

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

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

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



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

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

Years ended September 30, 2024 and 2023

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Report of Independent Auditors

The Board of Directors
Marshall Islands Marine Resources Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise MIMRA’s basic financial statements as listed in the table of contents (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of MIMRA as of September 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MIMRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MIMRA's ability to continue as a going concern for a reasonable period of time.

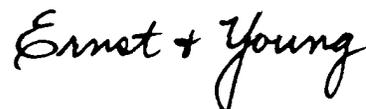
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 be presented to supplement the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2025, on our consideration of MIMRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MIMRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MIMRA's internal control over financial reporting and compliance.

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

December 30, 2025

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

Management's Discussion and Analysis

Years ended September 30, 2024 and 2023

This section of the Marshall Islands Marine Resources Authority (MIMRA) annual financial report presents our discussion and analysis of MIMRA's financial performance for the fiscal year ended September 30, 2024. Please read it and verify any clarification to the financial statements which follow this section. The succeeding tables shown below summarize the financial condition and operations of MIMRA for fiscal years 2024, 2023 and 2022.

Financial Operations

A summary of MIMRA's Statements of Net Position as of September 30, 2024 compared with 2023 and 2022 is presented below:

Summary Statements of Net Position
As of September 30

	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
Assets:					
Current and other assets	\$ 27,162,040	\$ 33,852,595	\$ (6,690,555)	(19.8)%	\$ 36,160,119
Capital and lease assets	7,097,596	6,439,302	658,294	10.2%	6,595,891
Total assets	34,259,636	40,291,897	(6,032,261)	(15.0)%	42,756,010
Liabilities:					
Current and other liabilities	824,181	969,304	(145,123)	(15.0)%	1,857,629
Deferred inflows of resources:					
Lease revenues	95,813	106,326	(10,513)	(9.9)%	116,840
Net position:					
Net investment in capital					
assets	6,666,651	5,953,348	713,303	12.0%	5,440,036
Restricted	1,278,692	1,373,667	(94,975)	(6.9)%	352,898
Unrestricted	25,394,299	31,889,252	(6,494,953)	(20.4)%	34,988,607
Total net position	\$ 33,339,642	\$ 39,216,267	\$ (5,876,625)	(15.0)%	\$ 40,781,541

Total assets decreased by \$6,032,261 (or 15%) from \$40,291,897 in 2023 to \$34,259,636 in 2024. The decrease in total assets was attributable to a decrease in current and other assets by \$6,690,555 or (20%) from \$33,852,595 in 2023 to \$27,162,040 in 2024 and an increase in capital assets by \$658,294 (or 10%) from \$6,439,302 in 2023 to \$7,097,596 in 2024. The decrease in current and other assets is primarily attributable to a decrease in cash of \$4,941,072 (or 25%) and a decrease in receivables by \$3,193,958 (or 27%) from \$11,685,210 in 2023 to \$8,491,252 in 2024. The decrease in cash is the result of net cash used in noncapital financing activities and capital and related financing activities of \$29,186,157 and \$1,555,882, respectively, offset by net cash provided by operating activities of \$25,676,468. The decrease in receivables is due primarily to the decrease in amounts due from the Parties of the Nauru Agreement Office (PNAO).

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

Financial Operations, continued

Total liabilities decreased by \$145,123 (or 15%) from \$969,304 in 2023 to \$824,181 in 2024. The decrease in total liabilities is primarily attributable to a decrease in payable to affiliates of \$111,634 (or 76%).

Total deferred inflows of resources decreased \$10,513 (or 10%) from \$106,326 in 2023 to \$95,813 in 2024. Deferred inflows of resources are associated with lease revenues accounted for in accordance with GASB Statement No. 87.

Total net position decreased by \$5,876,625 (or 15%) from \$39,216,267 in 2023 to \$33,339,642 in 2024. Net position is affected by the changes in both assets and liabilities (and deferred inflows).

Changes in total net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of this statement is to present the revenues received by MIMRA, both operating and non-operating, and expenses incurred by MIMRA, operating and non-operating, and other revenues, expense, gains, and losses received or spent by MIMRA. A summary of MIMRA's Statements of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2024 compared with 2023 and 2022 is presented below:

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

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u> <u>2024-2023</u>	<u>% Change</u> <u>2024-2023</u>	<u>2022</u>
Operating:					
Operating revenues	\$ 28,279,896	\$ 31,763,386	\$ (3,483,490)	(11.0)%	\$ 31,945,210
Operating expenses	<u>(6,619,339)</u>	<u>(6,332,663)</u>	<u>(286,676)</u>	4.5%	<u>(5,407,564)</u>
Operating income	<u>21,660,557</u>	<u>25,430,723</u>	<u>(3,770,166)</u>	(14.8)%	<u>26,537,646</u>
Nonoperating:					
Nonoperating revenues	2,499,170	2,591,506	(92,336)	(3.6)%	414,583
Nonoperating expenses	<u>(30,200,000)</u>	<u>(29,587,503)</u>	<u>(612,497)</u>	2.1%	<u>(27,251,159)</u>
	<u>(27,700,830)</u>	<u>(26,995,997)</u>	<u>(704,833)</u>	2.6%	<u>(26,836,576)</u>
Loss before capital contributions	(6,040,273)	(1,565,274)	(4,474,999)	285.9%	(298,930)
Capital contributions	<u>163,648</u>	<u>-</u>	<u>163,648</u>	100.0%	<u>784,905</u>
Change in net position	<u>\$ (5,876,625)</u>	<u>\$ (1,565,274)</u>	<u>\$ (4,311,351)</u>	275.4%	<u>\$ 485,975</u>

The Statement of Revenues, Expenses, and Changes in Net Position identifies the various revenue and expense items that affect net position. As indicated above, MIMRA's operating income decreased by \$3,770,166 (or 15%) from \$25,430,723 in 2023 to \$21,660,557 in 2024. The decrease in operating income is due to the combined increase in operating expenses by \$286,676 (or 4%) and decrease in operating revenues by \$3,483,490 (or 11%).

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

Financial Operations, continued

The main driver for the decrease in operating revenues was primarily due to the significant decrease in operating revenues generated from the Vessel Day Scheme of \$3,333,607 (or 13%).

