

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

**Republic of the Marshall Islands Office of Commerce,
Investment and Tourism**
(A Component Unit of the Republic of the Marshall Islands)

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



**Shape the future
with confidence**

Republic of the Marshall Islands Office of Commerce,
Investment and Tourism
(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
Republic of the Marshall Islands Office of Commerce,
Investment and Tourism

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Republic of the Marshall Islands Office of Commerce, Investment and Tourism (OCIT), 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 OCIT'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 OCIT 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 OCIT, 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.

Restatement of Financial Statements

As discussed in Note 7 to the financial statements, the 2023 financial statements have been restated for the correction of an error. Our opinion is not modified in respect to this matter.

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 OCIT'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 OCIT'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 OCIT's ability to continue as a going concern for a reasonable period of time.

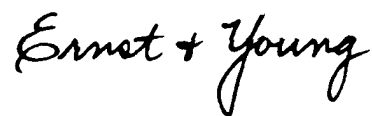
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 9 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 March 24, 2026, on our consideration of OCIT'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 OCIT'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 OCIT's internal control over financial reporting and compliance.

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

March 24, 2026

Republic of the Marshall Islands Office of Commerce,
Investment and Tourism
(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 Republic of the Marshall Islands (RMI) Office of Commerce, Investment and Tourism annual financial report presents our discussion and analysis of OCIT's financial performance during the fiscal year that ended September 30, 2024. This section is to be read in conjunction with the financial statements that follow this section and the accompanying notes to our financial statements in this report.

OCIT Functions

OCIT has wide-ranging functions and powers designed to make it a catalyst for economic and social development. Its primary function is to develop and implement social and economic development programs and projects for the betterment of the economic and social conditions of the inhabitants of the Republic. In March 2018, the Marshall Islands Visitor's Authority combined with the RMI Office of Commerce and Investment, renaming the organization the RMI Office of Commerce, Investment and Tourism (OCIT). Its functions now combine the roles of a tourism agency, investment promotion agency, a government investment corporation - i.e. to encourage and develop tourism and investments and to operate business enterprises on behalf of the RMI government. It is empowered to perform its functions alone or in conjunction with other government agencies and private enterprises.

Statement of Net Position Analysis:

OCIT has been operating for over a decade and continues to advance its role as a key driver of economic and social development in the Republic of the Marshall Islands. Central to this role is the promotion of foreign direct investment, while also supporting the growth of the domestic economy by assisting local businesses in expanding their operations and reinvesting within the country. OCIT also remains committed to encouraging and strengthening the tourism sector as an important contributor to long-term economic development. For the FY2023 reporting period, OCIT administered and managed three primary funding sources. These included annual Government Subsidy, the U.S. Economic Development Administration Grant (EDA) awarded back in FY2023 and remains active. In addition to its core responsibilities, OCIT oversees the administrative and financial management of the Aviation Task Force, as the Task Force's initiatives closely align with OCIT's broader mandate and strategic objectives.

Republic of the Marshall Islands Office of Commerce,
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Management's Discussion and Analysis, continued

Statement of Net Position Analysis, continued:

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

Summary Statements of Net Position
As of September 30

	2024	2023 (Restated)	\$ Change 2024-2023	% Change 2024-2023	2022
Assets:					
Current and other assets	\$ 315,627	\$ 349,262	\$ (33,635)	(9.6)%	\$ 161,495
Capital assets	<u>70,353</u>	<u>67,970</u>	<u>2,383</u>	3.5%	<u>105,552</u>
Total assets	<u>385,980</u>	<u>417,232</u>	<u>(31,252)</u>	(7.5)%	<u>267,047</u>
Liabilities:					
Current and other liabilities	<u>101,501</u>	<u>87,408</u>	<u>14,093</u>	16.1%	<u>80,045</u>
Net position:					
Net investment in capital					
assets	70,353	67,970	2,383	3.5%	105,552
Restricted	76,342	92,520	(16,178)	(17.5)%	-
Unrestricted	<u>137,784</u>	<u>169,334</u>	<u>(31,550)</u>	(18.6)%	<u>81,450</u>
Total net position	<u>\$ 284,479</u>	<u>\$ 329,824</u>	<u>\$ (45,345)</u>	(13.7)%	<u>\$ 187,002</u>

OCIT's total assets have decreased by 7% in FY24 compared to FY23. Despite this minor change, current and other liabilities increased in FY24 compared to prior year FY23 by \$14,093, which is equivalent to 16%. This was mainly due to higher payable and accrued expenses recorded at year-end. OCIT's total net position for FY24 was \$284,479.

