		Liabilities		Analysis of misstatements	Debit/(Credit)		Income statement effect of the current period
No.	WIP ref.		Current	Non-current	Current	Non-current		Debit/(Credit)	Equity components	
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE 1		To record the recovery of the bad debts								
E0120		Accrued Int. Recable-Employees	24							
E0120		Accrued Penalties Recable-Emp	(160)							
E0120		Allowance for doubtful Accounts-Accrued	(1339)							
E0120		Allow for Uncollectible Notes	520,816							
E0120		Allowance for Court Judgement	777,807							
E0120		Recovery of Bad debt								(1,299,299)
AJE 2		To record the equity earnings for Associate								
H-0100 LS		Investments-MHI	(666,310)							
UB0110		Equity Earnings of Affiliate								666,310
AJE 3		To record the accrual of an Otr of FY22 subsidy from RMI Govt								
E0120		Due from RMI Govt	347,200							
UE1-0110		Fund subsidy from RMI Govt								(347,200)
AJE 4		Reversal of wrong recording of subsidy from Regular related to Worker's compensation Fund								
UE1 - 0110		Fund Subsidy from RMI Govt	(100,000)							
E0120		Due from Worker's Compensation Fund								100,000
AJE 5		To record the impact of social security taxes wrongly recorded as Health fund taxes.								
UA0110		Due to MOH	77,153							
UA0110		Contribution private employment								(183,171)
UA0110		Accrued contribution receivable	115,935							
AJE 6		To record the entry for FV change in investment in MISCO								
H-0130		Investment in MISCO	477,954							
H-0130		Unrealized Gains/Losses-Invent								(477,954)
Total of corrected misstatements before income tax			1,518,224	0	0	0	0	0	0	(1,518,224)
Financial statement amounts			10,721,159	85,989,801	(1,562,972)	0	(164,147,315)	0	8,961,336	
Effect of corrected misstatements on F/S amounts			14.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-16.9%

C - Management's Representation Letter, continued

Appendix B- Schedule of Uncorrected Misstatement

Communication schedule for uncorrected misstatements									
Entity:			Marshall Islands Social Security Administration		Period Ended: 30-Sep-2022		Currency: USD		
Uncorrected misstatements			Analysis of misstatements Debit/(Credit)						
No.	W/P 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
(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:									
PAJE # 1		To record the impact of understatement of social security taxes.			407,215				
	UA-0100	Due to ILOH							(407,215)
		Contribution to Govt Employment							
Total of uncorrected misstatements before income tax				0	0	407,215	0	0	(407,215)
Total of uncorrected misstatements				0	0	407,215	0	0	(407,215)
Financial statement amounts			10,721,150	85,969,802	(1,504,972)	0	(104,187,315)		8,961,335