MIMRA’s net loss before capital contributions increased by \$4,474,999 (or 286%) from \$1,565,274 in 2023 to \$6,040,273 in 2024. Net loss before capital contributions is a function of both operating income and nonoperating income (loss). Nonoperating loss increased by \$704,833 (or 3%) from \$26,995,997 in 2023 to \$27,700,830 in 2024. The increase in nonoperating loss is due primarily to the increase in nonoperating expenses by \$612,497 (or 2%). The main driver for the increase in nonoperating expenses was the increase in the contributions to RepMar’s General Fund of \$1,960,000 (or 7%) over prior year’s contributions.

Overall Analysis

Management’s Discussion and Analysis for the year ended September 30, 2023 is set forth in MIMRA’s report on the audit of financial statements, which is dated January 3, 2025. That Management’s Discussion and Analysis explains the major factors impacting the 2023 financial statements and can be obtained from MIMRA’s Administrator via the contact information on page 13.

Operating Revenues

Net operating revenues decreased by a total of \$3,483,490 (or 11%) from \$31,763,386 in 2023 to \$28,279,896 in 2024. Details are shown below of the increase/(decrease) in between revenue categories:

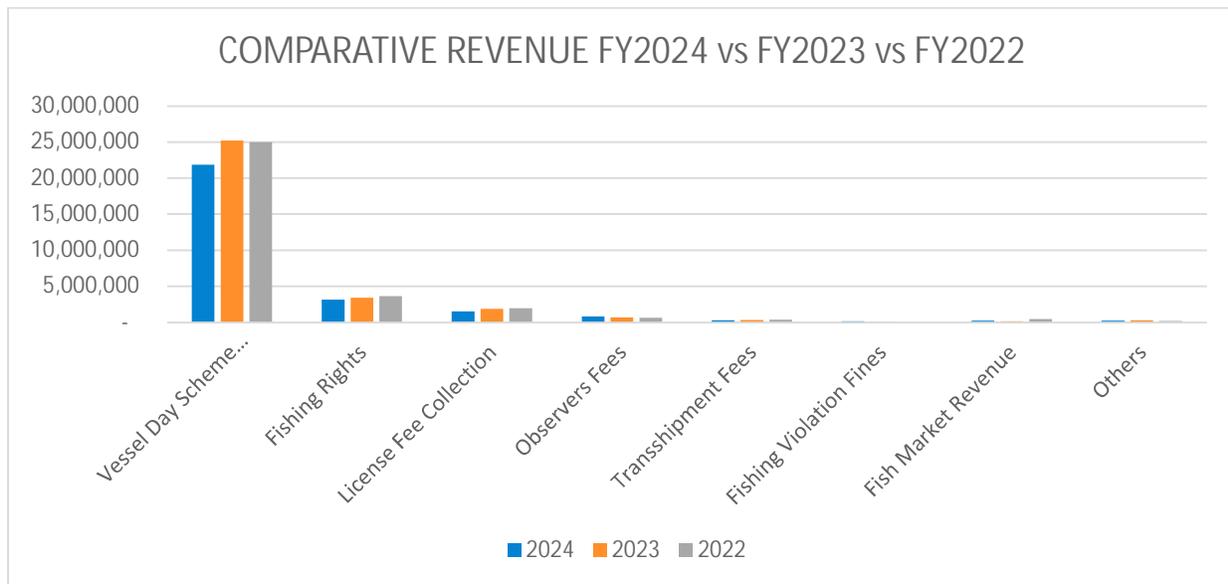
	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
Vessel Day Scheme	\$ 21,865,319	\$ 25,198,926	\$ (3,333,607)	(13.2)%	\$ 24,986,929
Fishing rights	3,143,116	3,394,040	(250,924)	(7.4)%	3,617,510
Licensing registration	1,522,000	1,882,120	(360,120)	(19.1)%	1,936,700
Observers fees	790,698	650,678	140,020	21.5%	626,050
Transshipment fees	269,000	316,000	(47,000)	(14.9)%	347,000
Fish market	220,637	151,804	68,833	45.3%	453,111
Fishing violation	150,000	25,000	125,000	500.0%	-
Other	235,957	253,922	(17,965)	(7.1)%	166,170
	<u>28,196,727</u>	<u>31,872,490</u>	<u>(3,675,763)</u>	<u>(11.5)%</u>	<u>32,133,470</u>
Bad debts recovery (expense)	83,169	(109,104)	192,273	(176.2)%	(188,260)
	<u>\$ 28,279,896</u>	<u>\$ 31,763,386</u>	<u>\$ (3,483,490)</u>	<u>(11.0)%</u>	<u>\$ 31,945,210</u>

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

Management’s Discussion and Analysis, continued

Operating Revenues, continued

Below is a graphical comparison of MIMRA’s operating revenues for 2024, 2023, and 2022:



VESSEL DAY SCHEME (VDS) revenues have decreased by \$3,333,607 (or 13%) from \$25,198,926 in 2023 to \$21,865,319 in 2024. A summary of VDS revenues are as follows:

	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
PAE's Bilateral	\$ 20,015,000	\$ 22,095,965	\$ (2,080,965)	(9.4)%	\$ 21,843,057
VDS Pooling Days (PNA)	1,805,319	3,054,961	(1,249,642)	(40.9)%	3,125,872
PNA Trading Days	45,000	48,000	(3,000)	(6.3)%	18,000
	<u>\$ 21,865,319</u>	<u>\$ 25,198,926</u>	<u>\$ (3,333,607)</u>	(13.2)%	<u>\$ 24,986,929</u>

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

	# of Days 2024	# of Days 2023	# of Days Change 2024-2023	% Change 2024-2023	# of Days 2022
PAE's Bilateral	2,600	2,854	(254)	(8.9)%	2,783
VDS Pooling Days (PNA)	108	197	(89)	(45.2)%	262
PNA Trading Days	15	16	(1)	(6.3)%	6
	<u>2,723</u>	<u>3,067</u>	<u>(344)</u>	(11.2)%	<u>3,051</u>

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

Operating Revenues, continued

LICENSING AND REGISTRATION REVENUES have decreased by \$360,120 (or 19%) from \$1,882,120 in 2023 to \$1,522,000 in 2024. Licensing and registration revenues are based on the registration of the number of foreign or domestic vessels fishing in the RMI waters. License fees charged for Purse seine foreign boats are \$5,000 per boat while domestic boats are \$25,000 per boat, \$10,000 per boat for carrier/bunker and \$1,000 per boat for domestic longline boats. Below are the details of boats registered with a decrease of 49 boats (or 21%) from 238 in 2023 to 189 in 2024.

