

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

Republic of the Marshall Islands
National Environmental Protection Authority Fund
(A Component Unit of the Republic of the Marshall Islands)

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



**Shape the future
with confidence**

Republic of the Marshall Islands
National Environmental Protection Authority Fund
(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, 2023 and 2022

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Report of Independent Auditors

Board of Directors

Republic of the Marshall Islands National Environmental Protection Authority Fund

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 National Environmental Protection Authority Fund (EPA), a component unit of the Republic of the Marshall Islands, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise EPA'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 EPA at September 30, 2023 and 2022, and the changes in financial position and 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 EPA 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 EPA'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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 EPA'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 EPA's ability to continue as a going concern for a reasonable period of time.

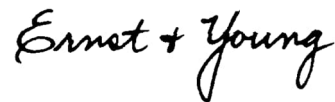
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2026, on our consideration of EPA'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 EPA'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 EPA's internal control over financial reporting and compliance.

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

June 9, 2026

Republic of the Marshall Islands
National Environmental Protection Authority Fund
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis

Years ended September 30, 2023 and 2022

This section of the Environmental Protection Authority (EPA or the Authority) annual financial report presents our discussion and analysis of EPA's financial performance during the fiscal year that ended on September 30, 2023 with comparative information for fiscal years 2022 and 2021. Please read it in conjunction with the financial statements which follow this section.

EPA PURPOSE AND MANDATE

EPA was first established in 1984 while the RMI was in its last years as a UN Trust Territory administered by the USA. The *Environmental Protection Act* and the activities encompassed by the EPA were largely set up at that time. A global shift in focus towards environmental issues, increased rate of development and issues such as waste management on small islands has left the EPA in a rapidly changing environment with a need to reassess its role and mandate. As a result of the foregoing, EPA is looked upon by the citizenry and government for the total management of the environment although our acts only give us the authority to protect and police and these acts in some cases are so general in nature that we do not have a clear authority to act to protect in some cases.

The purpose of EPA in the RMI is to study and monitor the human and natural impacts in the following major areas:

- Water Quality Monitoring and Laboratory
- Land, Coastal, and Conservation Management
- Waste and Pollution
- Education and Awareness

The functions and duties of the EPA are mandated under the following Acts and Legislation:

- An Act to provide for the establishment of a National Environmental Protection Authority for the protection and management of the environment National Environment Protection Act 1984 [P.L. 1984-31][P.L. 1987-2].
- EPA is responsible for the administration, control, custody and management of the Coastal Zone, and for the implementation of the provisions of the *Coastal Conservation Act (1988)*, with respect to the obligations and mandates described above in the *Environment Protection Act (1984)*[P.L. 1988-13].

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Management's Discussion and Analysis, continued

EPA PURPOSE AND MANDATE, CONTINUED

- *Public Health, Safety and Welfare Act, Chapter 1 Public Health and Sanitation*, EPA in the past conducted food inspections to improve safety of foods sold by grocery stores, restaurants and cooked food. EPA continues to make public awareness on the importance of having sanitary toilet facilities and septic systems; however budgetary constraints and limited human resources have limited EPAs ability to continue to take the lead on Food Safety in the RMI. This issue is currently being resolved with the Ministry of Health and Human Services, which has the mandate to undertake these functions.
- EPA is also mandated to administer and enforce the *Ozone Layer Protection Regulations (2004)* and the *Pesticides and Persistent Organic Pollutants (POPs) Regulations (2004)*.

ORGANIZATIONAL STRUCTURE

EPA's executive function is headed by the General Manager who provides overall leadership in administering the affairs of the Authority. The General Manager facilitates cooperative efforts with other Ministries/Agencies and supplies the Board of Directors with policy advice and assistance with Cabinet-level concerns. The General Manager is assisted by a Deputy General Manager in directing the areas of Policy and Planning, to improve the delivery of services nationally and within communities.

EPA strives to be innovative in strengthening its capacity to provide more effective leadership. Effective management systems and principles are observed in executing EPA's mandate to provide quality services to the people of the Marshall Islands. This approach is based on the principles of efficiency, effectiveness, transparency and accountability of EPA's expenditures and performance through EPA's Strategic Action Plan.