Please refer to Note 7 to the financial statements for information relating to a restatement of the 2023 financial statements.

Statement of Revenues, Expenses, and Changes in Net Position Analysis:

For the year ended September 30, 2024, OCIT incurred a total operating expense of \$1,019,679, which is a significant increase from prior year FY23. The increase in operating revenue from prior year FY23 had fully taken into effect in FY24, resulting in the increase in expenses incurred during the reporting year FY24 as programs were being implemented by the various funds housed at OCIT.

Republic of the Marshall Islands Office of Commerce,
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Management's Discussion and Analysis, continued

Statement of Revenues, Expenses, and Changes in Net Position Analysis, continued:

A summary of OCIT'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

	2024	2023 (Restated)	\$ Change 2024-2023	% Change 2024-2023	2022
Operating revenues:					
Nitijela appropriation	\$ 625,995	\$ 725,124	\$ (99,129)	(13.7)%	\$ 625,124
Small Business Development Center	10,243	42,750	(32,507)	(76.0)%	-
Other	51,308	82,482	(31,174)	(37.8)%	18,689
Total operating revenues	687,546	850,356	(162,810)	(19.1)%	643,813
Less: Bad debt expense	-	(2,253)	2,253	(100.0)%	(10,358)
Operating revenues net	687,546	848,103	(160,557)	(18.9)%	633,455
Operating expenses:					
Salaries, wages and benefits	534,303	403,922	130,381	32.3%	435,843
Professional/contractual fees	12,970	12,430	540	4.3%	25,869
Travel and per diem	181,779	53,947	127,832	237.0%	14,689
Advertising	106,157	112,919	(6,762)	(6.0)%	36,450
Other expenses	184,470	172,427	12,043	7.0%	156,181
Total operating expenses	1,019,679	755,645	264,034	34.9%	669,032
	(332,133)	92,458	(424,591)		(35,577)
Nonoperating revenues:					
EDA grant	286,788	50,651	236,137	466.2%	-
Change in net position	\$ (45,345)	\$ 143,109	\$ (188,454)	(131.7)%	\$ (35,577)

During the reporting year, various fluctuations occurred in the operating expense items, particularly Salaries, Wages and Benefits, as a rise in this line item jumped from \$403,922 in FY23 to \$534,303 in FY24. The increase was mainly due to new hired staff that were funded under the U.S. EDA Grant to assist in the implementation of the programs earmarked in the Grant Administration Plan. It is also noted that Travel continued to increase compared to prior years. As more funds were now available through the OCIT's existing grant, capacity building and promotional travel plans were now an open option for staff to build skills in their current field as well as promoting the RMI through participation in various tourism related conventions and expos.

Miscellaneous line item evidently showed a rise as well in FY24 by 52% compared to prior year FY23. This was due to expenses incurred for sitting fees paid out to the RMI Aviation Task Force committee members for meeting obligations. A summary of OCIT's other expenses is as follows:

Republic of the Marshall Islands Office of Commerce,
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Management's Discussion and Analysis, continued

Statement of Revenues, Expenses, and Changes in Net Position Analysis, continued:

Summary Schedule of Other Expenses
Years Ended September 30

	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
Other expenses:					
Utilities and communications	\$ 34,836	\$ 29,735	\$ 5,101	17.2%	\$ 38,236
Rent	10,033	8,382	1,651	19.7%	7,992
Depreciation	34,048	43,458	(9,410)	(21.7)%	36,089
Office supplies	21,924	31,110	(9,186)	(29.5)%	13,125
Subscriptions and dues	18,477	16,633	1,844	11.1%	13,539
Training	6,706	4,666	2,040	43.7%	4,864
Miscellaneous	58,446	38,443	20,003	52.0%	42,336
	<u>\$ 184,470</u>	<u>\$ 172,427</u>	<u>\$ 12,043</u>	7.0%	<u>\$ 156,181</u>

Management's Discussion and Analysis for the year ended September 30, 2023 is set forth in OCIT's report on the audit of financial statements dated December 2, 2024. That Discussion and Analysis explains the major factors impacting the 2023 financial statements and can be obtained from OCIT's CEO via the information outlined on page 9.

