

*Financial Statements and Report on Internal Control  
and Compliance*

**Marshall Islands Health Fund**

(A Governmental Fund of the Republic of the Marshall Islands)

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



**Shape the future  
with confidence**

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(A Governmental Fund of the Republic of the Marshall Islands)

Financial Statements and Report on Internal Control  
and Compliance

Years ended September 30, 2023 and 2022

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## Report of Independent Auditors

Honorable Minister Ota Kisino  
Ministry of Health and Human Services  
Republic of the Marshall Islands

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the Marshall Islands Health Fund (MIHF), a governmental fund of the Republic of the Marshall Islands (RepMar), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the MIHF’s basic financial statements as listed in the table of contents (collectively referred to as the “basis financial statements”).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the MIHF as of September 30, 2023 and 2022, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MIHF 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.

#### *Emphasis of Matter*

##### *Reporting Entity*

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the MIHF and are not intended to present fairly the financial position and results of operations of the Republic of the Marshall Islands in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the MIHF'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 the MIHF'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 the MIHF's ability to continue as a going concern for a reasonable period of time.

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

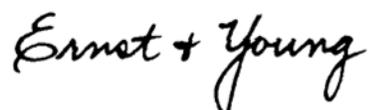
### ***Other Matters***

#### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025, on our consideration of the MIHF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the MIHF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the MIHF's internal control over financial reporting and compliance.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

October 20, 2025

Marshall Islands Health Fund  
(A Governmental Fund of the Republic of Marshall Islands)

Governmental Fund Balance Sheets

	September 30,	
	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash	\$ 60,656	\$ 1,217,570
Receivables:		
Contributions	2,855,468	1,760,920
Due from affiliates	1,277,118	1,289,622
Employees	6,397	28,501
Other	<u>148,345</u>	<u>93,091</u>
	4,287,328	3,172,134
Less allowance for doubtful accounts	( <u>48,124</u> )	( <u>51,391</u> )
	4,239,204	3,120,743
Other assets	<u>378,742</u>	<u>390,982</u>
Total assets	<u>\$ 4,678,602</u>	<u>\$ 4,729,295</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 382,470	\$ 249,408
Medical claims payable	2,091,785	1,112,245
Payable to affiliates	<u>686,887</u>	<u>772,682</u>
Total liabilities	<u>3,161,142</u>	<u>2,134,335</u>
Deferred inflows of resources:		
Deferred revenue	<u>---</u>	<u>163,500</u>
Contingencies		
Fund balance:		
Committed:		
Health services	<u>1,517,460</u>	<u>2,431,460</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,678,602</u>	<u>\$ 4,729,295</u>

*See accompanying notes.*

Marshall Islands Health Fund  
(A Governmental Fund of the Republic of Marshall Islands)

Governmental Fund Statements of Revenues, Expenditures and  
Changes in Fund Balance

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Revenues:		
Basic Health Fund collections	\$ 8,848,220	\$ 8,974,607
Supplemental Health Fund collections	637,538	596,022
Refunds and other revenues	<u>56,633</u>	<u>184,669</u>
Total revenues	<u>9,542,391</u>	<u>9,755,298</u>
Expenditures:		
Off-island care	4,786,820	3,999,089
Off-island travel	1,101,549	1,612,655
Other medical charges	686,590	685,749
Professional and consulting fees	234,000	223,200
On-island care	24,150	324
Administrative:		
Salaries and wages	420,730	407,341
Utilities	73,616	57,764
Other administrative charges	53,893	91,164
Travel	51,693	48,015
Insurance	19,883	17,484
Supplies	13,375	10,122
Petroleum, oil and lubricants	12,294	7,830
Capital outlays	10,198	10,902
Training	10,000	---
Repairs and maintenance	9,080	14,498
Communications	8,353	15,037
Collection fees	<u>---</u>	<u>150,000</u>
Total expenditures	<u>7,516,224</u>	<u>7,351,174</u>
Excess of revenues over expenditures	<u>2,026,167</u>	<u>2,404,124</u>
Other financing sources (uses):		
Transfer in from RepMar's General Fund	1,000,000	---
Transfer out to RepMar's General Fund	( 30,957 )	( 30,132 )
Transfer out to the Health Care Revenue Fund	<u>( 3,909,210 )</u>	<u>( 3,828,957 )</u>
Total other financing uses, net	<u>( 2,940,167 )</u>	<u>( 3,859,089 )</u>
Net change in fund balance	<u>( 914,000 )</u>	<u>( 1,454,965 )</u>
Fund balance at the beginning of the year	<u>2,431,460</u>	<u>3,886,425</u>
Fund balance at the end of the year	<u>\$ 1,517,460</u>	<u>\$ 2,431,460</u>