In line with the guiding principles of accountability, transparency and efficiency, EPA's procurement systems are in place ensuring compliance with the national procurement procedures. EPA has created a position for a Procurement Officer to ensure the better management of assets acquired for EPA. The division heads are accountable for the annual expenditure reports to be included in the EPA Annual Report.

FINANCIAL HIGHLIGHTS

EPA's net position decreased in 2023 by \$52,563 down from \$524,783 in 2022, to \$472,220 in 2023, due to operating expenses exceeding operating and nonoperating revenues. Operating and nonoperating revenues increased by \$228,343 and \$31,031, respectively, compared to 2022 while operating expenses increased by \$228,971 compared to 2022.

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

FINANCIAL ANALYSIS OF EPA

Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of EPA's financial condition. EPA's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in EPA's financial condition. A summary of EPA's Statements of Net Position at September 30, 2023, 2022 and 2021 is presented below:

Summary Statements of Net Position
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Assets:					
Current and other assets	\$ 495,073	\$ 776,013	\$ (280,940)	(36.2)%	\$ 715,427
Capital assets	<u>67,360</u>	<u>73,261</u>	<u>(5,901)</u>	(8.1)%	<u>55,963</u>
Total assets	<u>562,433</u>	<u>849,274</u>	<u>(286,841)</u>	(33.8)%	<u>771,390</u>
Liabilities:					
Current and other liabilities	<u>90,213</u>	<u>324,491</u>	<u>(234,278)</u>	(72.2)%	<u>163,641</u>
Net position:					
Net investment in capital					
assets	67,360	73,261	(5,901)	(8.1)%	55,963
Unrestricted	<u>404,860</u>	<u>451,522</u>	<u>(46,662)</u>	(10.3)%	<u>551,786</u>
Total net position	<u>\$ 472,220</u>	<u>\$ 524,783</u>	<u>\$ (52,563)</u>	(10.0)%	<u>\$ 607,749</u>

As indicated above, total net position decreased by \$52,563, from \$524,783 in 2022 to \$472,220 in 2023. This is the result of a decrease in total assets of \$286,841 from \$849,274 in 2022 to \$562,433 in 2023 offset by a decrease in total liabilities of \$234,278 from \$324,491 in 2022 to \$90,213 in 2023.

The decrease in total assets was primarily due to a decrease in cash of \$300,058 from \$755,038 in 2022 to \$454,980 in 2023 offset by an increase in net receivables of \$19,118 from \$20,975 in 2022 to \$40,093 in 2023. The decrease in cash was due to net cash used of \$274,609 for operating activities and cash used of \$25,449 for acquisition of capital assets.

The decrease in total liabilities was primarily due to a decrease in unearned revenues of \$193,337 from \$239,940 in 2022 to \$46,603 in 2023 and a decrease in accounts payable and other liabilities of \$40,941 from \$84,551 in 2022 to \$43,610 in 2023.

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Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS OF EPA, CONTINUED

Change in Net Position

A Summary of EPA's Statements of Revenues, Expenses and Changes in Net Position for the years ended September 30, 2023, 2022 and 2021 is presented below:

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

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Operating revenues:					
Grants	\$ 860,536	\$ 736,919	\$ 123,617	16.8%	\$ 269,844
Fees and charges	252,199	222,442	29,757	13.4%	158,405
Other	98,230	23,261	74,969	322.3%	71,728
Total operating revenues	<u>1,210,965</u>	<u>982,622</u>	<u>228,343</u>	23.2%	<u>499,977</u>
Operating expenses:					
Salaries and wages	961,869	589,746	372,123	63.1%	507,013
Travel	294,212	436,197	(141,985)	(32.6)%	128,690
Rentals	69,057	137,989	(68,932)	(50.0)%	129,549
Other	394,178	326,413	67,765	20.8%	212,976
Total operating expenses	<u>1,719,316</u>	<u>1,490,345</u>	<u>228,971</u>	15.4%	<u>978,228</u>
Loss from operations	(508,351)	(507,723)	(628)	0.1%	(478,251)
Nonoperating revenues:					
Nitijela appropriations	455,788	424,757	31,031	7.3%	435,206
Change in net position	<u><u>\$ (52,563)</u></u>	<u><u>\$ (82,966)</u></u>	<u><u>\$ 30,403</u></u>	(36.6)%	<u><u>\$ (43,045)</u></u>

The Statement of Revenues, Expenses and Changes in Net Position identifies the various revenue and expense items that impact the change in net position.

