COLLEGE OF THE MARSHALL ISLANDS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

COLLEGE OF THE MARSHALL ISLANDS

Table of Contents
Years Ended September 30, 2019 and 2018

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Regents
College of the Marshall Islands:

Report on the Financial Statements

We have audited the accompanying financial statements of College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands, which comprise the statements of net position as of September 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of September 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte.

Emphasis-of-Matters

Going Concern

The accompanying financial statements have been prepared assuming that the College will continue as a going concern. As discussed in Note 10 to the financial statements, the College's recurring losses from operations raise substantial doubt about its ability to continue as a going concern. Management's plans concerning this matter are also described in Note 10 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Due From/Due To Grantor Agencies

As discussed in Note 10 to the financial statements, the College is currently negotiating with grantor agencies to determine the ultimate collectability of certain receivables from grantor agencies and the ultimate resolution of certain payables to grantor agencies.

COVID-19

As discussed in Note 11 to the financial statements, the College has determined that the COVID-19 pandemic may negatively affect its business, results of operations and net position. The College is unable to reasonably estimate its ultimate financial impact.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Deloitte & Touche LLP

December 29, 2020

Introduction

This section of the College of the Marshall Islands (the College or CMI) Annual Financial Report presents an analysis of the financial activities of the College for fiscal year ended September 30, 2019. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. This financial analysis and discussion is designed to focus on current activities, resulting changes and current known facts.

Accounting Standards

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34 "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*", which established a new reporting format for governmental financial statements. Statement No. 34 requires a comprehensive one-column look at the entity as a whole, along with recognition of depreciation on capital assets. In November 1999, GASB issued Statement No. 35 "*Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*," which established new reporting standards for public colleges and universities. In 2003, the College implemented Governmental Accounting Standards Board Standard No. 35 (GASB 35). With the new standard, the College's funds are now presented in consolidated financial statements, just as in a business concern. This contrasts with the accounting by funds presentation from previous years.

For 2019, the College presents three years of financial statements in accordance with GASB 35 standards, allowing comparisons of year-to-year performance. The following is management's discussion and analysis of the College's financial performance during the fiscal year ended September 30, 2019, as compared to two fiscal years 2018 and 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to College of the Marshall Islands' basic financial statements, which are comprised of entity-wide financial statements prepared in accordance with the accrual basis of accounting, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The entity-wide financial statements are designed to provide readers with a broad overview of the College's finances, in a manner similar to a private-sector business. These statements focus on the financial condition, the results of operations, and cash flows of the College as a whole. The entity-wide statements are comprised of the following:

- The *Statement of Net Position* presents information on all of the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position are indicators of the improvement or erosion of the College's financial health when considered along with non-financial facts such as enrollment levels and the condition of the facilities.

- The *Statement of Revenues, Expenses and Changes in Net Position* presents the revenues earned and the expenses incurred during the year. All changes in net position are reported under the accrual basis of accounting, or as soon as underlying events giving rise to the changes occur, regardless of the timing when the cash is received or disbursed. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods. The utilization of long-lived assets is reflected in the financial statements as depreciation, which amortizes the cost of the capital asset over the expected useful life. Revenues and expenses are reported as either operating or non-operating with operating revenues primarily coming from tuition and most U.S. federal grants.

- The *Statement of Cash Flows* presents information on cash flows from operating activities, non-capital financing activities, capital financing activities, and investing activities. It provides the net increase or decrease in cash between the beginning and the end of the fiscal year. This statement assists in evaluating financial viability and the College's ability to meet financial obligations as they become due.

- The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

Financial Highlights

There are many factors used to evaluate the financial health of the College. These include its organizational environment, strategic direction, financial status, student enrollment, human resources, facilities, and institutional capacity. In evaluating the financial status of the College of the Marshall Islands, one of the most important questions is whether the College is financially better off at the beginning of the year or at the end of the year. In FY2019, the College's overall financial position increased (net position) from $14,632,966 as of September 30, 2018 to $15,596,958 as of September 30, 2019.

Statement of Net Position

The Statement of Net Position presents the overall financial condition of CMI at the end of September 30, 2019. Total net position stood at $15,596,958, which represents an increase of $963,992 or 6.59 percent from that of the previous year. A summary of CMI's Statements of Net Position at September 30, 2019 compared with 2018 and 2017 is presented below:

Summary Statements of Net Position
As of September 30

	2019	2018	$ Change 2019-2018	% Change 2019-2018	2017
Assets:					
Current and other assets	$ 5,558,582	$ 3,837,289	$ 1,721,293	44.9%	$ 4,253,797
Investments	1,700,200	1,569,512	130,688	8.3%	1,294,591
Capital assets	12,030,412	12,976,105	(945,693)	(7.3)%	14,152,576
Total assets	19,289,194	18,382,906	906,288	4.9%	19,700,964
Liabilities:					
Current and other liabilities	3,692,236	3,749,940	(57,704)	(1.5)%	3,250,163
Net position:					
Net investment in capital assets	12,030,412	12,976,105	(945,693)	(7.3)%	14,152,576
Restricted-nonexpendable	1,700,200	1,569,512	130,688	8.3%	1,294,591
Unrestricted	1,866,346	87,349	1,778,997	2036.7%	1,003,634
Total net position	$ 15,596,958	$ 14,632,966	$ 963,992	6.6%	$ 16,450,801

Management's Discussion and Analysis for the year ended September 30, 2018 is set forth in the College's report on the audit of the financial statements, which is dated July 31, 2019. That Discussion and Analysis explains the major factors impacting the 2018 financial statements and can be obtained from the College's President at **info@cmi.edu**.