Capital Assets and Long-Term Debt

Acquisition of capital assets for the reporting year remained the same for leasehold improvements. Furniture and fixtures slightly increased by 9% from \$132,278 in FY23 to \$144,213 in FY24. In addition to this, vehicle had also increased by \$24,495, as a new vehicle was procured in FY24 through the U.S. EDA Grant to support OCIT initiatives. OCIT accumulated a total \$70,352 depreciation of capital assets in FY24, just a slight increase by 3% compared to prior year FY23. A summary of OCIT's capital assets on September 30, 2024, compared with 2023 and 2022 is presented below:

	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
Depreciable capital assets:					
Motor vehicles	\$ 88,840	\$ 64,345	\$ 24,495	38.1%	\$ 64,345
Leasehold improvements	56,289	56,289	-	0.0%	56,289
Furnitures and fixtures	<u>144,214</u>	<u>132,278</u>	<u>11,936</u>	9.0%	<u>126,401</u>
	289,343	252,912	36,431	14.4%	247,035
Accumulated depreciation	<u>(218,990)</u>	<u>(184,942)</u>	<u>(34,048)</u>	18.4%	<u>(141,484)</u>
	<u>\$ 70,353</u>	<u>\$ 67,970</u>	<u>\$ 2,383</u>	3.5%	<u>\$ 105,552</u>

Republic of the Marshall Islands Office of Commerce,
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Management's Discussion and Analysis, continued

Capital Assets and Long-Term Debt, continued

Please refer to Note 3 to the financial statements for additional information relating to OCIT's capital assets.

OCIT did not incur long-term debt activity during the period.

External Factors and Current Economic Outlook

For the fiscal year ending FY2024, the economic environment of the republic of the Marshall Islands (RMI) continued to show cautious, yet steady improvement shaped by a combination of global, regional and domestic factors. While the post-covid recovery phase has largely transitioned into stabilization, the RMI economy remains vulnerable to external aid, and international connectivity. The Office of Commerce, Investment and Tourism as a State-owned Enterprise for the RMI government has also felt the effects of economic change over the years impacting the government office both positively and negatively.

Tourism continued to be a key driver of economic recovery in FY2024, supported by open borders and gradual normalization of international travel. Visitor arrivals showed sustained growth compared to prior years, reinforcing tourism's role as a cornerstone of OCIT's strategic priorities. Despite the increase in visitor arrivals for the reporting year, economic growth remained constrained by limited flight capacity, high airfare costs, and ongoing aviation challenges. These external aviation related factors underscored the importance of OCIT's continued engagement through the RMI Aviation Task Force, aimed at improving air services, strengthening stakeholder coordination, and identifying long-term solutions to enhance access to the RMI.

Furthermore, shortage of available accommodations presents a significant barrier to tourism growth and limits the ability to fully realize the destination's tourism potential. Without sufficient hotel rooms and short-term rental options, such as Airbnb properties, it becomes difficult to effectively promote the destination to international markets. Expanding the inventory of quality accommodations is essential to ensure that leisure travelers can be comfortably hosted and that tourism development efforts can be successfully supported.

Domestically, economic activity in terms of Business development and startup for local RMI residents residing in Majuro and Ebeye continued to outperform. Furthermore, OCIT's Small Business Development Center Unit have ensured other neighboring islands in the RMI gained access to these similar capacity building opportunities fueled through government subsidies and donor funded programs. This sector plays a pivotal role in boosting economic growth, especially for a remote country with lots of potential such as the RMI.