	# of Boats 2024	# of Boats 2023	# of Boats Change 2024-2023	% Change 2024-2023	# of Boats 2022
Foreign Boats (Purse Seine):					
China	8	12	(4)	(33.3)%	10
Japan	26	24	2	8.3%	26
Korea	18	24	(6)	(25.0)%	21
Philippines	-	6	(6)	(100.0)%	16
Taiwan	21	22	(1)	(4.5)%	30
Other	3	6	(3)	(50.0)%	4
	<u>76</u>	<u>94</u>	<u>(18)</u>	<u>(19.1)%</u>	<u>107</u>
Domestic Boats (Purse Seine):					
Koo's Fishing	4	4	-	0.0%	4
MIFCO	2	2	-	0.0%	2
Pan Pacific	5	5	-	0.0%	5
	<u>11</u>	<u>11</u>	<u>-</u>	<u>0.0%</u>	<u>11</u>
Japan Fisheries:					
Pole and Line	9	13	(4)	(30.8)%	-
Longline	-	6	(6)	(100.0)%	5
	<u>9</u>	<u>19</u>	<u>(10)</u>	<u>(52.6)%</u>	<u>5</u>
Domestic (Longline):					
China Overseas	15	11	4	36.4%	2
Lian Cheng Fisheries	23	24	(1)	(4.2)%	6
	<u>38</u>	<u>35</u>	<u>3</u>	<u>8.6%</u>	<u>8</u>
Carrier/Bunker:					
Bunker	12	14	(2)	(14.3)%	14
Carrier	43	65	(22)	(33.8)%	48
	<u>55</u>	<u>79</u>	<u>(24)</u>	<u>(30.4)%</u>	<u>62</u>
	<u><u>189</u></u>	<u><u>238</u></u>	<u><u>(49)</u></u>	<u><u>(20.6)%</u></u>	<u><u>193</u></u>

Foreign Purse Seiner boats registered this year have decreased by 18 boats (or 19%) while the domestic boats maintained the status quo at eleven (11) boats. Japan Fisheries have registered 9 boats in 2024 which shows a 53% decrease or 10 boats less compared to 2023. Another domestic-based company Marshall Islands Fishing Venture (MIFV) that operates China Overseas and Liancheng Fisheries had 38 boats registered in 2024, which is 3 more boats (or 9%) compared to 2023. All 38 boats have registered for one year. Bunkers and carriers registered 55 boats in 2024, which is 24 less boats (or 30%) compared to 2023.

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

Management's Discussion and Analysis, continued

Operating Revenues, continued

Aside from paying license fees, China, Japan, Philippines, Taiwan and others, have purchased a total of 425 fishing days in 2024 amounting to \$4,690,000, a decrease of \$769,500 (or 69 days) compared to 2023. Korea was also involved in the bidding process with PNAO of which VDS pooling days from member countries are offered.

As shown earlier, the pooling days have contributed \$1,805,319 (or 108 days) in 2024 compared to \$3,054,961 (or 197 days) in 2023. Domestic-based companies such as Koo's Fishing, MIFCO (joint venture) and Pan Pacific Fishing (RMI), Inc. (PPF) have contributed to the total VDS fishing days income of \$15,325,000 (or 2,175 days) compared with \$16,685,000 (or 2,375 days) in 2023. Koo's Fishing purchased 750 days and 800 days in 2024 and 2023, respectively, while MIFCO and PPF purchased 350 days and 1,075 days, respectively, in 2024 compared with 440 days and 1,120 days, respectively, in 2023.

Actual total revenues, including both operating and non-operating revenues, generated in 2024, amounted to \$30,942,714, which is lower compared to the actual total revenues in 2023 of \$34,354,892, a decrease of \$3,412,178 (or 10%).

Operating Expenses

Operating expenses increased by 17% and 4% from 2022 to 2023 and from 2023 to 2024, respectively. Please see below details of the increase/(decrease) in between expense categories:

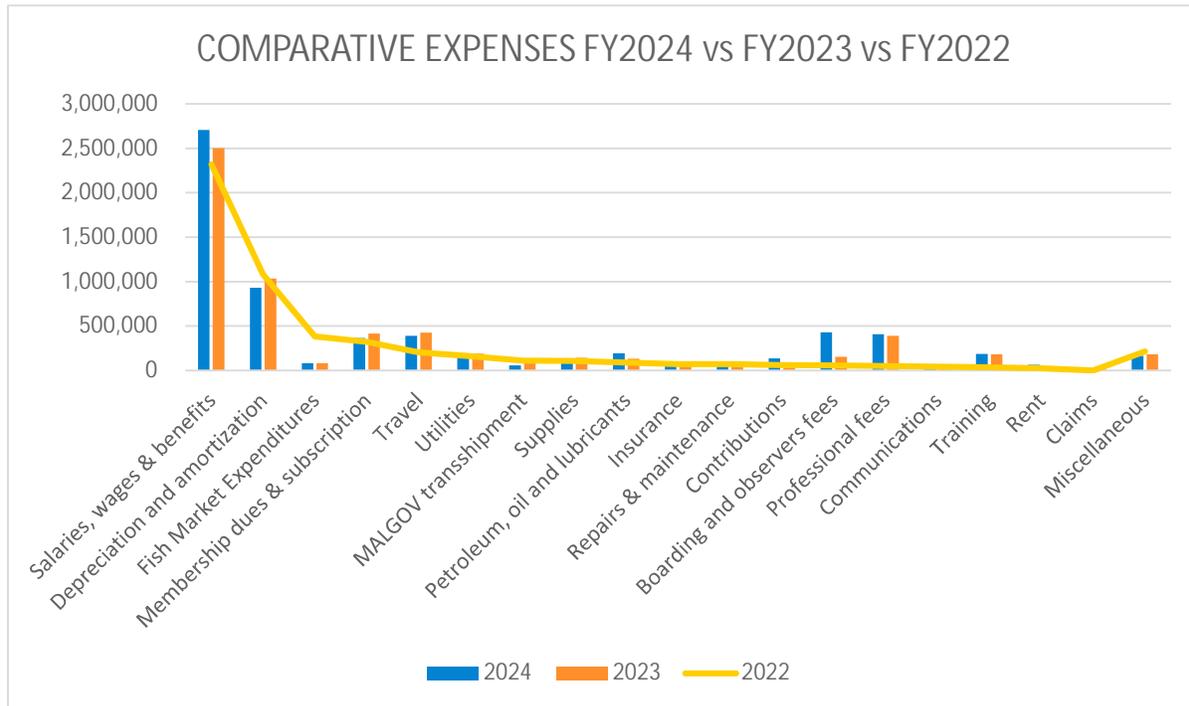
	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
Salaries and wages	\$ 2,706,645	\$ 2,502,625	\$ 204,020	8.2%	\$ 2,319,925
Depreciation and amortization	930,846	1,034,156	(103,310)	(10.0)%	1,082,633
Professional fees	407,826	389,441	18,385	4.7%	48,927
Boarding and observer fees	399,767	153,248	246,519	160.9%	55,633
Travel	389,948	425,752	(35,804)	(8.4)%	204,570
Membership dues/subscriptions	364,072	415,503	(51,431)	(12.4)%	322,743
Petroleum, oil and lubricants	193,192	132,739	60,453	45.5%	90,049
Training and research	187,045	183,862	3,183	1.7%	37,213
Utilities	172,913	188,325	(15,412)	(8.2)%	160,293
Donations and contributions	135,322	82,133	53,189	64.8%	60,695
Supplies	110,741	143,657	(32,916)	(22.9)%	107,986
Repairs and maintenance	96,233	105,573	(9,340)	(8.8)%	71,828
Transshipment inspection	86,800	129,200	(42,400)	(32.8)%	109,600
Fish market expenses	82,273	81,778	495	0.6%	381,866
Communications	65,596	61,809	3,787	6.1%	43,098
Rent	63,075	18,769	44,306	236.1%	24,093
Insurance	61,140	60,351	789	1.3%	73,132
Claims	-	41,162	(41,162)	(100.0)%	-
Miscellaneous	165,905	182,580	(16,675)	(9.1)%	213,280
	<u>\$ 6,619,339</u>	<u>\$ 6,332,663</u>	<u>\$ 286,676</u>	4.5%	<u>\$ 5,407,564</u>