Financial data for FY19 showed that total assets slightly increased by $906,288 or 4.93 percent vis-à-vis FY18. This can be attributed to the following:

1. The contraction of the capital assets accounted for the bulk of the significant provision that reduced the Net Book Value amounting to $945,693 or 7.29 percent. The College's investments and current and other assets helped offset the shrinkage of total assets by $130,688 or 8.33 percent and $1,721,293 or 44.86 percent, respectively. Listed below are the details of the changes in the components of total assets:

    a) Increase in cash and cash equivalents by $332,855 or 18.24 percent compared to prior year.

    b) The accounts receivable and unbilled charges for FY19 amounted to $2.5 million, an increase of $1.6 million or 169.91 percent. The increase can be attributed to the timing of receiving reimbursements from affiliated agencies for services rendered.

    c) Prepaid expenses amounted to $146,512 in FY2019 compared to $145,890 in 2018. Although the trend had a minimal increase compared to prior year, the College will need to improve the practice in liquidating existing open prepayments from various vendors.

    d) Bookstore inventory registered a decrease of $63,495 or 11.97 percent. With the centralization of all purchases at the Bookstore and the new strategic initiatives to expand the operation, the inventory is expected to close the gap compared to prior year. These strategies are needed to meet the growing enrollment figures and improve efficiency in addressing the need for materials and supplies for all CMI Departments, CMI Employees, and the general public.

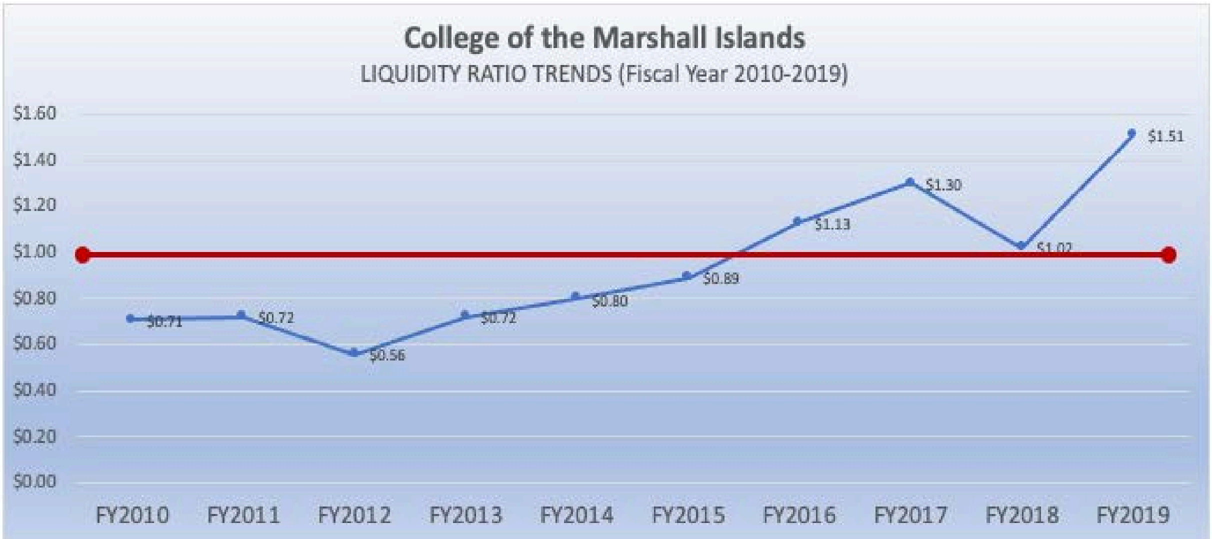
    e) CMI's investments in FY2019 reported $1,700,200, compared to prior year investments of $1,569,512, which is an increase of $130,688 or 8.33 percent.

    f) With the completion of CMI's Capital Improvement Projects seven (7) years ago, capital assets continue to show a downward trend and this will likely continue in the succeeding years due to minimal capital investment in new facilities. For FY19, there was a decrease in property, plant and equipment of $945,693 or 7.29 percent due to the regular provision for depreciation expense on capital assets and disposing of assets, which reduced the Net Book Value of capital assets.

2. The scarcity and timing of the inflow of cash that has impacted CMI remains an ongoing constraint in meeting its plans and programs but with CMI's approach to its overall finances, CMI is able to continue serving students, vendors, employees and other government offices and agencies. The College must be financially prudent with its spending behavior to maintain and improve the College's long-term financial stability. For FY19, current obligations indicated a decrease of $57,704 or 1.54 percent.

3. The College has not incurred any Long-Term Debt to date.

4. One of the financial indicators that CMI uses to measure the institution's financial capacities to meet its current obligations is the current or liquidity ratio. At the end of September 30, 2019, the College's current ratio or liquidity ratio increased by $0.49 to improve at $1.51:$1.02 compared to prior year. This benchmark can be interpreted that CMI has $1.51 in its coffers for every 1 dollar the College obligated. This is a significant improvement in CMI's purchasing power resulting from multiple financial factors. The College's cash and cash equivalents continue to improve compared to the prior year. The College's liabilities had an overall decrease of $57,704 or 1.54 percent compared to prior year.



5. The favorable outcome of Unrestricted Net Position which is the difference of current assets and current liabilities was a major accomplishment going forward since this has been CMI's financial concerns since FY2010 as a result of financial challenges created ten years ago. This is the third year since 2010 when CMI had accumulated surpluses in working capital. As of September 30, 2019, the College's overall net position amounted to $15.6 million.

Statement of Revenues, Expenses and Changes in Net Position

The purpose of this statement is to present the revenues earned and expenses incurred by the College, both operating and non-operating, as well as any other revenues, expenses, gains and losses received or spent by the institution over a period of time.

Operating revenues earned by the College for providing goods and/or services to the students, customers and various constituencies of the College. Operating expenses are incurred to acquire or produce the goods and services that are provided in return for operating revenues, thus carrying out the mandated mission of the College. Non-operating revenues are revenues for which no goods and/or services are provided. In the case of the College, there are two (2) mainstreams of non-operating revenues and these are the REPMAR Contributions and Other Pass-through Federal Grants (e.g., Compact Funds). These funds are appropriated and considered non-operating because they are appropriated to the College without directly providing goods and/or services to the RMI government.