As indicated above, EPA's operating revenues increased by \$228,343 from \$982,622 in 2022 to \$1,210,965 in 2023. The growth reflects stronger program activity and improved revenue-generating capacity compared to prior years. The increase in operating revenues is primarily due to the increase in grants and contributions, from \$736,919 in 2022 to \$860,536 in 2023, the increase in fees and charges from \$222,442 in 2022 to \$252,199 in 2023, and the increase in other revenues from \$23,261 in 2022 to \$98,230 in 2023.

The increase in grants and contributions is primarily due to an increase in SPC grant revenues of \$121,440 associated with the water scarcity project. The increase in other revenues is primarily due to an increase in fines of \$74,969 associated with settlements from violations of EPA regulations.

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Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS OF EPA, CONTINUED

Change in Net Position, continued

The increase in operating expenses between 2023 and 2022 of \$228,971 is primarily due to the \$372,123 increase in salaries and wages offset by the decrease in travel expenses of \$141,985.

Below is a summary of the major components of other operating expenses in 2023 compared to 2022 and 2021.

Summary of Other Operating Expenses
Years ended September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Other operating expenses:					
Contractual services	\$ 102,805	\$ 50,306	\$ 52,499	104.4%	\$ 38,584
Supplies and materials	58,682	76,891	(18,209)	(23.7)%	42,703
Food stuffs	47,500	35,537	11,963	33.7%	40,920
Bad debts	35,412	27,313	8,099	29.7%	20,273
Depreciation	31,350	37,532	(6,182)	(16.5)%	20,984
Communications	22,617	22,384	233	1.0%	12,711
Fuel	14,429	19,286	(4,857)	(25.2)%	8,031
Repairs and maintenance	11,391	13,326	(1,935)	(14.5)%	11,883
Insurance	6,256	8,205	(1,949)	(23.8)%	1,320
Other	63,736	35,633	28,103	78.9%	15,567
	<u>\$ 394,178</u>	<u>\$ 326,413</u>	<u>\$ 67,765</u>	20.8%	<u>\$ 212,976</u>

The Management's Discussion and Analysis for the year ended September 30, 2022 is set forth in the report on the audit of EPA's financial statements dated November 21, 2025. That Discussion and Analysis explains the major factors impacting the 2022 financial statements.

CAPITAL ASSETS AND DEBT

Net capital assets decreased by \$5,901, from \$73,261 in 2022 to \$67,360 in 2023. This net decrease was due to current year's depreciation expense of \$31,350 exceeding current year's capital assets acquisitions of \$25,449.

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Management's Discussion and Analysis, continued

CAPITAL ASSETS AND DEBT, CONTINUED

A summary of EPA's capital assets is presented below:

Summary Schedules of Capital Assets
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Motor vehicles and boat	\$ 21,715	\$ 21,715	\$ -	0.0%	\$ 155,414
Office furniture and equipment	225,623	200,174	25,449	12.7%	204,333
	247,338	221,889	25,449	11.5%	359,747
Accumulated depreciation	(179,978)	(148,628)	(31,350)	21.1%	(303,784)
	<u>\$ 67,360</u>	<u>\$ 73,261</u>	<u>\$ (5,901)</u>	(8.1)%	<u>\$ 55,963</u>

Additional information on EPA's capital assets is disclosed within note 3 to the accompanying financial statements. EPA currently does not record any long-term debt at September 30, 2023 nor recognized any changes in such in 2022 and 2021.

ECONOMIC FACTORS AND FUTURE OUTLOOK

As part of EPA's mission, the Authority has addressed a number of environmental concerns locally in the RMI, including the following:

Climate Vulnerability in the Water Sector

The Addressing Climate Vulnerability in the Water Sector (ACWA) Project aims to deliver and install over two hundred (200+) large flatbed modular tanks and over a thousand (1000+) of plastic water catchments across the entire Marshall Islands by 2027-28. To date, a total of 105 Flatpack Modular Tanks (FMTs) were successfully installed across seven remote locations: Namu, Lib, Kwajalein, Mejatto (Rongelap), Lae, Ujae, and Wotho, collectively, increasing the storage capacity of the residents, by a million gallons of potable water.

This is a critical capacity needed to harvest and store rain in the rainy season in preparation for the dry season. Community installation of the FMTs was only possible with the strong support from traditional leaders, national and local governments and community members. The initiative served as both an infrastructure upgrade and a local capacity-building effort.