Republic of the Marshall Islands Office of Commerce,
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Management's Discussion and Analysis, continued

External Factors and Current Economic Outlook, continued

OCIT's Investment Division remains a sector full of potential as well, despite the ongoing constraints that are affecting OCIT's current obligations. The Foreign Investment Business License (FIBL) process remains in the hands of the RMI's Ministry of Finance and efforts to return that process back to OCIT to facilitate as a one-stop-shop for foreign investors are currently being discussed. In addition, the bottleneck of immigration presents a significant challenge to attracting the foreign investment needed for economic growth. Lengthy or complex immigration processes can discourage investors and limit the timely entry of skilled professionals required to support key industries.

Strengthening and streamlining the immigration system is therefore essential to facilitate the efficient movement of people, enabling the country to attract expertise and skilled workers necessary to meet the demands of its productive sectors and support sustainable development. Also, the migration of Marshallese citizens presents a growing challenge to the domestic workforce, particularly as many productive and skilled workers leave the country. This outflow creates labor shortages across key sectors of the economy. To address these gaps, it is increasingly important to attract foreign skilled workers who can help sustain productivity, support industry needs, and maintain the continuity of essential services while the nation works to strengthen its local workforce.

Looking ahead, the economic outlook for the remainder of FY2024 and beyond remains cautiously optimistic. Continued recovery in tourism, combined with targeted investment promotion, small business development support, and improved aviation services, is expected to generate economic gain, however risks remain, including global economic uncertainty, climate related impacts, and ongoing logistical and infrastructure challenges.

Currently, OCIT is positioning itself to capitalize on emerging opportunities by strengthening partnerships, aligning external funded projects with national strategic priorities, and focusing on initiatives that deliver measurable economic impact. Through management's monitoring and guidance, OCIT aims to play a central role in advancing sustainable growth and resiliencies within the RMI economy in the years ahead.

Additional Financial Information

This discussion and analysis are designed to provide an overview of OCIT's financial operations and financial condition. Should the reader have any questions regarding information included in this report or wish to request additional information, please contact the CEO of the Office of Commerce, Investment and Tourism at 625-4624 or in writing to P. O. Box 898, Majuro, Marshall Islands 96960.

Republic of the Marshall Islands Office of Commerce,
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Statements of Net Position

	September 30, 2023	2024
	(Restated)	
Assets		
Current assets:		
Cash	\$ 266,406	\$ 168,498
Receivables:		
Hotel taxes	32,545	19,956
Due from Small Business Development Center	42,750	10,243
Due from Economic Development Administration	7,312	102,530
Other	25,416	16,000
	108,023	148,729
Less allowance for doubtful accounts	(25,167)	(1,600)
Receivables, net	82,856	147,129
Total current assets	349,262	315,627
Capital assets, net of accumulated depreciation	67,970	70,353
	<u>\$ 417,232</u>	<u>\$ 385,980</u>
Liabilities and Net Position		
Current liabilities:		
Payable to affiliates	\$ 41,312	\$ 47,222
Other liabilities and accruals	46,096	54,279
Total liabilities	87,408	101,501
Commitments and contingencies		
Net position:		
Net investment in capital assets	67,970	70,353
Restricted	92,520	76,342
Unrestricted	169,334	137,784
Total net position	329,824	284,479
	<u>\$ 417,232</u>	<u>\$ 385,980</u>

See accompanying notes.

Republic of the Marshall Islands Office of Commerce,
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Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	2024	2023 (Restated)
Operating revenues:		
Nitijela appropriations	\$ 625,995	\$ 725,124
Hotel taxes	19,956	22,187
Small Business Development Center grant	10,243	42,750
Contributions	6,808	51,135
Other	24,544	9,160
Bad debt expense	---	(2,253)
Total operating revenues	<u>687,546</u>	<u>848,103</u>
Operating expenses:		
Salaries, wages and employee benefits	534,303	403,922
Travel and per diem	181,779	53,947
Advertising	106,157	112,919
Utilities and communications	34,836	29,735
Depreciation	34,048	43,458
Board member fees and expenses	22,895	12,432
Office supplies	21,924	31,110
Subscriptions and dues	18,477	16,633
Fuel and vehicle maintenance	15,455	11,771
Professional/contractual fees	12,970	12,430
Printing	10,606	6,718
Rent	10,033	8,382
Training	6,706	4,666
Miscellaneous	9,490	7,522
Total operating expenses	<u>1,019,679</u>	<u>755,645</u>
(Loss) income from operations	(332,133)	92,458
Nonoperating revenues:		
Economic Development Administration grant	<u>286,788</u>	<u>50,651</u>
Change in net position	(45,345)	143,109
Net position at beginning of year	<u>329,824</u>	<u>186,715</u>
Net position at end of year	<u>\$ 284,479</u>	<u>\$ 329,824</u>