A summary of CMI's Statements of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2019 compared with 2018 and 2017 is presented below:

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

	2019	2018	$ Change 2019-2018	% Change 2019-2018	2017
Operating:					
Operating revenues	$ 7,983,980	$ 6,423,182	$ 1,560,798	24.3%	$ 6,939,211
Operating expenses	11,585,350	12,593,462	(1,008,112)	(8.0)%	12,049,341
Operating loss	(3,601,370)	(6,170,280)	2,568,910	(41.6)%	(5,110,130)
Nonoperating:					
Nonoperating revenues	4,921,103	4,357,237	563,866	12.9%	4,686,800
Nonoperating expenses	355,741	4,792	350,949	7323.6%	3,878
	4,565,362	4,352,445	212,917	4.9%	4,682,922
Change in net position	$ 963,992	$ (1,817,835)	$ 2,781,827	(153.0)%	$ (427,208)

For FY19, total operating revenues showed an increase of $1.56 million or 24.30% as compared to FY18. This increase is attributed to the following:

1. There was an increase in student tuition and fees amounting to $343,012 or 6.43 percent. This was the result of an increase in the number of enrollment figures compared with FY18.

2. Donations to the College by way of Private, Gifts, Grants and Donations also increased by $207,908.

3. The U.S Federal Grants had an increase of $793,126 or 15.00%.

Total operating expenses for FY19 decreased by $1,008,112 or 8.01 percent in comparison with FY18. Major drivers of the decrease were attributed to Instruction [decrease of $1.15 million or 22.98%], Operations and Maintenance [decrease of $216,917 or 7.22%], Student Services [decrease of $78,594 or 15.97%]. The only functional classification of expenses that registered increases were Auxiliary Enterprises [$97,684 or 11.82%], Academic Support [$130,258 or 24.29%] and Institutional Support [$205,557 or 7.48%].

For FY19, total operating expenses exceeded total operating revenues resulting in an operating loss of $3,601,370 or an improvement of $2,568,910 or 41.63 percent from FY18.

CMI's non-operating revenues (expenses) showed an upward swing by $212,917 or 4.89%. This was brought about by the increase in investment income of $22,905 or 26.80% compared to prior year and RepMar contributions also increased by $540,961 or 12.66% compared to prior year.

It is worthy to note that RepMar contributions and Compact Funds channeled through the RMI from the Compact of Free Association with the U.S. are classified as non-operating revenues. CMI is a chartered governmental institution whose mission is to provide higher education services to the Marshall Islands and within the Pacific Rim. The College's operations depend heavily on the RMI government through annual subsidies and RMI has committed to provide an annual $3 million subsidy (less audit fees) to CMI through an MOU signed on October 2015. For FY19, CMI received a total of $4,812,730 from the RMI Government to support the College's annual operations.

Overall, the change in net position for FY19 resulted in a positive amount of $963,992 vis-à-vis FY18 at a negative $1,817,835, which is a $2,781,827 turnaround.

In summary, net position for FY19 settled at $15,596,958 from $14,632,966 in the prior year, an increase of $963,992 or 6.59%.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about cash receipts and cash payments of the College. This statement helps users of this report to assess the College's ability to generate future cash flows, the ability to meet obligations, as they become due, and its need for external financing. It also shows how changes in net position and operating activities affect cash and cash equivalents, and breaks the analysis into operating, investing and financing activities.

A summary of CMI's Statements of Cash Flows for the year ended September 30, 2019 compared with 2018 and 2017 is presented below:

Summary Statements of Cash Flows
Years Ended September 30

	2019	2018	$ Change 2019-2018	% Change 2019-2018	2017
Cash Provided By (Used In):					
Operating activities	$ (4,089,220)	$ (3,554,283)	$ (534,937)	15.1%	$ (3,377,465)
Noncapital financing activities	4,812,730	4,271,769	540,961	12.7%	4,579,366
Capital and related financing activities	(368,340)	(214,606)	(153,734)	71.6%	(278,346)
Investing activities	(346,636)	(874,592)	527,956	(60.4)%	(582,853)
Net change in cash	8,534	(371,712)	380,246	(102.3)%	340,702
Cash beginning of year	5,056	376,768	(371,712)	(98.7)%	36,066
Cash end of year	$ 13,590	$ 5,056	$ 8,534	168.8%	$ 376,768

Net change in cash registered at $8,534 at September 30, 2019, showed an improvement of $380,246 or 102.3 percent compared to prior year. This was brought by the following:

1. Net cash flows from operating activities were primarily from student tuition and fees, US Federal grants and other receipts which resulted in an unfavorable aggregate amount of negative $4.089 million in FY19, an increase of $534,937 or 15.05 percent. Cash inflows from noncapital financing activities amounts to $4.8 million, which showed an increase of $540,961 or 12.66 percent.

2. Cash in the amount of $368,340 was used in the purchase of capital assets while total cash used by investing activities amounted to $346,636. In comparison to FY18 figures, there was a decrease in cash used in investing activities of $527,956 in FY2019.

3. Overall, CMI showed an improved financial position at the end of FY19 with a liquidity ratio of 1.51 and a total of $1.87 million in unrestricted or spendable net position.

Capital Assets and Debt

Net capital assets decreased by $945,693 or 7.3% from $12,976,105 in 2018 to $12,030,412 in 2019. The decrease is due primarily to depreciation recognized during the year.