See accompanying notes

**Marshall Islands Health Fund**  
(A Governmental Fund of the Republic of the Marshall Islands)

**Notes to Financial Statements**

Years ended September 30, 2023 and 2022

**1. Organization**

The Marshall Islands Health Fund (MIHF), a governmental fund of the Republic of the Marshall Islands (RepMar), was established pursuant to the Marshall Islands Health Fund Act of 2002, as amended, to provide, pay, or reimburse all or a determined portion of the cost of basic health care obtained at a local health care facility, as an approved off-island medical referral, or as emergency off-island medical care. The MIHF includes the operations of the Basic Health Benefits Plan and the Supplemental Health Benefits Plan. The Health Care Revenue Fund (HCRF), a governmental fund of RepMar, was established pursuant to the Health Care Revenue Fund Act of 1989, as amended, to facilitate the purchase of drugs, medical and dental supplies, hospital equipment, and for the provision and administration of other health services. Administration, control and management of both the MIHF and the HCRF is the responsibility of the Secretary of RepMar's Ministry of Health and Human Services (MOHHS). The MIHF's enabling legislation requires that 55% of contributions collected by the Basic Health Benefits Plan be transferred, on a quarterly basis, to the HCRF. The 55% distribution is to be made after deducting the 10% costs associated with the administration of the MIHF. On February 26, 2018, the HCRF's enabling legislation was amended to authorize the Health Services Board to modify the 55% distribution, as necessary.

The accompanying financial statements relate solely to those accounting records maintained by the MIHF, and do not incorporate any accounts related to the HCRF, RepMar's Ministry of Health and Human Services, or any other departments or agencies of RepMar that may be accounted for by RepMar's Treasury. The MIHF is a blended component unit (special revenue fund) of RepMar.

**2. Summary of Significant Accounting Policies**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the MIHF's accounting policies are described below.

**Measurement Focus and Basis of Accounting**

The MIHF reports its financial position and the results of operations in one governmental fund. A fund is a separate accounting entity with a self-balancing set of accounts. It is concerned only with the measurement of financial position and is not involved with the measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

Marshall Islands Health Fund  
(A Governmental Fund of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

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

**Basis of Presentation**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheets. Operating statements of this fund present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the MIHF considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. Significant revenues susceptible to accrual include quarterly contributions from employers and employees, premiums for health benefit plans collected by MOHHS, and grants, gifts and donations.

**Budget**

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with GAAP. Accordingly, a budget to actual presentation is not required or presented.

**Cash**

The deposit and investment policies of the MIHF are governed by 3 MIRC 7, *Investments of Public Funds*, and 11 MIRC 1, *Financial Management*. Custodial credit risk is the risk that in the event of a bank failure, the MIHF’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. The MIHF does not have a deposit policy for custodial credit risk.

For purposes of the balance sheets, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2023, and 2022, the carrying amount of the MIHF’s total cash was \$60,656 and \$1,217,570, respectively, and the corresponding bank balances were \$78,725 and \$1,238,436, respectively. Of the bank balances, \$66,348 and \$1,222,195 respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amounts of \$12,377 and \$16,241, respectively, being maintained in a financial institution not subject to depository insurance.

**Marshall Islands Health Fund**  
(A Governmental Fund of the Republic of the Marshall Islands)

**Notes to Financial Statements, continued**

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

**Cash, continued**

As of September 30, 2023 and 2022, bank deposits in the amount of \$78,725 and \$250,000, respectively, was FDIC insured. The MIHF does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

**Receivables**

Contributions receivables are due from employers located within the Republic of the Marshall Islands. These receivables are interest free and uncollateralized. Receivables from affiliates are primarily due from the Marshall Islands Social Security Administration (MISSA), which represent unremitted contributions collected by MISSA on behalf of the MIHF. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. Bad debts are written off against the allowance on the specific identification method.