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

Management’s Discussion and Analysis, continued

Operating Expenses, continued

Below is a graphical comparison of MIMRA’s operating expenses for 2024, 2023 and 2022:



In 2024, total operating expenses increased by \$286,676 (or 4%) from \$6,332,663 in 2023 to \$6,619,339 in 2024. Among MIMRA’s operating expenses, the following have increased in 2024 compared with 2023: boarding and observer fees - increased by 161% due to the reopening and full resumption of on-board observer operations which was previously suspended as part of the COVID-19 protocols; rent - increased by 236% due to equipment rentals; contributions - increased by 65% due to MIMRA’s donation to the 2024 Micronesian Games held in RMI; fuel expenses - increased by 45% due to global increase in gas prices; and salaries and wages - increased by 8% due to salary increments as a result of the annual performance evaluations.

On the other hand, the following operating expenses have decreased in 2024 compared with 2023: transshipment inspection - decreased by 33% due to the reduction of transshipment activity in the RMI’s exclusive economic zones (EEZ); supplies and repairs and maintenance - decreased by 23% and 9%, respectively, due to MIMRA’s efforts to be more efficient and have control over spending; membership dues/subscriptions - decreased by 12% due to timing differences of the Forum Fisheries Agency (FFA) membership dues wherein two (2) annual membership fees paid in 2023 while only one (1) paid in 2024; travel - decreased by 8% due to decline in funded trips by World Bank and PNAO in 2024 compared to 2023; and utilities expense - decreased by 8% due to the Outer Islands Fish Market Center (OIFMC)’s cost saving efforts in its operations.

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

Operating Expenses, continued

Total contributions (transfer payments) to RepMar in 2024 amounted to \$29,960,000, which is higher than the 2023 amount of \$28,000,000 (up by \$1,960,000 or 7%). In 2024, MIMRA contributed to the acquisition of the Star Loader Model Mark 2 by Pacific International, Inc. (PII), under the FAO private grant, amounting to \$240,000. The said equipment is deployed by PII which could transform tuna transshipment in the Marshall Islands creating dozens of new jobs in onshore fish handling and processing. This increase in expenses contributed to MIMRA's overall decrease in net position of \$5,576,625 (or 14%) during the year, which negatively impacts MIMRA's financial condition as shown by the change in net position at end of the year from \$39,216,267 in 2023 to \$33,339,642 in 2024.

Capital Assets

At the end of 2024, MIMRA has a net investment in capital assets of \$6,996,249 compared to \$6,326,934 in 2023, representing an increase of \$669,315 (or 10%) during the year. The table below indicates an excellent standing of the MIMRA capital assets. Details of MIMRA's capital assets are as follows:

Summary Schedule of Capital Assets
As of September 30

	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
Equipment	\$ 3,760,931	\$ 3,230,552	\$ 530,379	16.4%	\$ 3,332,066
Buildings	3,553,668	3,553,668	-	0.0%	3,553,668
Vehicles	856,194	820,559	35,635	4.3%	794,059
Motorboats	547,961	547,961	-	0.0%	544,161
Furniture, fixtures and other	189,409	185,374	4,035	2.2%	183,114
	8,908,163	8,338,114	570,049	6.8%	8,407,068
Accumulated depreciation	(4,816,106)	(3,926,433)	(889,673)	22.7%	(3,090,797)
	4,092,057	4,411,681	(319,624)	(7.2)%	5,316,271
CWIP	2,904,192	1,915,253	988,939	51.6%	1,145,905
	<u>\$ 6,996,249</u>	<u>\$ 6,326,934</u>	<u>\$ 669,315</u>	10.6%	<u>\$ 6,462,176</u>

In 2024, net cash used in capital and related financing activities amounted to \$1,555,882, which included capital asset acquisitions of \$1,561,125. These capital asset acquisitions primarily relate to construction work in progress associated with the construction of the MIMRA Annex to the MIMRA HQ. For more information on MIMRA's capital assets, please refer to Note 5 to the accompanying financial statements.