A summary of CMI's capital assets at September 30, 2019 compared with 2018 and 2017 is presented below:

	2019	2018	$ Change 2019-2018	% Change 2019-2018	2017
Depreciable capital assets:					
Buildings and improvements	$ 23,674,120	$ 23,674,120	$ -	0.0%	$ 23,686,120
Furnitures and fixtures	3,919,102	3,850,334	68,768	1.8%	4,727,295
	27,593,222	27,524,454	68,768	0.2%	28,413,415
Accumulated depreciation	(15,935,116)	(14,920,655)	(1,014,461)	6.8%	(14,633,145)
	11,658,106	12,603,799	(945,693)	(7.5)%	13,780,270
Land and improvements	372,306	372,306	-	0.0%	372,306
	$ 12,030,412	$ 12,976,105	$ (945,693)	(7.3)%	$ 14,152,576

Please refer to note 5 to the accompanying financial statements for additional information regarding CMI's capital assets.

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

Economic Outlook

The Pacific Island economies are a varied mix of subsistence agriculture; public sector employment (particularly in government services, education, and health care), and small though growing private sectors (e.g., banking, construction, restaurant, wholesale, retail). Economic development in the American Affiliated Pacific Islands is best described as variable and highly dependent upon world and regional demand for selected commodities (such as fish, copra, sugar, pineapple, etc.); overseas visitors from Asian countries such as Japan, ROC/Taiwan, and Korea; U.S. defense and selected military research projects; and governmental expenditures (U.S., local, and international) for infrastructure projects, operations, education, health, and welfare. While many current workers are imported contract employees (depending on the availability of particular skills in the specific entity), the long term sustainability of the respective local economies is dependent upon the ability of the local colleges to prepare local residents for the full range of employment opportunities.[1]

The economic health of the RMI Government is important to the College because of its dependence on operational subsidies. The RMI Government's financial agreement with the U.S. Government under the Compact of Free Association and the U.S. commitment to long-term financial support for the RMI after an extended period of negotiation raised the confidence levels of all sectors of the RMI national economy. The amended Compact of Free Association financial assistance package as formally agreed with the US Government in December 2003 that represents a major change in financial relations between the two countries, affects the level of funding such as, the allocation of funds, and internal systems for managing public funds. The allocation package provides for a large shift of expenditures toward the main sectors of health and education as well as for capital improvement and maintenance.

---

[1] Barbara Beno, Micheal Rota, Floyd Takeuchi, et al., *Enhancing and Sustaining Higher Education Quality in the Pacific: Challenges Facing Institutions Seeking to Acquire and Maintain WASC-Accreditation* (San Francisco: Accrediting Commission of Community and Junior Colleges, 2006).

The amended assistance package provides for the adoption of financial accountability and management standards similar to those expected of U.S. state and local governments. The Government recognizes that meeting these standards will require a sustained effort both to tailor systems and procedures to the circumstances of the Marshall Islands and to upgrade the capacity of its staff. Implementation of a government decision to move to performance-based budgeting is in its fifth year, with an initial emphasis on the Ministries of Education, Health, and Environment. The College is part of this initiative.

This economic support of the RMI Government is highly important because of the College's dependence on operational subsidies. Although the MOU between the College and the RMI Government also committed to fund its $2.9 million operational subsidy to CMI as represented by a Memorandum of Understanding through the end of FY2019 and renewable on a yearly basis.

Summary:

1) CMI's total net position for FY19 settled at $15,596,958 compared to prior year totaling $14,632,966.

2) CMI's investments (Endowment Fund) for FY2019 stood at $1,700,200 compared to prior year totaling $1,569,512.

3) Current or liquidity ratio is 1.51 to 1 dollar, increased by 0.49 cents compared to prior year.

4) The Statement of Net Position is highlighted by the College's attempt to maintain a positive Unrestricted Net Position of $1.87 million for three consecutive years now and first time it exceeded the $1 million mark. Last year, the College had $87,349 unrestricted in Net Position after years of accumulated deficits in unrestricted spending.

5) The RMI Government has continued its subsidy to CMI at $2.98 million per annum (less audit fees) as represented by a Memorandum of Understanding through the end of FY2019 and renewable on a yearly basis. The RMI government pays this subsidy with funds available through the Compact of Free Association with the U.S. and from its General Fund.

6) CMI is enjoying the privilege of an advance method of payment for Title IV funds and other federal grants resulting to an easy access to these funds.

7) CMI showed a cash position at the end of FY19 at $2,157,820 and a total of $1.87 million in unrestricted or spendable net position.

For further news and up-to-date information concerning the College of the Marshall Islands, please visit the College website at **www.cmi.edu.**

COLLEGE OF THE MARSHALL ISLANDS

Statements of Net Position
September 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,590	$ 5,056
Time certificates of deposit	2,144,230	1,819,909
Accounts receivable and unbilled charges, net	2,484,991	920,683
Due from grantor agencies	302,108	415,105
Prepaid expenses	146,512	145,890
Inventory	467,151	530,646
Total current assets	5,558,582	3,837,289
Noncurrent assets:		
Investments	1,700,200	1,569,512
Capital assets:		
Nondepreciable capital assets	372,306	372,306
Capital assets, net of accumulated depreciation	11,658,106	12,603,799
Total noncurrent assets	13,730,612	14,545,617
Total assets	$ 19,289,194	$ 18,382,906
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	$ 715,380	$ 517,319
Withholding taxes payable	74,564	77,029
Social security taxes payable	296,033	276,176
Student refunds payable	66,359	17,953
Due to grantor agencies	695,840	887,668
Accrued liabilities	397,008	408,964
Unearned revenue	1,447,052	1,564,831
Total current liabilities	3,692,236	3,749,940
Commitments and contingencies		
Net position:		
Net investment in capital assets	12,030,412	12,976,105
Restricted:		
Endowment - nonexpendable	1,700,200	1,569,512
Unrestricted	1,866,346	87,349
Total net position	15,596,958	14,632,966
Total liabilities and net position	$ 19,289,194	$ 18,382,906

See accompanying notes to financial statements.