**Compensated Absences**

The MIHF recognizes expenditures for annual leave and sick leave when leave is taken. Accordingly, unused annual leave and sick leave are not included as an obligation within the balance sheets unless such leave is expected to be liquidated with expendable available financial resources, at which time expenditures and related fund liabilities would be recognized.

**Deferred Inflows of Resources**

In the governmental fund financial statements, deferred inflows of resources consist of unavailable Basic Health Benefits Plan contribution revenues, which are revenues that do not meet the “available” criterion for revenue recognition under the modified accrual basis of accounting.

**Fund Balance**

Fund balance classifications are based on the extent to which the MIHF is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in a spendable form or because of legal or contractual constraints.

**Marshall Islands Health Fund**  
(A Governmental Fund of the Republic of the Marshall Islands)

**Notes to Financial Statements, continued**

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

**Fund Balance, continued**

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed.
- Unassigned includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both the restricted and unrestricted fund balance are available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned, and lastly unassigned amounts of the unrestricted fund balance are expended in that order.

A formal minimum fund balance policy has not been adopted.

**Contributions**

Contributions to the Basic Health Benefits Plan are governed by the Marshall Islands Health Fund Act of 2002, which imposes a tax on the quarterly income of every employee who is considered a covered person under the Act. Employees are required to contribute an amount equal to 3.5% of wages while every employer is required to contribute an amount equal to that contributed by employees. Maximum quarterly taxable wages are \$5,000. Contributions to the Supplemental Health Benefits Plan are also governed by the Act; however, these contributions represent voluntary premiums as determined by the Health Services Board to become eligible for designated benefits.

**Taxes**

RepMar imposes a gross receipts tax of 3% on revenues. The MIHF is specifically exempt from this tax; however, all goods imported by the Health Services Board for the purposes of the MIHF, are subject to tax under the Import Tax Act of 1989.

Marshall Islands Health Fund  
(A Governmental Fund of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

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

**Estimates**

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

**Recently Adopted Accounting Pronouncements**

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

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Marshall Islands Health Fund  
(A Governmental Fund of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

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

**Recently Adopted Accounting Pronouncements, continued**

- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement provides clarification of provisions in:
  - 1) GASB Statement No. 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
  - 2) GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
  - 3) GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

In addition, this Statement modifies accounting and reporting guidance in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

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

**Upcoming Accounting Pronouncements**

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. 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 the 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 the fiscal year ending September 30, 2024.

Marshall Islands Health Fund  
(A Governmental Fund 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. GASB Statement No. 100 will be effective for the 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. GASB Statement No. 101 will be effective for the fiscal year ending September 30, 2025.

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

Marshall Islands Health Fund  
(A Governmental Fund 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 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. GASB Statement No. 103 will be effective for the fiscal year ending September 30, 2026.

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

Management of the MIHF is currently evaluating the effects of implementation, if any, on the MIHF's financial statements of the above upcoming accounting pronouncements.

**Marshall Islands Health Fund**  
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Notes to Financial Statements, continued

**3. Risk Management**

The MIHF is exposed to various risks of loss related to torts; theft of; errors and omissions; injuries to employees; and natural disasters. The MIHF 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.

**4. Other Assets**

In 2015, the MIHF and Medpharm Philippines as the Third-Party Administrator (TPA) entered into a three-year medical services agreement to provide administrative and logistical services for the Ministry of Health and Human Services medical referral program. Concurrently, the MIHF made a deposit of \$350,000 with the TPA. In 2019, the MIHF and TPA renewed the agreement for a further three years, effective October 1, 2019, for a fixed monthly fee of \$18,600 and required a \$25,000 increase in the deposit to \$375,000. On October 10, 2022, the MIHF and TPA renewed the agreement for a further three years, effective October 1, 2022, for a fixed monthly fee of \$19,500. As of September 30, 2023 and 2022, the recorded deposits to TPA amounted to \$375,000, which is included within the balance sheets as other assets.