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

Management's Discussion and Analysis, continued

Economic Factors and Next Year Budgets and Rates

FY2025 budget has been formulated and approved by the MIMRA Board. Projected revenues, both operating and non-operating, for FY2025 amount to \$37,411,992. Prices for VDS remains at \$11,000 per day for foreign companies and \$7,000 per day for domestic companies. However, there are expected days that are sold more than the stated price, including VDS pooling, which average \$12,627 per day. Projected expenses are detailed as follows: \$25,200,000 for contributions to RepMar's General Fund and \$6,175,046 for MIMRA's operations, which includes \$2,435,897 for Administration (Finance, Corporate Affairs and Legal Divisions); \$1,405,319 for the Coastal and Community Affairs Division; \$1,161,600 for the Oceanic and Industrial Affairs Division; \$552,230 for the Coastal Policy Planning and Statistics Division; \$200,000 for the RMI Protected Areas Network; \$200,000 for Fish Aggregating Devices; \$120,000 for the Competent Authority; and \$100,000 for Aquaculture operating and capital expenditures. Capital expenditures plus the supplemental budget amounting to \$1,760,612 have also been approved and shall be used for the MIMRA headquarters extension for Competent Authority laboratory/offices and for the renovation of different outer-island fish markets. Travel expenses, both international and domestic, will depend on how such will be funded. For the unfunded trips, MIMRA will shoulder that cost. Some domestic travels are still covered by grants that were approved and released to MIMRA in previous years, and which will be used in 2025.

The World Bank approved the second phase of the Pacific Islands Regional Oceanscape Program (PROP II) for Economic Resilience (WB-PROPER) in February 2022 and commenced its preparatory stage with mission objectives to:

- (i) review the status of the project preparation activities;
- (ii) provide an overview of the World Bank documentation requirements and timeline to meet Environmental and Social Framework commitments;
- (iii) define proposed project activities including description, budget, procurement method and timeline; and
- (iv) review the proposed Theory of Change and preliminary Results Framework.

The Project would be supported with a \$18 million IDA grant, inclusive of a \$6 million national IDA and \$12 million regional IDA grant. The proposed Project duration is six-years between December 2022 and December 2028. This is an increase of \$6 million from the first phase proposed \$12 million PROP I project. Key activities in 2024 included capacity building, improved data systems and infrastructure upgrades. Efforts to enhance oceanic and coastal fisheries management will continue, supported by community training and partnership with regional bodies.

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

Economic Factors and Next Year Budgets and Rates, continued

The Marshall Islands still has the highest fuel prices in the Micronesian region which has an average of \$7.00 per gallon during 2024. It is higher by at least between 50% - 60% of the pump prices all over the world which has an average of \$4.70 per gallon. Compared with the rest of Micronesia, the Marshall Islands have higher pump prices by as much as 10%. Commodities in the islands continue to have high prices compared to previous years. MIMRA's cost saving and conservation measures adopted in 2011 are still being adopted in the formulation of the 2025 budget. Some positions are still to be filled; thus, a budget for new hires is also provided.

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

COVID-19 pandemic has affected MIMRA's revenues for the last three years. The pandemic is no longer as declared by World Health Organization (WHO) in May 2023, and it is business as usual. In 2025, climate change is now the dominant source of operational uncertainty such as warming ocean temperatures, shifts in tuna migration patterns and more extreme weather events affect fishing effort, stock availability and scheduling reliability.

Contacting MIMRA's financial management

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

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

Statements of Net Position

	September 30,	
	2024	2023
ASSETS		
Current assets:		
Cash	\$ 15,180,901	\$ 20,121,973
Receivables:		
Affiliates	1,700,563	639,388
Trade	1,062,709	1,024,017
Leases, current portion	7,565	6,617
Due from PNA Office	6,810,446	11,243,940
Due from World Bank	3,167	2,671
Other	188,388	133,332
	9,772,838	13,049,965
Less allowance for doubtful accounts	(1,281,586)	(1,364,755)
	8,491,252	11,685,210
Prepayments	82,208	80,064
Total current assets	23,754,361	31,887,247
Leases receivable, net of current portion	100,234	107,799
Capital assets:		
Nondepreciable capital assets	2,904,192	1,915,253
Capital assets, net of accumulated depreciation	4,092,057	4,411,681
Lease assets, net	101,347	112,368
Investment in joint venture	3,307,445	1,857,549
Total noncurrent assets	10,505,275	8,404,650
	\$ 34,259,636	\$ 40,291,897

See accompanying notes.

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

Statements of Net Position, continued

	September 30,	
	2024	2023
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 49,579	\$ 106,153
Contracts payable	345,408	386,234
Payable to affiliates	34,492	146,126
Lease liabilities, current portion	7,142	14,183
Other liabilities and accruals	309,165	231,071
Total current liabilities	745,786	883,767
Lease liabilities, net of current portion	78,395	85,537
Total liabilities	824,181	969,304
Deferred inflows of resources:		
Lease revenues	95,813	106,326
Commitment and contingency		
Net position:		
Net investment in capital assets	6,666,651	5,953,348
Restricted	1,278,692	1,373,667
Unrestricted	25,394,299	31,889,252
Total net position	33,339,642	39,216,267
	\$ 34,259,636	\$ 40,291,897

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	2024	2023
Operating revenues:		
Vessel Day Scheme	\$ 21,865,319	\$ 25,198,926
Fishing rights	3,143,116	3,394,040
Licensing and registration fees	1,522,000	1,882,120
Observer fees	790,698	650,678
Transshipment fees	269,000	316,000
Fish Market	220,637	151,804
Fishing violation fines	150,000	25,000
Other	235,957	253,922
Total operating revenues	28,196,727	31,872,490
Bad debts recovery (expense)	83,169	(109,104)
Total net operating revenues	28,279,896	31,763,386
Operating expenses:		
Salaries and wages	2,706,645	2,502,625
Depreciation and amortization	930,846	1,034,156
Professional fees	407,826	389,441
Boarding and observer fees	399,767	153,248
Travel	389,948	425,752
Membership dues and subscriptions	364,072	415,503
Petroleum, oil and lubricants	193,192	132,739
Training and research	187,045	183,862
Utilities	172,913	188,325
Contributions	135,322	82,133
Supplies	110,741	143,657
Repairs and maintenance	96,233	105,573
Transshipment inspection	86,800	129,200
Fish market	82,273	81,778
Communications	65,596	61,809
Rent	63,075	18,769
Insurance	61,140	60,351
Advertising	23,258	27,481
Interest	13,462	16,945
Freight	12,455	10,934
Entertainment	4,909	14,680
Claims	---	41,162
Miscellaneous	111,821	112,540
Total operating expenses	6,619,339	6,332,663
Operating income	21,660,557	25,430,723

See accompanying notes.