COLLEGE OF THE MARSHALL ISLANDS

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2019 and 2018

	2019	2018
Operating revenues:		
Student tuition and other fees	$ 5,674,498	$ 5,331,486
Less: Scholarship discounts and allowances	(4,297,000)	(4,393,044)
	1,377,498	938,442
U.S. federal grants	6,080,577	5,287,451
Private gifts, grants and donations - restricted	267,469	59,561
Other	258,436	137,728
Net operating revenues	7,983,980	6,423,182
Operating expenses:		
Instruction	3,841,410	4,987,510
Institutional support	2,954,012	2,748,455
Operations and maintenance	2,785,661	3,002,578
Auxiliary enterprises	924,195	826,511
Academic support	666,618	536,360
Student services	413,454	492,048
Total operating expenses	11,585,350	12,593,462
Operating loss	(3,601,370)	(6,170,280)
Nonoperating revenues (expenses):		
RepMar contributions	4,812,730	4,271,769
Write-off of receivables	(331,879)	-
Loss on disposal/transfer of capital assets	(23,862)	(4,792)
Investment income	108,373	85,468
Total nonoperating revenues (expenses), net	4,565,362	4,352,445
Change in net position	963,992	(1,817,835)
Net position at beginning of the year	14,632,966	16,450,801
Net position at end of the year	$ 15,596,958	$ 14,632,966

See accompanying notes to financial statements.

COLLEGE OF THE MARSHALL ISLANDS

Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from U.S. federal grants	$ 5,883,040	$ 5,784,130
Cash received from student tuition and fees	4,617,433	4,583,797
Other receipts	175,102	188,278
Cash payments to suppliers for goods and services	(5,236,868)	(4,986,366)
Student scholarships paid	(5,130,093)	(4,715,318)
Cash payments to employees for services	(4,397,834)	(4,408,804)
Net cash used in operating activities	(4,089,220)	(3,554,283)
Cash flows from noncapital financing activities:		
RepMar contributions received	4,812,730	4,271,769
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(368,340)	(214,606)
Cash flows from investing activities:		
Net increase in time certificates of deposit	(222,636)	(657,380)
Purchase of investments	(124,000)	(217,212)
Net cash used for investing activities	(346,636)	(874,592)
Net change in cash and cash equivalents	8,534	(371,712)
Cash and cash equivalents at beginning of year	5,056	376,768
Cash and cash equivalents at end of year	$ 13,590	$ 5,056
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (3,601,370)	$ (6,170,280)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,290,171	1,386,285
Bad debts (recovery)	(482,481)	1,268,291
Changes in assets and liabilities:		
Accounts receivable and unbilled charges	(1,081,827)	(941,192)
Prepaid expenses	(622)	39,352
Due from grantor agencies	(218,882)	334,589
Inventory	63,495	28,895
Accounts payable	198,061	33,714
Withholding taxes payable	(2,465)	57,419
Social security taxes payable	19,857	17,628
Student refunds payable	48,406	(6,553)
Due to grantor agencies	(191,828)	162,090
Accrued liabilities	(11,956)	89,018
Unearned revenue	(117,779)	146,461
Net cash used in operating activities	$ (4,089,220)	$ (3,554,283)

See accompanying notes to financial statements.

(1) Organization

On April 1, 1993, College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands, was established as an independent institution governed by a Board of Regents appointed by the Republic of the Marshall Islands (RepMar) Cabinet pursuant to the College of the Marshall Islands Act of 1992 (Public Law 1992-13). Previous to the Act, the College was a component of the College of Micronesia (COM). The College operates another program, the Land Grant program, but results of its operations are substantially reported within the financial statements of COM. Therefore, the accompanying financial statements relate solely to those accounting records maintained within the College and do not incorporate any accounts related to its operations that may be accounted for as a separate component of COM.

(2) Summary of Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The financial statement presentation required by GASB Statement Nos. 34 and 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required. Other GASB Statements are required to be implemented in conjunction with GASB Statements 34 and 35. Therefore, the College has also implemented, where applicable, Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus,* Statement No. 38, *Certain Financial Statement Note Disclosures,* and Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement Nos. 14 and 34.*

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 require the College to maintain such permanently. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal. As of September 30, 2019 and 2018, the College has nonexpendable restricted net position of $1,700,200 and $1,569,512, respectively.

- Restricted: Expendable net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire with the passage of time. As of September 30, 2019 and 2018, the College has no expendable restricted net position.

- 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 Regents 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 the College's policy to use unrestricted resources first, then restricted resources as they are needed.

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

For financial statement purposes, the College is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating - Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants.

Nonoperating - Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as RepMar appropriations and investment income.

Scholarship Discounts and Allowances - Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees, and other student charges, the College has recorded a scholarship discount and allowance.

Cash and Cash Equivalents and Time Certificates of Deposit

Cash and cash equivalents include cash on hand, cash held in demand and savings accounts, and short-term investments in U.S. Treasury obligations with maturity dates within three months of acquisition by the College. Time certificates of deposit with original maturity dates greater than ninety days are separately classified on the statement of net position.

Investments

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (ie, the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the College of Micronesia, employees and officers, and other sources. Accounts receivable are recorded net of estimated allowances for uncollectible amounts.

(2) Summary of Significant Accounting Policies, Continued

Allowance for Doubtful Accounts

Management determines the adequacy of the allowance for doubtful accounts based upon review of the aged accounts receivable. Amounts determined uncollectible are charged to bad debts and are added to the allowance. Bad debts are written-off against the allowance on the specific identification method.

Due from Grantor Agencies

Reimbursements due to the College for expenditures on federally funded reimbursement and grant programs are reported as due from grantor agencies.

Prepaid Expenses

Certain payments made to vendors or persons for goods and services reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Inventory

Inventory consists of items purchased for resale at the College's bookstore. Inventory is valued at the lower of cost (first-in, first-out) or market value.