See accompanying notes.

Republic of the Marshall Islands Office of Commerce,
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Statements of Cash Flows

	Year ended September 30,	
	2024	2023 (Restated)
Cash flows from operating activities:		
Operating grants received	\$ 632,803	\$ 776,259
Cash received from customers	42,938	3,311
Cash received from Small Business Development Center	42,750	---
Cash payments to suppliers for goods and services	(453,237)	(306,975)
Cash payments to employees for services	(518,301)	(398,136)
Net cash (used in) provided by operating activities	(253,047)	74,459
Cash flows from noncapital financing activities:		
Economic Development Administration grant received	191,570	43,339
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(36,431)	(5,876)
Net change in cash	(97,908)	111,922
Cash at beginning of year	266,406	154,484
Cash at end of year	<u>\$ 168,498</u>	<u>\$ 266,406</u>
Reconciliation of (loss) income from operations to net cash (used in) provided by operating activities:		
(Loss) income from operations	\$(332,133)	\$ 92,458
Adjustments to reconcile (loss) income from operations to net cash (used in) provided by operating activities:		
Depreciation	34,048	43,458
Bad debt expense	---	2,253
Change in assets and liabilities:		
Receivables:		
Hotel taxes	12,589	(22,187)
Due from Small Business Development Center	32,507	(42,750)
Other	(14,151)	(5,849)
Payable to affiliates	5,910	12,665
Other liabilities and accruals	8,183	(5,589)
Net cash (used in) provided by operating activities	<u>\$(253,047)</u>	<u>\$ 74,459</u>

See accompanying notes.

Republic of the Marshall Islands Office of Commerce,
Investment and Tourism
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

Years ended September 30, 2024 and 2023

1. Organization

The Republic of the Marshall Islands Office of Commerce, Investment and Tourism (OCIT), a component unit of the Republic of the Marshall Islands (RepMar), was established pursuant to the Office of Commerce, Investment and Tourism (Amendment) Act 2018, which amended the Office of Commerce and Investment Act of 2013. OCIT began operations as a statutory corporation on November 25, 2013 upon receiving its first operational budget.

The objectives of OCIT were to: (1) to investigate, study, develop and implement social and economic development programs and projects, alone or in conjunction with other governmental, private organizations, or agencies, for the betterment of the economic and social conditions of the inhabitants of the Republic; (2) encourage and develop, and manage, businesses of economic or social importance to the Republic, such as tourism, poultry farming and piggeries; and (3) conduct, on behalf of RepMar, such business enterprises as the RepMar Cabinet directs, on such terms and conditions as were agreed to between OCIT and the RepMar Cabinet; provided, however, in all decisions of the Board or the RepMar Cabinet, the protection of existing enterprises shall be given highest consideration.

In addition, the operations of OCIT include the Small Business Development Center (SBDC) and the Marshall Islands Visitor's Authority (MIVA), which streamlines the processes and procedures of establishing Small and Medium Enterprises (SME), streamlines initiatives and functions of organizations towards the development of tourism industry, and to stimulate economic growth in the country. OCIT is primarily funded through operational appropriations from the Nitijela (the RepMar Legislature).