**5. Related Party Transactions**

The MIHF is a governmental fund of RepMar and is thus affiliated with all RepMar-owned and affiliated entities, including the Health Care Revenue Fund (HCRF). Receivables from and payables to affiliates as of September 30, 2023 and 2022 are as follows:

	2023		2022	
	<u>Receivables</u>	<u>Payables</u>	<u>Receivables</u>	<u>Payables</u>
RepMar:				
Health Care Revenue Fund	\$ 360,852	\$529,532	\$ 2,086	\$645,028
General Fund	65,275	148,913	30,032	117,956
Marshall Islands Social Security				
Administration	850,276	7,841	1,256,749	8,131
Other	<u>715</u>	<u>601</u>	<u>755</u>	<u>1,567</u>
	<u>\$1,277,118</u>	<u>\$686,887</u>	<u>\$1,289,622</u>	<u>\$772,682</u>

Receivables from the Marshall Islands Social Security Administration (MISSA) represent unremitted contributions to the MIHF. These contributions were collected by MISSA from employers located within the Republic of the Marshall Islands on behalf of the MIHF, for a fixed annual fee of \$200,000. During the last quarter of the fiscal year ended September 30, 2022, MISSA and the MIHF agreed to waive the collection fee through September 30, 2023.

**Marshall Islands Health Fund**  
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**Notes to Financial Statements, continued**

**5. Related Party Transactions, continued**

Contributions to the HCRF during the years ended September 30, 2023, and 2022 amounted to \$3,909,210 and \$3,828,957, respectively, representing a percentage share of collections of the Basic Health Benefits Plan transferred to fund HCRF operations. As of September 30, 2023 and 2022, the MIHF had yet to remit contributions in the amount of \$209,627 and \$495,000, respectively, to the HCRF, which are included in the balance sheets as payable to affiliates. During the year ended September 30, 2023, the MIHF borrowed \$500,000 from the HCRF to supplement cash requirements, of which \$250,000 is payable to the HCRF at September 30, 2023, and which is also included in the balance sheet as payable to affiliates.

On July 13, 2023, RepMar's Cabinet authorized and approved funding through C.M. 104 (2023) to support the MIHF's off-island referral program in the amount of \$1,000,000, which is presented as a transfer in from RepMar's General Fund within the accompanying financial statements.

During the years ended September 30, 2023 and 2022, the MIHF transferred \$30,957 and \$30,132, respectively, to the General Fund for the purpose of funding the operations of the Office of the Auditor General. As of September 30, 2023, the MOHHS had executed an arrangement with the Ministry of Finance, Banking and Postal Services to offset receivables due from with payables due to the General Fund.

**6. Contingency**

The MIHF receives substantially all its funding from MISSA through collections of the MIHF's Basic Health Benefits Plan. In addition, the MIHF is the recipient of operational subsidies from RepMar's General Fund. A significant reduction in the level of the funding, if this were to occur, may impact the MIHF's programs and activities.

**7. Subsequent Event**

On November 27, 2023, RepMar's Cabinet authorized and approved additional funding through C.M. 194 (2023) to support the MIHF's off-island referral program in the amount of \$2,000,000.



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## 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*

Honorable Minister Ota Kisino  
Ministry of Health and Human Services  
Republic of the Marshall Islands

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 Marshall Islands Health Fund (MIHF), which comprise the balance sheet as of September 30, 2023 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2025.

### **Report on Internal Control Over Financial Reporting**

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

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

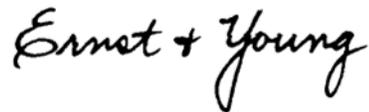
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

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

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

October 20, 2025

Marshall Islands Health Fund  
(A Governmental Fund of the Republic of Marshall Islands)

Schedule of Findings and Responses

Year ended September 30, 2023

**Finding No. 2023-001**

Audit of Third-Party Administrator (TPA)

Criteria: Timely review and verification of accuracy and completeness of replenishment requests submitted by the TPA should be facilitated by internal control conducive to the preparation and independent review of these expenditures.