Capital Assets

Capital assets with a cost that equals or exceeds $500 are capitalized. Such assets are recorded at cost in instances where cost is determinable or estimated cost where cost is not determinable. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets.

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. The College has no items that qualify for reporting in this category.

Unearned Revenue

Unearned revenues include amounts received for tuition, fees, and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences

The College recognizes the cost of accrued annual leave at the time such leave is earned. As of September 30, 2019 and 2018, the College recorded $154,988 and $141,512, respectively, of accrued annual leave, which is included within the statements of net position as accrued liabilities. The College does not participate in an employee pension plan.

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. The College has no items that qualify for reporting in this category.

(2) Summary of Significant Accounting Policies, Continued

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. The College is specifically exempt from this tax.

New Accounting Standards

During the year ended September 30, 2019, the College implemented the following pronouncements, which did not have a material effect on the College's financial statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

Reclassifications

Certain balances in the 2018 presentation has been reclassified to conform to the 2019 presentation. These reclassifications had no impact on operating loss, net position or cash flows as previously reported.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (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.

(3) Deposits and Investments

The deposit and investment policies of the College are governed by the Board of Regents. As such, the Board of Regents is authorized to delegate certain responsibilities to third parties. Investment managers have discretion to purchase, sell, or hold the specific securities to meet the objectives set forth in the investment policy.

Generally, the College can invest in cash and cash equivalents, bonds, U.S. and non-U.S. equities, and fixed income securities, as follows:

Global equities	60%
Fixed income	40%
Total portfolio	100%

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College'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 but not in the College's name. The College does not have a deposit policy for custodial credit risk.

(3) Deposits and Investments, Continued

A. Deposits, Continued

As of September 30, 2019 and 2018, the carrying amounts of the College's total cash and cash equivalents and time certificates of deposit were $2,157,820 and $1,824,965, respectively, and the corresponding bank balances were $2,268,081 and $1,979,760, respectively. Of the bank balance amounts, $111,350 and $150,665, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2019 and 2018, bank deposits in the amount of $111,350 and $150,665, respectively, were FDIC insured. Bank deposits of $2,156,731 and $1,829,095, respectively, are maintained in financial institutions not subject to depository insurance. The College does not require collateralization of its deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

B. Investments

Investments held by the College consist of money market funds, mutual funds, and equity securities. As of September 30, 2019 and 2018, investments are as follows:

	2019	2018
Money market funds	$ 13,546	$ 3,656
Exchange traded products	839,805	581,506
Mutual funds	846,849	984,350
	$ 1,700,200	$ 1,569,512

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. With the exception of investments in U.S. government securities, which are explicitly or implicitly guaranteed by the United States government, all other investments must be rated in accordance with the College's investment policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2019 and 2018, the College's investments were held in the College's name and were administered by investment managers in accordance with the College's investment policy.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the College. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of September 30, 2019 and 2018, no investments in any one issuer exceeded 5% of total investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(3) Deposits and Investments, Continued

B. Investments, Continued

The College categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The College has the following recurring fair value measurements as of September 30, 2019 and 2018:

		Fair Value Measurements Using		
	September 30, 2019	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Exchange traded products	$ 839,805	$ 839,805	$ -	$ -
Mutual funds	846,849	846,849	-	-
Total investments by fair value level	1,686,654	$ 1,686,654	$ -	$ -
Investments measured at amortized cost:				
Money market funds	13,546			
	$ 1,700,200			

		Fair Value Measurements Using		
	September 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Exchange traded products	$ 581,506	$ 581,506	$ -	$ -
Mutual funds	984,350	984,350	-	-
Total investments by fair value level	1,565,856	$ 1,565,856	$ -	$ -
Investments measured at amortized cost:				
Money market funds	3,656			
	$ 1,569,512			

Exchange traded products and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

(4) Accounts Receivable and Unbilled Charges

Summarized below is the College's accounts receivable and unbilled charges as of September 30, 2019 and 2018:

	2019	2018
Student tuition and fees	$ 5,084,661	$ 4,145,375
Employees and officers	115,643	110,732
Other	208,439	70,809
	5,408,743	4,326,916
Less allowance for doubtful accounts	(2,923,752)	(3,406,233)
Net accounts receivable and unbilled charges	$ 2,484,991	$ 920,683

(5) Capital Assets

Summarized below is the College's investment in capital assets and changes for the years ended September 30, 2019 and 2018:

		2019			
	Estimated Useful Lives	Balance at October 1, 2018	Additions	Deletions	Balance at September 30, 2019
Nondepreciable capital assets:					
Land and improvements		$ 372,306	$ -	$ -	$ 372,306
Depreciable capital assets:					
Furniture, vehicles and equipment	3 - 5 years	3,850,334	368,340	(299,572)	3,919,102
Buildings and improvements	20 years	23,674,120	-	-	23,674,120
		27,524,454	368,340	(299,572)	27,593,222
Less accumulated depreciation		(14,920,655)	(1,290,171)	275,710	(15,935,116)
		12,603,799	(921,831)	(23,862)	11,658,106
Net investment in capital assets		$ 12,976,105	$ (921,831)	$ (23,862)	$ 12,030,412

		2018			
	Estimated Useful Lives	Balance at October 1, 2017	Additions	Deletions	Balance at September 30, 2018
Nondepreciable capital assets:					
Land and improvements		$ 372,306	$ -	$ -	$ 372,306
Depreciable capital assets:					
Furniture, vehicles and equipment	3 - 5 years	4,727,295	214,606	(1,091,567)	3,850,334
Buildings and improvements	20 years	23,686,120	-	(12,000)	23,674,120
		28,413,415	214,606	(1,103,567)	27,524,454
Less accumulated depreciation		(14,633,145)	(1,386,285)	1,098,775	(14,920,655)
		13,780,270	(1,171,679)	(4,792)	12,603,799
Net investment in capital assets		$ 14,152,576	$ (1,171,679)	$ (4,792)	$ 12,976,105