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

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

Republic of the Marshall Islands Office of Commerce,
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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

To conform to these requirements, equity is presented in the following net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Restricted - nonexpendable net position subject to externally imposed stipulations that requires OCIT to maintain such permanently. As of September 30, 2024 and 2023, OCIT does not have nonexpendable net position. Expendable net position whose use by OCIT is subject to externally imposed stipulations that can be fulfilled by actions of OCIT pursuant to those stipulations or that expire by the passage of time. As of September 30, 2024, and 2023, OCIT has expendable net position of \$76,342 and \$92,520 respectively, representing unexpended funds received from RepMar restricted for activities of the Aviation Task Force.
- 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 OCIT'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.

Republic of the Marshall Islands Office of Commerce,
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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, OCIT'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. OCIT 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 amounts in demand and savings accounts. As of September 30, 2024 and 2023, the carrying amount of cash was \$168,498 and \$266,406, respectively, and the corresponding bank balances were \$177,865 and \$282,318, respectively. Of the bank balances, \$175,566 and \$279,755, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$2,299 and \$2,563, respectively, are maintained in a financial institution not subject to depository insurance.

As of September 30, 2024 and 2023, bank deposits in the amount of \$175,566 and \$250,000, respectively, were FDIC insured. OCIT 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

Receivables are due from U.S. federal agencies as well as government agencies, businesses and individuals located within the Republic of the Marshall Islands and are interest free and uncollateralized. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience.

Management determines the adequacy of the allowance for uncollectible accounts based upon review of the aged accounts receivable. The allowance is established through a provision for bad debts charged to income. Bad debts are written off against the allowance on the specific identification method.

Republic of the Marshall Islands Office of Commerce,
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Property and Equipment

OCIT generally capitalizes individual items with a cost that equals or exceeds \$250 and has estimated useful life of more than one year. Property and equipment are recorded at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of these assets are as follows:

	<u>Estimated Useful Lives</u>
Motor vehicles	5 years
Leasehold improvements	5 years
Furniture and fixtures	3 - 5 years

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. OCIT 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 benefits. As of September 30, 2024 and 2023, the accumulated vacation leave liability amounted to \$19,414 and \$9,563, respectively, and is included within the statements of net position as other liabilities and accruals.

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. OCIT has no items that qualify for reporting in this category.

Republic of the Marshall Islands Office of Commerce,
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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 RepMar imposes a gross receipts tax of 3% on revenues. OCIT is specifically exempt from this tax; however, gross receipts associated with business enterprise operations as directed by the Cabinet are subject to gross receipts tax.

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.

Recently Adopted Accounting Pronouncements

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

- GASB Statement No. 99, *Omnibus 2022*, which modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures. It also provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. The 2023 financial statements of OCIT were restated for the correction of an error. The implementation of this Statement is presented within Note 7 to the accompanying financial statements.

Republic of the Marshall Islands Office of Commerce,
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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 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. 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 objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and addressing certain application issues identified through pre-agenda research conducted by the GASB. 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.

Republic of the Marshall Islands Office of Commerce,
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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 as-sets 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. GASB Statement No. 104 will be effective for the fiscal year ending September 30, 2026.

3. Capital Assets

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

	<u>2024</u>			
	<u>October 1, 2023</u>	<u>Additions</u>	Transfers and <u>Disposals</u>	<u>September 30, 2024</u>
Motor vehicles	\$ 64,345	\$ 24,495	\$ ---	\$ 88,840
Leasehold improvements	56,289	---	---	56,289
Furniture and fixtures	<u>132,278</u>	<u>11,936</u>	<u>---</u>	<u>144,214</u>
	252,912	36,431	---	289,343
Less accumulated depreciation	<u>(184,942)</u>	<u>(34,048)</u>	<u>---</u>	<u>(218,990)</u>
	<u>\$ 67,970</u>	<u>\$ 2,383</u>	<u>\$ ---</u>	<u>\$ 70,353</u>

Republic of the Marshall Islands Office of Commerce,
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Notes to Financial Statements, continued

3. Capital Assets, continued

	<u>2023</u>			
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Motor vehicles	\$ 64,345	\$ ---	\$ ---	\$ 64,345
Leasehold improvements	56,289	---	---	56,289
Furniture and fixtures	<u>126,402</u>	<u>5,876</u>	<u>---</u>	<u>132,278</u>
	247,036	5,876	---	252,912
Less accumulated depreciation	<u>(141,484)</u>	<u>(43,458)</u>	<u>---</u>	<u>(184,942)</u>
	<u>\$105,552</u>	<u>\$(37,582)</u>	<u>\$ ---</u>	<u>\$ 67,970</u>

4. Related Party Transactions

OCIT is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including the Marshall Islands Development Bank (MIDB) and the RMI Ports Authority. OCIT utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties.