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Management's Discussion and Analysis, continued

ECONOMIC FACTORS AND FUTURE OUTLOOK, CONTINUED

National Spill Response Plan

The National Spill Response Plan (NATPLAN) was successfully drafted and circulated for review among key national agencies designated to participate in marine and coastal pollution incident response. This accomplishment marks the first formal step in establishing a coordinated national system to manage oil and chemical spills. The draft NATPLAN outlines institutional roles, emergency protocols, communications frameworks, and standard operating procedures. The plan has been distributed for review to all relevant stakeholders, including EPA, the Ministry of Transportation, the RMI Ports Authority, and the Office of the Attorney General. This milestone development lays the groundwork for the next phases, including training of first responders, inter-agency simulation exercises, and procurement of spill response equipment and materials.

Jimor Woddejippel Clean-up Initiative

Launched in June 2024 as part of preparations for the Micronesian Games, the Jimor Wodejipel Community Cleanup Initiative has evolved into a sustained, bi-weekly clean-up effort on Majuro and Ebeye, led by EPA. Initially focused on beautifying areas for the Games, the initiative has grown into a cornerstone of community-led environmental action.

Product Stewardship Scheme

EPA, in partnership with the Majuro Atoll Waste Company (MAWC), developed and submitted a comprehensive Terms of Reference (ToR) to initiate the legislative and regulatory drafting process for a national Product Stewardship Scheme. This milestone represents the formal launch of a high-impact policy reform process to expand the existing Container Deposit Legislation (CDL) into a full-fledged national scheme addressing problematic waste such as end-of-life vehicles, batteries, waste oil, whiteware, and other bulky items. The ToR outlines legislative gaps, required economic modeling, regulatory priorities, and stakeholder engagement plans to support the drafting of new laws and regulations.

Wotje Infiltration Gallery - Managing Coastal Aquifers Project

Under the broader Managing Coastal Aquifers in Selected Pacific SIDS (MCAP) Project, the Wotje Atoll Groundwater Infiltration System component has made significant progress in laying the groundwork for implementation. The project, which aims to enhance water security and aquifer recharge in Wotje Atoll, has successfully reached the following milestones: The project received formal endorsement from local leadership, confirming strong community and traditional authority support. All construction materials and equipment required for the groundwater infiltration system have been successfully transported to Wotje, overcoming common logistical challenges associated with outer island delivery. The project has now entered the bidding process for selecting qualified contractors to carry out installation and construction, in compliance with procurement guidelines.

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Management's Discussion and Analysis, continued

ECONOMIC FACTORS AND FUTURE OUTLOOK, CONTINUED

Solid Waste Management Project for Neighboring Islands

A comprehensive project proposal has been developed for improving solid and hazardous waste management in nine Neighboring atolls and islands. While implementation has not yet begun, this proposal represents the first formal step toward mobilizing resources and community support to address the growing waste crisis in outer island communities.

Key elements of the proposal include:

Community Consultations: A plan for participatory engagement on selected atolls to identify environmentally safe landfill locations and assess local waste practices;

Infrastructure Planning: Conceptual designs for secure hazardous waste storage units to temporarily hold items such as batteries and e-waste until safe off-island disposal can be arranged;

Environmental Safeguards: Site selection strategies to avoid ecologically sensitive areas, highlighted by recent findings from reef flat surveys in Majuro;

Education and Outreach: A public awareness component focused on waste segregation, health risks of improper disposal, and promoting community ownership of waste management solutions.

ADDITIONAL FINANCIAL INFORMATION

This discussion and analysis is designed to provide EPA's counterparts with an overview of EPA's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request for additional information, please contact the National Environmental Protection Authority, General Manager, at P.O Box 1322, Majuro, MH .