(6) RepMar Contributions

The College is dependent upon RepMar to provide annual appropriations in an amount sufficient to provide stable financial backing to meet educational and vocational needs of the community. During the years ended September 30, 2019 and 2018, the College received $4,812,730 and $4,271,769, respectively, from RepMar to administer various postsecondary functions and to improve facilities as follows:

	2019	2018
General Fund	$ 2,912,402	$ 2,515,603
Compact Funds:		
Education Sector Grant	987,003	987,003
Public Infrastructure Development Sector Grant	500,000	500,000
Ebeye Special Needs Sector Grant	125,000	125,000
Supplemental Education Grant	288,325	144,163
	$ 4,812,730	$ 4,271,769

For the year ended September 30, 2020, the Nitijela of RepMar appropriated $4,236,218 to fund operations of the College, $500,000 to fund preventive maintenance of capital assets, and $100,000 for the College's endowment fund.

(7) Functional Classifications with Natural Classifications

Operating expenses are displayed in their functional classifications. The following table shows functional classifications with natural classifications:

2019

	Salaries	Benefits	Services	Supplies	Insurance, Utilities and Rent	Depreciation	Miscellaneous	Total
Instruction	$ 2,172,159	$ 713,720	$ -	$ 135,703	$ 110,054	$ 67,945	$ 641,829	$ 3,841,410
Academic support	325,976	102,329	83,702	34,784	714	44,394	74,719	666,618
Student services	246,988	58,275	-	12,793	660	3,678	91,060	413,454
Institutional Support	915,840	710,839	182,342	139,328	158,156	47,533	799,974	2,954,012
Operations and Maintenance	693,634	108,897	2,813	283,011	526,436	1,122,737	48,133	2,785,661
Auxiliary Enterprises	26,370	3,767	-	4,927	-	3,884	885,247	924,195
	$ 4,380,967	$ 1,697,827	$ 268,857	$ 610,546	$ 796,020	$ 1,290,171	$ 2,540,962	$ 11,585,350

2018

	Salaries	Benefits	Services	Supplies	Insurance, Utilities and Rent	Depreciation	Miscellaneous	Total
Instruction	$ 2,317,041	$ 716,064	$ 97,011	$ 130,552	$ 60,122	$ 100,825	$ 1,565,895	$ 4,987,510
Academic support	260,758	89,232	8,875	25,356	-	87,605	64,534	536,360
Student services	299,088	60,714	-	17,566	2,092	2,929	109,659	492,048
Institutional Support	903,309	851,303	193,875	105,972	189,540	40,948	463,508	2,748,455
Operations and Maintenance	652,763	109,163	2,618	333,279	565,255	1,135,326	204,174	3,002,578
Auxiliary Enterprises	26,832	5,435	-	2,076	250	18,652	773,266	826,511
	$ 4,459,791	$ 1,831,911	$ 302,379	$ 614,801	$ 817,259	$ 1,386,285	$ 3,181,036	$ 12,593,462

(8) Risk Management

The College 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. The College 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.

(9) Commitments

On July 31, 2000, the College executed two lease agreements for parcels of land and attached buildings and improvements located on Arrak Island. The leases commenced on July 1, 2000 for periods of thirty years each, ending on June 30, 2030, with options to renew for additional terms of thirty years. The terms of the leases call for rent to be paid in equal quarterly installments, with increases totaling $800 in the quarterly installments, every five years. On April 20, 2007, the College executed a sublease agreement for a parcel of land adjacent to the main campus in Uliga. The lease commenced on March 1, 2007 for a term of thirty years, ending on March 31, 2037. On March 24, 2014, the College executed a lease agreement for a parcel of land at Lotodrik and Barkan Wetos in Uliga. The lease commenced April 1, 2014 for a term of thirty years, ending on March 31, 2044.

Future minimum lease payments under these leases are as follows:

Year ending September 30,	
2020	$ 94,484
2021	97,684
2022	97,684
2023	97,684
2024	97,684
2025 - 2029	501,218
2030 - 2034	184,418
2035 - 2039	99,418
2040 - 2044	79,418
	$ 1,344,692

(10) Contingencies

Going Concern

The accompanying financial statements have been prepared in conformity with GAAP, which contemplates the continuation of the College as a going concern. However, the College has sustained operating losses in recent years. During the years ended September 30, 2019 and 2018, the College incurred losses from operations of $3,601,370 and $6,170,280, respectively.

Management believes actions presently being undertaken to revise the College's operating requirements in the implementation of a Financial Recovery Plan, which includes employee salary and benefits reduction, electric energy conservation efforts, reduction of adjunct and overload rates and limited employee travel, and reduction in supplies expenditures and contractual services, will provide the opportunity for the College to continue as a going concern.

(10) Contingencies, Continued

Due From/Due To Grantor Agencies

The College has participated in a number of grant programs. During the year ended September 30, 2019, management determined that certain receivables from grantor agencies in the amount of $331,879 were no longer considered collectible and were written off. As of September 30, 2019 and 2018, the College has recorded certain receivables due from grantor agencies of $302,108 and $415,105, respectively, which remain uncollected, and certain payables due to grantor agencies of $695,840 and $887,668, respectively, which remain unpaid. The College is currently negotiating with these grantors for a final determination with respect to collection of outstanding receivables and payment of outstanding obligations. With respect to uncollected receivables from grantor agencies, the College's management believes that collection efforts will be favorable and thus no allowance for uncollectible accounts is considered necessary. With respect to the unpaid obligations payable to grantor agencies, the College's management believes the ultimate disposition of these liabilities can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

Sick Leave

It is the policy of the College to record expenditures for sick leave when leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. There is no liability for unpaid accumulated sick leave since the College does not have a policy to pay any amounts when employees separate from service with the College. The estimated accumulated sick leave at September 30, 2019 and 2018 was $129,708 and $120,622, respectively.