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

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

	Year ended September 30,	
	2024	2023
Nonoperating revenues (expenses):		
World Bank grant	800,000	2,378,850
Equity in income (loss) of joint venture	1,449,896	(1,587,503)
Interest income	124,499	165,674
Other grants	124,775	46,982
Contributions to others	(240,000)	---
Contributions to RepMar	(29,960,000)	(28,000,000)
Total nonoperating expenses, net	(27,700,830)	(26,995,997)
Loss before capital contributions	(6,040,273)	(1,565,274)
Capital contributions:		
Overseas Fishery Cooperation Foundation of Japan	89,564	---
New Zealand Government Grant	72,784	---
Food and Agriculture Organization (FAO)	1,300	---
	163,648	---
Change in net position	(5,876,625)	(1,565,274)
Net position at beginning of year	39,216,267	40,781,541
Net position at end of year	\$ 33,339,642	\$ 39,216,267

See accompanying notes.

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

Statements of Cash Flows

	Year ended	
	September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 31,471,402	\$ 27,697,073
Cash payments to suppliers for goods and services	(3,169,428)	(3,052,800)
Cash payments to employees for services	(2,625,506)	(2,497,427)
Net cash provided by operating activities	<u>25,676,468</u>	<u>22,146,846</u>
Cash flows from noncapital financing activities:		
Operating grants received	1,013,843	2,514,241
Payments made to RepMar	(29,960,000)	(28,000,000)
Payments made to others	(240,000)	---
Net cash used in noncapital financing activities	<u>(29,186,157)</u>	<u>(25,485,759)</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	5,243	1,697
Acquisition of capital assets	(1,561,125)	(1,523,363)
Net cash used in capital and related financing activities	<u>(1,555,882)</u>	<u>(1,521,666)</u>
Cash flows from investing activities:		
Interest received on savings deposit	<u>124,499</u>	<u>165,674</u>
Net change in cash	(4,941,072)	(4,694,905)
Cash at beginning of year	<u>20,121,973</u>	<u>24,816,878</u>
Cash at end of year	<u><u>\$ 15,180,901</u></u>	<u><u>\$ 20,121,973</u></u>

See accompanying notes.

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

Statements of Cash Flows, continued

	Year ended September 30,	
	2024	2023
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 21,660,557	\$ 25,430,723
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	930,846	1,034,156
Bad debts (recovery) expense	(83,169)	109,104
Changes in assets, liabilities, and deferred inflows of resources:		
Receivables:		
Affiliates	(1,061,175)	4,000
Trade	(38,692)	442,551
Leases	6,617	5,789
Due from PNA Office	4,433,494	(4,584,607)
Other	(55,056)	(32,636)
Prepayments	(2,144)	(7,494)
Accounts payable	(56,574)	74,193
Payable to affiliates	(111,634)	(69,933)
Lease liabilities	(14,183)	(25,802)
Deferred inflow of resources - lease revenue	(10,513)	(10,514)
Other liabilities and accruals	78,094	(222,684)
Net cash provided by operating activities	\$ 25,676,468	\$ 22,146,846
Summary of noncash capital and financing activities:		
Income (loss) from equity share investment:		
Decrease (Increase) in investment in joint venture	\$(1,449,896)	\$ 1,587,503
Equity in income (loss) of joint venture	1,449,896	(1,587,503)
	\$ ---	\$ ---
New Zealand Government Grant, JICS and FAO:		
Increase in capital assets	\$(163,648)	\$ ---
Capital contributions	163,648	---
	\$ ---	\$ ---

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2024 and 2023

1. Organization

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

- *Net investment in capital assets* - capital assets, net of accumulated depreciation, plus construction or improvement of those assets.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

- *Restricted* - nonexpendable net position subject to externally imposed stipulations that requires MIMRA to maintain such permanently. As of September 30, 2024 and 2023, MIMRA does not have nonexpendable net position. Expendable net position whose use by MIMRA is subject to externally imposed stipulations that can be fulfilled by actions of MIMRA pursuant to those stipulations or that expire by the passage of time. As of September 30, 2024 and 2023, MIMRA has expendable net position as follows:

	<u>2024</u>	<u>2023</u>
World Bank (International Development Association)	\$1,197,629	\$1,114,184
Protected Area Network (PAN)	43,349	165,237
Food and Agriculture Organization (FAO)	22,574	57,078
The Nature Conservancy (Tuna Fisheries Improvement)	14,810	36,838
The Nature Conservancy (Tuna Co.)	<u>330</u>	<u>330</u>
	<u>\$1,278,692</u>	<u>\$1,373,667</u>

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

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

Basis of Accounting

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash

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

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2024 and 2023, the carrying amount of cash balances were \$15,180,901 and \$20,121,973, respectively, and the corresponding bank balances were \$15,374,550 and \$20,336,265, respectively. Of the bank balance amounts, \$9,705,499 and \$13,365,767, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$5,669,051 and \$6,970,498, respectively, were maintained in a financial institution not subject to depository insurance.

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

Receivables

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

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

Prepayments

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Capital Assets

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

	<u>Estimated Useful Lives</u>
Building	40 years
Building improvements	10 years
Equipment improvements	10 years
Vehicles	3 years
Equipment	4 years
Furniture	4 years
Motorboats	6 years

Investments

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

Deferred Outflows of Resources

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

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. As of September 30, 2024 and 2023, the accumulated vacation leave liability totals \$120,327 and \$94,133, respectively, and is included within the statements of net position as other liabilities and accruals.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Leases

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

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

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. As of September 30, 2024 and 2023, MIMRA has recorded deferred inflow of resources for lease revenues within the accompanying statements of net position.

Revenue Recognition

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

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Taxes

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

Recently Adopted Accounting Pronouncements

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

- GASB Statement No. 99, *Omnibus 2022*, which modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures. It also provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.
- GASB Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. The implementation of this Statement did not have a material effect on the accompanying financial statements.