Republic of the Marshall Islands
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Statements of Net Position

	September 30,	
<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 454,980	\$ 755,038
Receivables:		
Trade	175,249	129,001
Affiliates	36,160	36,335
Grants	15,786	7,329
	227,195	172,665
Less allowance for doubtful accounts	(187,102)	(151,690)
Total receivables, net	40,093	20,975
Total current assets	495,073	776,013
Capital assets, net	67,360	73,261
	<u>\$ 562,433</u>	<u>\$ 849,274</u>
 <u>LIABILITIES AND NET POSITION</u> 		
Liabilities:		
Accounts payable	\$ ---	\$ 47,547
Payable to affiliates	33,123	32,190
Other liabilities and accruals	10,487	4,814
Unearned revenue	46,603	239,940
Total liabilities	90,213	324,491
Commitments and contingencies		
Net position:		
Net investment in capital assets	67,360	73,261
Unrestricted	404,860	451,522
Total net position	472,220	524,783
	<u>\$ 562,433</u>	<u>\$ 849,274</u>

See accompanying notes.

Republic of the Marshall Islands
National Environmental Protection Authority Fund
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Statements of Revenues, Expenses, and Changes in Net Position

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Operating revenues:		
Grants and contributions	\$ 860,536	\$ 736,919
Fees and charges	252,199	222,442
Fines	98,000	23,150
Other	<u>230</u>	<u>111</u>
Total operating revenues	1,210,965	982,622
Provision for bad debts	(35,412)	(27,313)
Net operating revenues	<u>1,175,553</u>	<u>955,309</u>
Operating expenses:		
Salaries, wages and employee benefits	961,869	589,746
Travel	294,212	436,197
Contractual services	102,805	50,306
Rentals	69,057	137,989
Supplies and materials	58,682	76,891
Food stuffs	47,500	35,537
Depreciation	31,350	37,532
Communications	22,617	22,384
Fuel	14,429	19,286
Printing and reproduction	11,707	2,538
Repairs and maintenance	11,391	13,326
Freight	7,786	5,405
Training	6,345	1,500
Insurance	6,256	8,205
Sitting fees	3,400	3,600
Utilities	2,446	450
Advertisements	1,642	3,091
COVID payments	---	6,600
Miscellaneous	<u>30,410</u>	<u>12,449</u>
Total operating expenses	<u>1,683,904</u>	<u>1,463,032</u>
Loss from operations	(508,351)	(507,723)
Nonoperating revenues:		
Nitijela appropriations	<u>455,788</u>	<u>424,757</u>
Change in net position	(52,563)	(82,966)
Net position at beginning of year	<u>524,783</u>	<u>607,749</u>
Net position at end of year	<u>\$ 472,220</u>	<u>\$ 524,783</u>

See accompanying notes.

Republic of the Marshall Islands
National Environmental Protection Authority Fund
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Statements of Cash Flows

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Operating grants received	\$ 658,742	\$ 856,912
Cash received from customers	304,356	224,025
Cash payments to employees for services	(499,475)	(142,609)
Cash payments to suppliers for goods and services	(<u>738,232</u>)	(<u>817,277</u>)
Net cash (used in) provided by operating activities	(<u>274,609</u>)	<u>121,051</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(<u>25,449</u>)	(<u>54,830</u>)
Net change in cash	(300,058)	66,221
Cash at beginning of year	<u>755,038</u>	<u>688,817</u>
Cash at end of year	<u>\$ 454,980</u>	<u>\$ 755,038</u>
Reconciliation of loss from operations to net cash (used in) provided by operating activities:		
Loss from operations	\$(508,351)	\$(507,723)
Adjustments to reconcile loss from operations to net cash (used in) provided by operating activities:		
Salaries and wages	455,788	424,757
Depreciation	31,350	37,532
Bad debts expense	35,412	27,313
Changes in assets and liabilities:		
Receivables:		
Trade	(46,248)	(34,837)
Affiliates	175	(9,950)
Grants	(8,457)	---
Other	---	23,109
Accounts payable	(47,547)	18,477
Payable to affiliates	933	22,219
Unearned revenue	(193,337)	119,993
Other liabilities and accruals	<u>5,673</u>	<u>161</u>
Net cash (used in) provided by operating activities	\$(<u>274,609</u>)	<u>\$ 121,051</u>

Noncash investing, capital and financing activities:

During the years ended September 30, 2023 and 2022 , EPA recorded on-behalf payments of \$455,788 and \$424,757, respectively, made by RepMar relating to salaries, wages and benefits of employees and other operating expenses.

See accompanying notes.