A summary of related party transactions as of and for the years ended September 30, 2024 and 2023 are as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Expenses</u>	<u>Payables</u>	<u>Expenses</u>	<u>Payables</u>
Marshall Islands Social Security Administration	\$ 45,225	\$28,448	\$30,815	\$23,130
Marshall Islands National Telecommunications Authority	32,275	295	29,735	5,426
Majuro Resort, Inc.	15,186	3,963	15,493	7,005
RepMar	51,055	6,573	---	5,554
Air Marshall Islands, Inc.	7,210	---	2,277	---
Marshall Islands Development Bank	10,817	7,747	8,382	---
College of the Marshall Islands	1,171	---	---	---
Other	<u>---</u>	<u>196</u>	<u>---</u>	<u>197</u>
	<u>\$162,939</u>	<u>\$47,222</u>	<u>\$86,702</u>	<u>\$41,312</u>

Republic of the Marshall Islands Office of Commerce,
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Notes to Financial Statements, continued

4. Related Party Transactions, continued

RepMar levies a Hotel and Resort Facilities tax of 8% of the daily room rate on hotels and resort facilities in the Marshall Islands, of which 1/8 is dedicated for OCIT. The tax is collected by RepMar monthly and remitted to OCIT. During the years ended September 30, 2024 and 2023, OCIT recognized hotel tax revenues of \$19,956 and \$22,187, respectively. As of September 30, 2024 and 2023, hotel taxes receivable due from RepMar amounted to \$19,956 and \$32,545, respectively.

During the years ended September 30, 2024 and 2023, the operations of OCIT were funded by appropriations from the Nitijela of RepMar in the amount of \$625,995 and \$725,124, respectively. In 2023, the appropriation included \$100,000 designated for the operations of the Aviation Task Force, of which \$76,342 and \$92,520, respectively, remains unexpended at September 30, 2024 and 2023.

During the years ended September 30, 2024 and 2023, OCIT occupied certain office space owned by MIDB under a lease agreement with rent expense of \$10,033 and \$8,382, respectively, inclusive of utilities and maintenance costs, and which expired on February 27, 2025. Such lease was not subsequently extended by OCIT. As of September 30, 2024, remaining commitments under this lease is \$4,445.

5. Commitments and Contingencies

U.S. Federal Grants

During the year ended September 30, 2023, OCIT was awarded an Economic Development Administration grant through the U.S. Department of Commerce in the amount of \$1,672,411 for a State Tourism Grant under the American Rescue Plan Act. During the years ended September 30, 2024 and 2023, OCIT incurred expenses of \$286,788 and \$50,651, respectively, under this federal program award. This program is subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. OCIT's management believes that liabilities, if any, for reimbursement, which may arise because of these audits, will not be material to the financial position of OCIT.

Financial Support

OCIT receives a substantial amount of its revenue from annual RepMar appropriations. A significant reduction in the level of budgetary support from RepMar, if this were to occur, may influence OCIT's programs and activities. For the year ended September 30, 2025, RepMar appropriated \$630,165 for the purpose of funding the 2025 programs and activities of OCIT.

Republic of the Marshall Islands Office of Commerce,
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Notes to Financial Statements, continued

6. Employee Retirement Plan

OCIT has implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least three (3) months of service. Plan participants may contribute 5% up to 10% of their gross salaries to be matched 100% by OCIT. 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, OCIT contributed \$18,681 and \$12,527, respectively, to Plan participant accounts. As of September 30, 2024 and 2023, total Plan assets were \$158,482 and \$94,312, respectively.