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

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

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

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

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements. continued

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

Estimates

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

Reclassifications

Certain reclassifications of components of restricted and unrestricted net position have been made to the accompanying 2023 financial statements for comparative purposes. Such reclassifications have no effect on the previously reported operating income and net change in net position.

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

Notes to Financial Statements, continued

3. Risk Management

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

4. Investment in Joint Venture

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

A summary of financial information as of and for the years ended December 31, 2024 and 2023, respectively, for investees accounted for using the equity method of accounting for investments, are as follows:

	<u>2024</u>	<u>2023</u>
Assets	\$ <u>24,493,003</u>	\$ <u>32,054,394</u>
Liabilities	\$ <u>23,471,558</u>	\$ <u>29,414,266</u>
Net earnings	\$ <u>3,381,317</u>	\$(<u>4,598,735</u>)

No dividend distribution was received during the years ended September 30, 2024 and 2023, respectively.

An analysis of the change in the investment in joint venture during the years ended September 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$1,857,549	\$3,445,052
Equity in income (loss) of MIFCO	<u>1,449,896</u>	<u>(1,587,503)</u>
Ending balance	\$ <u>3,307,445</u>	\$ <u>1,857,549</u>

Marshall Islands Marine Resources Authority
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Notes to Financial Statements, continued

5. Capital Assets

Capital asset activities for the years ended September 30, 2024 and 2023, are as follows:

	2024			
	October 1, 2023	Additions	Transfers and Disposals	September 30, 2024
Nondepreciable capital assets:				
Construction in progress	\$ <u>1,915,253</u>	\$ <u>988,939</u>	\$ <u>---</u>	\$ <u>2,904,192</u>
Depreciable capital assets:				
Building	3,553,668	---	---	3,553,668
Equipment	3,230,552	530,379	---	3,760,931
Equipment improvements	109,270	---	---	109,270
Vehicles	820,559	71,030	(35,395)	856,194
Furniture and fixtures	76,104	4,035	---	80,139
Motorboats	<u>547,961</u>	<u>---</u>	<u>---</u>	<u>547,961</u>
	8,338,114	605,444	(35,395)	8,908,163
Less accumulated depreciation	<u>(3,926,433)</u>	<u>(919,825)</u>	<u>30,152</u>	<u>(4,816,106)</u>
	<u>4,411,681</u>	<u>(314,381)</u>	<u>(5,243)</u>	<u>4,092,057</u>
	<u>\$6,326,934</u>	<u>\$ 674,558</u>	<u>\$ (5,243)</u>	<u>\$6,996,249</u>
	2023			
	October 1, 2022	Additions	Transfers and Disposals	September 30, 2023
Nondepreciable capital assets:				
Construction in progress	\$ <u>1,145,905</u>	\$ <u>769,348</u>	\$ <u>---</u>	\$ <u>1,915,253</u>
Depreciable capital assets:				
Building	3,553,668	---	---	3,553,668
Equipment	3,332,066	77,356	(178,870)	3,230,552
Equipment improvements	109,270	---	---	109,270
Vehicles	794,059	26,500	---	820,559
Furniture and fixtures	73,844	2,260	---	76,104
Motorboats	<u>544,161</u>	<u>3,800</u>	<u>---</u>	<u>547,961</u>
	8,407,068	109,916	(178,870)	8,338,114
Less accumulated depreciation	<u>(3,090,797)</u>	<u>(1,012,809)</u>	<u>177,173</u>	<u>(3,926,433)</u>
	<u>5,316,271</u>	<u>(902,893)</u>	<u>(1,697)</u>	<u>4,411,681</u>
	<u>\$6,462,176</u>	<u>\$ (133,545)</u>	<u>\$ (1,697)</u>	<u>\$6,326,934</u>

Marshall Islands Marine Resources Authority
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Notes to Financial Statements, continued

6. Leased Assets

Leased asset activities for the years ended September 30, 2024 and 2023, are as follows:

	2024			
	October 1, 2023	Additions	Transfers and Disposals	September 30, 2024
Leased assets:				
Right-to-use assets	\$168,270	\$ ---	\$ ---	\$168,270
Less accumulated amortization	(55,902)	(11,021)	---	(66,923)
	<u>\$112,368</u>	<u>\$(11,021)</u>	<u>\$ ---</u>	<u>\$101,347</u>
	2023			
	October 1, 2022	Additions	Transfers and Disposals	September 30, 2023
Leased assets:				
Right-to-use assets	\$168,270	\$ ---	\$ ---	\$168,270
Less accumulated amortization	(34,555)	(21,347)	---	(55,902)
	<u>\$133,715</u>	<u>\$(21,347)</u>	<u>\$ ---</u>	<u>\$112,368</u>

7. Leases

As Lessor

MIMRA is a lessor for non-cancelable leases of land and buildings. The terms of the agreements range from 10 to 15 years generally at fixed monthly payments with no variable payments or escalation clauses. In accordance with GASB Statement No. 87, *Leases*, MIMRA recognizes a lease receivable and a deferred inflow of resources at commencement of the lease term. As of September 30, 2024 and 2023, lease receivables totaled \$107,799 and \$114,416, respectively, and deferred inflow of resources associated with MIMRA's leases totaled \$95,813 and \$106,326, respectively.

Marshall Islands Marine Resources Authority
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Notes to Financial Statements, continued

7. Leases, continued

As Lessor, continued

Future minimum payments that are included in the measurement of the lease receivable as of September 30, 2024, are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 7,565	\$14,122	\$ 21,687
2026	8,648	13,039	21,687
2027	9,886	11,800	21,686
2028	11,301	10,385	21,686
2029	12,919	8,767	21,686
2030 - 2034	46,507	20,925	67,432
2035 - 2038	<u>10,973</u>	<u>1,135</u>	<u>12,108</u>
	<u>\$107,799</u>	<u>\$80,173</u>	<u>\$187,972</u>

As Lessee

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

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 7,142	\$11,547	\$ 18,689
2026	6,348	10,583	16,931
2027	2,941	9,726	12,667
2028	3,338	9,329	12,667
2029	3,788	8,879	12,667
2030 - 2034	28,142	35,195	63,337
2035 - 2038	<u>33,838</u>	<u>11,991</u>	<u>45,829</u>
	<u>\$85,537</u>	<u>\$97,250</u>	<u>\$182,787</u>

Marshall Islands Marine Resources Authority
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Notes to Financial Statements, continued