Republic of the Marshall Islands
National Environmental Protection Authority Fund
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

Years ended September 30, 2023 and 2022

1. Organization

The Republic of the Marshall Islands National Environmental Protection Authority (EPA) Fund, a component unit of the Republic of Marshall Islands (RepMar), was created by the National Environmental Protection Authority Act of 1984 (Public Law No. 1984-31, the Act). EPA began operations as a statutory corporation on December 19, 1984, in accordance with the Act. The objectives of EPA are to preserve and improve the quality of the environment of the Marshall Islands.

The operations of EPA were accounted for as a separate fund within RepMar's Ministry of Finance. In April 1997, EPA established a separate bank account outside of RepMar's Treasury for the purpose of receiving and disbursing funds in accordance with Public Law No. 1984-31. Accordingly, the accompanying financial statements relate solely to those accounting records maintained by EPA and do not incorporate accounts related to EPA's operations that may be accounted for by RepMar's Treasury or any of RepMar's other branches, departmental units or component units.

EPA is governed by a chairman and four other members, all of whom are appointed by the President of RepMar.

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

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

Republic of the Marshall Islands
National Environmental Protection Authority Fund
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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

- Net investment in capital assets: capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Restricted: net position whose use by EPA is subject to externally imposed stipulations that can be fulfilled by actions of EPA pursuant to those stipulations or that expire with the passage of time. EPA has no restricted net position as of September 30, 2023 and 2022.
- 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 EPA'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.

Revenue Recognition

EPA's revenues are derived primarily from activities directly related to the preservation and improving the quality of the environment. EPA considers operational grants and costs that are directly related to EPA's operations to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as non-operating. Revenue is recognized on an accrual basis and is recorded upon billing when services have been completed. All expenses related to operating EPA are reported as operating expenses.

Cash

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

Republic of the Marshall Islands
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash, continued

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand deposits. As of September 30, 2023 and 2022, the carrying amount of cash was \$454,980 and \$755,038, respectively, and the corresponding bank balance was \$481,375 and \$796,964, respectively. Of the bank balance amounts, \$449,037 and \$773,898, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$32,338 and \$23,066, respectively, were maintained in a financial institution not subject to depository insurance.

As of September 30, 2023 and 2022, bank deposits in the amount of \$250,000 were FDIC insured. EPA 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 affiliates or customers, located within the Republic of the Marshall Islands. 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.

Capital Assets

Capital assets with a cost that equals or exceeds \$300 are capitalized. Such assets are stated at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets. The estimated useful life of these assets are as follows:

Estimated Useful Lives

Boat	5 years
Motor vehicles	3 years
Office furniture and equipment	5 years

Republic of the Marshall Islands
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Deferred Outflows of Resources

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

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

Unearned Revenue

Unearned revenue represents unexpended grant receipts received that are required to be returned to the grantor at the end of the grant period or upon completion of the grant purpose requirements.

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. EPA is specifically exempt from this tax.

Recently Adopted Accounting Pronouncements

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

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosure.

Republic of the Marshall Islands
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 94, *Public Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements.
- GASB Statement No. 96, *Subscription based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.
- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

This Statement provides clarification of provisions in:

- 1) GASB Statement No. 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- 2) GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- 3) GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- o GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

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

Republic of the Marshall Islands
National Environmental Protection Authority Fund
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods.

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for the fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the fiscal year ending September 30, 2024.

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

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

Republic of the Marshall Islands
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact 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. 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 the GASB. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following: a) management's discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. GASB Statement No. 103 will be effective for the fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

Republic of the Marshall Islands
National Environmental Protection Authority Fund
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

GASB Statement No. 104 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.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*, which improves the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. GASB Statement No. 105 will be effective for the fiscal year ending September 30, 2027.

Management is evaluating the effect that these Statements, upon implementation, will have on the financial statements.

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.

Republic of the Marshall Islands
National Environmental Protection Authority Fund
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Notes to Financial Statements, continued

3. Capital Assets

Capital asset activity for the years ended September 30, 2023 and 2022 is as follows:

	<u>2023</u>			
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Depreciable capital assets:				
Motor vehicles	\$ 21,715	\$ ---	\$ ---	\$ 21,715
Office furniture and fixtures	<u>200,174</u>	<u>25,449</u>	<u>---</u>	<u>225,623</u>
	221,889	25,449	---	247,338
Less accumulated depreciation	<u>(148,628)</u>	<u>(31,350)</u>	<u>---</u>	<u>(179,978)</u>
	<u>\$ 73,261</u>	<u>\$ (5,901)</u>	<u>\$ ---</u>	<u>\$ 67,360</u>
	<u>2022</u>			
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Depreciable capital assets:				
Boat	\$ 63,744	\$ ---	\$(63,744)	\$ ---
Motor vehicles	91,670	1,990	(71,945)	21,715
Office furniture and fixtures	<u>204,333</u>	<u>52,840</u>	<u>(56,999)</u>	<u>200,174</u>
	359,747	54,830	(192,688)	221,889
Less accumulated depreciation	<u>(303,784)</u>	<u>(37,532)</u>	<u>192,688</u>	<u>(148,628)</u>
	<u>\$ 55,963</u>	<u>\$17,298</u>	<u>\$ ---</u>	<u>\$ 73,261</u>

4. Related Party Transactions

EPA is a component unit of RepMar and is thus affiliated with all RepMar-owned and affiliated entities. EPA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties.

During the years ended September 30, 2023 and 2022, EPA recognized on-behalf payments as contributions from RepMar, totaling \$455,788 and \$424,757, respectively, representing payroll and related expenses that RepMar paid directly on behalf of EPA.

Republic of the Marshall Islands
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Notes to Financial Statements, continued

4. Related Party Transactions, continued

EPA occupies certain office space belonging to RepMar at no cost. No lease agreement has executed to formalize this arrangement. However, management is of the opinion that no rental payment for the use of this property is anticipated. The fair value of this contribution is presently not determinable. Accordingly, the contributed use of facility has not been recognized as revenue and expense in the accompanying financial statements.

A summary of related party balances and transactions as of and for the years ended September 30, 2023 and 2022 are as follows:

	2023			
	<u>Revenues</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
RepMar	\$45,325	\$ 470	\$17,882	\$ 9,123
Majuro Resort, Inc.	271	6,853	---	---
Marshall Islands Social Security Administration	---	43,582	---	24,000
National Telecommunications Authority	10,000	22,617	---	---
Kwajalein Atoll Joint Utilities Resources, Inc.	3,902	2,446	8,762	---
Marshalls Energy Company, Inc.	11,078	1,116	3,124	---
Air Marshall Islands	---	39,561	---	---
Marshall Islands Marine Resources Authority	1,110	---	250	---
Marshall Islands Shipping Corporation	2,254	1,859	6,042	---
Other	<u>970</u>	<u>6,465</u>	<u>100</u>	<u>---</u>
	<u>\$74,910</u>	<u>\$124,969</u>	<u>\$36,160</u>	<u>\$33,123</u>
	2022			
	<u>Revenues</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
RepMar	\$ 1,270	\$ 265	\$17,772	\$ 4,189
RMI Port Authority	10,270	---	---	---
Majuro Resort, Inc.	---	21,713	---	---
Marshall Islands Social Security Administration	---	21,024	---	3,412
National Telecommunications Authority	10,000	13,829	---	---
Kwajalein Atoll Joint Utilities Resources, Inc.	1,551	---	10,313	---
Marshalls Energy Company, Inc.	5,241	3,108	3,124	---
Air Marshall Islands	---	82,555	---	24,589
Marshall Islands Marine Resources Authority	480	---	250	---
Marshall Islands Shipping Corporation	3,668	---	4,776	---
Other	<u>1,410</u>	<u>---</u>	<u>100</u>	<u>---</u>
	<u>\$33,890</u>	<u>\$142,494</u>	<u>\$36,335</u>	<u>\$32,190</u>

Republic of the Marshall Islands
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Notes to Financial Statements, continued

5. Risk Management

EPA 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. EPA 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 in any of the past three years.

6. Contingency

EPA 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 EPA's programs and activities. For the years ending September 30, 2024, 2025 and 2026, RepMar appropriated \$564,407, \$1,267,662 and \$1,267,662, respectively, for the purpose of funding EPA's programs and activities.

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
Republic of the Marshall Islands
National Environmental Protection Authority Fund

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 Republic of the Marshall Islands National Environmental Protection Authority Fund (EPA), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise EPA's basic financial statements, and have issued our report thereon dated June 9, 2026.

Report on Internal Control Over Financial Reporting

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

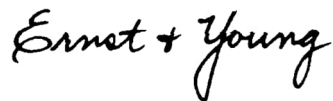
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 EPA'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

June 9, 2026