7. Restatement

Subsequent to the issuance of OCIT's 2023 financial statements, OCIT's management determined that grant revenue from the Small Business Development Center (SBDC) was understated by \$42,750. As a result of this determination, SBDC grants receivable and related grant revenue have been restated from the amounts previously reported as follows:

	As Previously Reported	Error Correction	As Restated
At September 30:			
Current assets:			
Receivables - SBDC	\$ ---	\$ 42,750	\$ 42,750
Net position:			
Unrestricted	\$126,584	\$ 42,750	\$169,334
For the year ended September 30:			
Operating revenues:			
SBDC	\$ ---	\$ 42,750	\$ 42,750
Net position at end of year	\$287,074	\$ 42,750	\$329,824

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

The Board of Directors
Republic of the Marshall Islands Office of Commerce,
Investment and Tourism

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Republic of the Marshall Islands Office of Commerce, Investment and Tourism (OCIT), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise OCIT's basic financial statements, and have issued our report thereon dated March 24, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCIT'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 OCIT's internal control. Accordingly, we do not express an opinion on the effectiveness of OCIT'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 deficiency in internal control described in the accompanying Schedule of Findings and Responses as item 2024-001 that we consider to be material weakness.

Report on Compliance and Other Matters

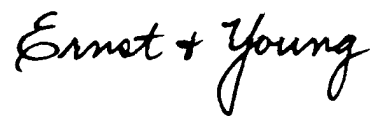
As part of obtaining reasonable assurance about whether OCIT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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*.

OCIT's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on OCIT's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. OCIT's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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, handwritten-style script.

March 24, 2026

Office of Commerce Investment and Tourism
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Schedule of Findings and Responses

Year ended September 30, 2024

Finding No. 2024-001

Revenue Recognition

Criteria: GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, establishes accounting and financial reporting standards for government-mandated and voluntary nonexchange transactions. Reimbursement-type grant programs require revenue recognition be based on eligibility requirements whereby revenues are recognized by the recipient upon incurrence of allowable costs under the program.

Condition: In the prior year, OCIT executed a Small Business Development Center (SBDC) network grant agreement with the University of Guam (UOG) that offered resources for allowable costs incurred by OCIT based on reimbursement request submissions. During the year ended September 30, 2024, the following exceptions were noted:

1. OCIT recognized revenues of \$42,750 under the agreement on a cash basis, representing allowable costs incurred for the year ended September 30, 2023.
2. OCIT incurred allowable costs under the program for the months of November 2023 and April 2024 through August 2024 and submitted the requisite reimbursement requests in the aggregate amount of \$10,243; however, no corresponding revenue was recognized for the year ended September 30, 2024.
3. Reimbursement requests for allowable costs under the program were not submitted within the required timeframes established by UOG for the months of October 2023 and September 2024. As a result, OCIT was unable to recover eligible costs, leading to a loss of revenue that could otherwise have supported program operations.

Cause: Lack of understanding of revenue recognition principles associated with reimbursement-type grant programs and inadequate monitoring procedures and the absence of formal processes to ensure that reimbursement claims are prepared and submitted within required deadlines.

Effect: For condition #s 1 and 2, grants receivable and related grant revenues were misstated. Audit adjustments were proposed to correct these misstatements, which resulted in the restatement of the 2023 financial statements. For condition # 3, failure to submit reimbursement requests in a timely manner resulted in the loss of eligible revenue.

Office of Commerce Investment and Tourism
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Schedule of Findings and Responses, continued

Finding No. 2024-001, continued

Recommendation: OCIT management should develop monitoring procedures for financial reporting purposes that include timely and accurate reimbursement request submissions, and recognition of grant related transactions. Furthermore, OCIT management should assess whether additional personnel well versed in accounting reconciliations, or additional training of existing personnel, may be required to facilitate timely and accurate financial reporting.

Auditee Response and Corrective Action Plan: Management recognizes the need to develop a procedure to manage reimbursements from donors and other related grants. OCIT's Finance and Accounting Division will work closely with the associated department within OCIT to develop a standard operating procedure to submit reimbursement claims with donors that are in compliance with the agreements set forth as well as enhance coordination and monitoring of the reimbursements.