Condition: An independent review of TPA replenishment forms does not occur and no independent audit of the TPA occurs. A significant portion of off-island care expenditures pertains to claims reimbursed to TPA for referred patients in the Philippines. The last audit that occurred was for off-island care expenditures for the year ended September 30, 2018. During the year ended September 30, 2023, total off-island care expenditures pertaining to referred patients in the Philippines amounted to \$3,515,276.

Cause: Lack of adequate internal control policies and procedures requiring timely review and verification of replenishments submitted by the TPA and related charges billed by the hospital/practitioners.

Effect: A potential misstatement of expenditures incurred related to referral patients.

Prior Year Status: Lack of independent review and audit of the TPA was reported as a finding in the audits of the MIHF for fiscal years 2020 and 2021 issued by the predecessor auditor and for fiscal year 2022.

Recommendation: We recommend management verify that an independent review of files submitted by the TPA occurs to verify accuracy, completeness, and validity of requests. Further, we recommend that someone with medical expertise be designated to review the validity of medical procedures and related charges billed by the hospitals/practitioners.

Auditee Response and Corrective Action Plan: The Ministry recognizes the importance of a yearly audit on the TPA, however delays in implementing this were primarily due to lack of bidders to audit the TPA. In FY25, the management posted an ad in the local newspaper for the audit of our TPA in the Philippines for the fiscal year 2022 to fiscal year 2024. The Ministry Internal Bid Committee is currently reviewing the 2 interested services provider that have submitted their proposal, and the contract is expected to be fully executed by the beginning of FY2026.

Auditor Response: We reiterate our recommendation for an independent review of files submitted by the TPA. As management only utilized the local newspaper for the purpose of advertising for an independent audit service, we recommend management considering advertising in publications with a wider reaching audience.

Marshall Islands Health Fund  
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Schedule of Findings and Responses, continued

**Finding No. 2023-002**

Revenue Recognition

Criteria: GASB Statement No. 33 requires that revenue from nonexchange transactions be recognized when (1) the underlying transaction has occurred, (2) all eligibility requirements are met, and (3) the resources are measurable and available in accordance with the modified accrual basis of accounting.

Condition: During the year ended September 30, 2023, the MIHF recognized and recorded revenue of \$2,000,000, which was a subsidy appropriation authorized in the FY 2024 Appropriations Act. As this represents a nonexchange transaction, such recognition did not meet the eligibility requirements of GASB 33 for revenue recognition. This resulted in revenue being overstated in the current year and understated in the subsequent year. An audit adjustment was proposed to correct this misstatement.

Cause: Lack of adequate review of revenue transactions to determine whether all eligibility requirements had been satisfied prior to recognition.

Effect: Failure to properly apply GASB 33 results in misstated financial statements and increases the risk of noncompliance with generally accepted accounting principles (U.S. GAAP).

Recommendation: We recommend management implement additional review controls to ensure that all eligibility requirements for nonexchange revenues are evaluated prior to recognition. This should include training accounting staff on GASB 33 requirements and updating procedures to review revenue recognition at year-end to ensure proper cutoff and compliance.

Auditee Response and Corrective Action Plan: In fiscal year 2023, the Chief Accountant recorded the \$2 million of RMI government financial assistance to the Ministry of Health as revenue because these funds were used to settle FY 2023 billings. At the time, he applied the matching principle, which led to recognizing revenue before the eligibility requirements of GASB Statement No. 33 were fully satisfied.

The revenue was prematurely recognized due to an incorrect application of the matching principle in the context of nonexchange transactions. Specifically, the financial assistance was not approved or enforceable by the RMI government until November 2024, well after the fiscal year ended, meaning the eligibility conditions under GASB 33 were unmet at year-end.

As a corrective action, going forward, the ministry will commit full compliance with GASB No.33 in recording similar financial assistance from the government of RMI. The ministry will also require all the finance staff to attend dedicated training sessions covering Government Accounting Standards Board (GASB) pronouncements. The training will clarify when and how to apply the modified accrual basis—recognizing revenue only when resources are both measurable and available.