8. Long-term Liabilities

Long-term liabilities as of September 30, 2024 and 2023, and changes for the years then ended were as follows:

	<u>October 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2024</u>	<u>Due Within One Year</u>
Lease liability	\$ <u>99,720</u>	\$ <u>---</u>	\$(<u>14,183</u>)	\$ <u>85,537</u>	\$ <u>7,142</u>
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2023</u>	<u>Due Within One Year</u>
Lease liability	\$ <u>125,522</u>	\$ <u>---</u>	\$(<u>25,802</u>)	\$ <u>99,720</u>	\$ <u>14,183</u>

9. Investment in Stock of an Affiliated Entity

In 2014, MIMRA purchased 49,000 shares of Marshall Islands National Telecommunications Authority (MINTA), a component unit of RepMar, at \$20 per share. The investment in MINTA is recorded at NAV per share since MIMRA does not have a readily determinable fair value. The investment comprises approximately 15% of the outstanding shares of MINTA as of September 30, 2024 and 2023. No dividends were received during the years ended September 30, 2024 and 2023. As of September 30, 2024 and 2023, due to the investee's recurring losses and its inability to generate sufficient cash flows to meet its debt obligation, the investment is recorded at a \$0 carrying value, which is net of an impairment allowance of \$980,000 in the accompanying statements of net position.

10. Employee Retirement Plan

MIMRA has implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least 3 months of service. Plan participants may contribute 5% up to 10% of their gross salaries to be matched 100% by MIMRA. Withdrawal from the Plan occurs upon termination of employment, retirement at age 65, permanent disability or death. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. During the years ended September 30, 2024 and 2023, MIMRA contributed \$108,057 and \$97,595, respectively, to the Plan participant accounts. As of September 30, 2024 and 2023, total plan assets were \$825,656 and \$583,664, respectively.

Marshall Islands Marine Resources Authority
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Notes to Financial Statements, continued

11. Related Party Transactions, continued

In accordance with Public Law 1997-60, as amended, MIMRA has negotiated certain access agreements for the purpose of collecting amounts received from sovereign nations in accordance with various international fishing rights treaties. During the years ended September 30, 2024 and 2023, MIMRA collected \$3,143,116 and \$3,394,040, respectively, under these treaties.

12. Financing

World Bank

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

During the years ended September 30, 2024 and 2023, MIMRA incurred expenses of \$716,555 and \$1,264,666, respectively, under a World Bank grant from IDA (Grant ID E165-MH) to strengthen regional collaboration and national capacity for the management and the sustainable development of the oceanic and coastal fisheries sector in Republic of the Marshall Islands.

In 2024 and 2023, MIMRA received \$800,000 and \$2,378,850, respectively, from the World Bank in the form of additional financial support from IDA (Grant ID E165-MH). A summary of the grant activities are as follows:

	<u>2024</u>	<u>2023</u>
IDA Grant ID E165-MH:		
Balance at beginning of the year	\$1,114,184	\$ ---
Grant funds received during the year	800,000	2,378,850
Grant expenses incurred during the year	(716,555)	(1,264,666)
Balance at end of the year	<u>\$1,197,629</u>	<u>\$1,114,184</u>

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

Marshall Islands Marine Resources Authority
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Notes to Financial Statements, continued

12. Financing, continued

The Nature Conservancy

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

	<u>2024</u>	<u>2023</u>
Balance at beginning of the year	\$36,838	\$96,422
Grant expenses incurred during the year	(22,028)	(59,584)
Balance at end of the year	<u>\$14,810</u>	<u>\$36,838</u>

Chinese Taipei Trust Fund

In 2017, MIMRA received joint assistance from Pacific Community and Forum Fisheries Agency to improve data collection by the Observers and management. The purpose of the assistance is to build technical capacity at MIMRA for the efficiency of the National Observer Program. In 2024, MIMRA received \$89,200 from the Chinese Taipei Trust Fund to fund the operations of the project. A summary of the grant activities are as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of the year	\$(24,025)	\$ 1,259
Grant funds received during the year	89,200	---
Grant expenses incurred during the year	(85,869)	(25,284)
Balance at end of the year	<u>\$(20,694)</u>	<u>\$(24,025)</u>

Marshall Islands Marine Resources Authority
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Notes to Financial Statements, continued

12. Financing, continued

Protected Area Network

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

	<u>2024</u>	<u>2023</u>
Balance at beginning of the year	\$165,237	\$211,102
Grant expenses incurred during the year	(121,888)	(45,865)
Balance at end of the year	<u>\$ 43,349</u>	<u>\$165,237</u>

Food and Agriculture Organization of the United Nations

MIMRA is the recipient of grants from the Food and Agriculture Organization of the United Nations (FAO) to support coastal and small-scale tuna fishers, as well as post-harvest activities and alternative preservation methods for processing and storing catches. A summary of grant activities are as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of the year	\$57,078	\$43,785
Grant funds received during the year	36,875	46,982
Grant expenses incurred during the year	(71,379)	(33,689)
Balance at end of the year	<u>\$22,574</u>	<u>\$57,078</u>

13. PNA Office

The PNA was established by eight sovereign nations (Federated States of Micronesia, Marshall Islands, Kiribati, Tuvalu, Solomon Islands, Nauru, Papua New Guinea, and Palau) in 1982. The PNA Office was established as a quasi-governmental organization in Majuro as the Head Office of the PNA and is responsible for administering of the VDS program, including collection of revenues associated with this program. During the years ended September 30, 2024 and 2023, MIMRA recognized revenues related to the VDS program of \$21,865,319 and \$25,198,926, respectively. As of September 30, 2024 and 2023, receivables due from the PNA Office associated with VDS revenues amounted to \$6,810,446 and \$11,243,940, respectively.

Marshall Islands Marine Resources Authority
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Notes to Financial Statements, continued

14. Commitment and Contingency

Construction-in-Progress

In 2022, MIMRA entered into a \$2,973,184 contract for the construction of an annex to an existing building. In 2024, a revised cost proposal for \$3,104,395 was submitted by the contractor to MIMRA. As of September 30, 2024, the remaining commitment under this contract was \$200,203.

Litigation

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

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

Board of Directors
Marshall Islands Marine Resources Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Marshall Islands Marine Resources Authority (MIMRA), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise MIMRA's basic financial statements, and have issued our report thereon dated December 30, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

December 30, 2025