Accreditation

Based on the comprehensive evaluation during June 2015, the Accrediting Commission for Community and Junior Colleges (ACCJC) took action to remove the Warning, reaffirmed accreditation, and required that the College submit a Follow-Up Report in March 2016. In May 2016, WASC issued a Warning status to the College as a result of its evaluation of the College's Follow-up Report with the requirement that the College submit a revised Follow-Up Report on October 1, 2016. On February 3, 2017, ACCJC took action to remove the Warning. The College's next comprehensive review will be held in 2021.

(11) Subsequent Event

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On October 28, 2020, one confirmed case was identified in the Marshall Islands. On November 17, 2020, an additional three cases were identified and which were isolated and contained. As of December 29, 2020, no community transmission has been identified. The College has determined that should community transmission occur within the Marshall Islands, it may negatively impact the College's business, results of operations, and financial position and the College may become dependent upon the financial support of RepMar. However, the effect of the pandemic on RepMar is also uncertain and future available funding to RepMar component units may be limited. Therefore, while the College expects this matter to potentially have a negative impact on its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

Deloitte.

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

INDEPENDENT AUDITORS' REPORT 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 Regents
College of the Marshall Islands:

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, the financial statements of College of the Marshall Islands (the College), which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2020. Our report includes emphasis-of-matter paragraphs regarding a going concern uncertainty, grantor agency receivables and payables, and COVID-19.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Deloitte.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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*.

The College's Response to Findings

The College's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Deloitte & Touche LLP

December 29, 2020

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3973
USA

Tel: +1 (671) 646-3884
Fax: +1 (671) 649-4265

www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE SOLE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents
College of the Marshall Islands:

Report on Compliance for the Sole Major Federal Program

We have audited College of the Marshall Islands' (the College's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's sole major federal program for the year ended September 30, 2019. The College's sole major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the College's sole major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the sole major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the Sole Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its sole major federal program for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003 through 2019-009. Our opinion on the sole major federal program is not modified with respect to these matters.

The College's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The College is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The College's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the sole major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the sole major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003 through 2019-009, that we consider to be significant deficiencies.

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The College is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The College's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College as of and for the year ended September 30, 2019, and have issued our report thereon dated December 29, 2020, which contained an unmodified opinion on those financial statements and which report included emphasis-of-matter paragraphs regarding a going concern uncertainty, grantor agency receivables and payables, and COVID-19. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

December 29, 2020

COLLEGE OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures/ Adjustments FY2019
U.S. DEPARTMENT OF AGRICULTURE			
Direct Program			
Forest Stewardship Program		10.678	$ 9,757
TOTAL U.S. DEPARTMENT OF AGRICULTURE			$ 9,757
U.S. DEPARTMENT OF THE INTERIOR			
Pass-Through From the Republic of the Marshall Islands (RepMar)	980076103		
Economic, Social and Political Development of the Territories:			
Compact of Free Association Program, As Amended:			
Education Sector Grant		15.875	987,003
Capital Projects Fund - Facilities		15.875	500,000
Supplemental Education Grant		15.875	288,325
Ebeye Special Needs - Adult Education		15.875	125,000
Subtotal U.S. Department of the Interior Pass-Through Programs			1,900,328
TOTAL U.S. DEPARTMENT OF THE INTERIOR			$ 1,900,328
NATIONAL SCIENCE FOUNDATION			
Pass-Through From the Research Corporation of the University of Hawaii (RCUOH):	07-252-7344		
Research and Development Cluster:			
Education and Human Resources		47.076	$ 9,909
Partnership for Advance Marine Science		47.Unknown	23,741
Subtotal Research and Development Cluster			33,650
TOTAL U.S. NATIONAL SCIENCE FOUNDATION			$ 33,650

See accompanying notes to Schedule of Expenditures of Federal Awards.

COLLEGE OF THE MARSHALL ISLANDS

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures/ Adjustments FY2019
U.S. DEPARTMENT OF EDUCATION			
Direct Program			
TRIO Cluster:			
TRIO-Upward Bound		84.047	$ 308,555
Subtotal TRIO Cluster			308,555
Student Financial Assistance Cluster:			
Federal Pell Grant Program		84.063	5,178,499
Subtotal Student Financial Assistance Cluster			5,178,499
Subtotal U.S. Department of Education Direct Programs			5,487,054
Pass-Through From the Research Corporation of the University of Hawaii (RCUOH):	07-252-7344		
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		84.325	350,843
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 5,837,897
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through From the University of Guam:	77-990-8151		
Area Health Education Centers Infrastructure Development Awards		93.824	$ 148,271
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 148,271
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 7,929,903

Reconciliation to financial statements:

Total expenditures of federal awards	$ 7,929,903
Depreciation	1,290,171
Non-federal expenses	2,365,276
Total operating expenses per financial statements	$ 11,585,350

See accompanying notes to Schedule of Expenditures of Federal Awards.

(1) Scope of Audit

College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands (RepMar), was established as an independent institution governed by a Board of Regents appointed by RepMar's Cabinet pursuant to the College of the Marshall Islands Act of 1992 (Public Law 1992-13). Previous to the Act, the College was a component of the College of Micronesia (COM).

The U.S. Department of the Interior has been designated as the College's cognizant agency for the Single Audit.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the College under programs of the Federal Government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

(3) Summary of Significant Accounting Policies

Basis of Accounting

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements. No amounts were passed through to subrecipients. Pass-through entity identifying numbers are presented where available.

(4) Indirect Cost Allocation

The College has not entered into an approved indirect cost negotiation agreement covering the year ended September 30, 2019. The College did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance and did not charge federal programs for indirect costs during fiscal year 2019.

(5) CFDA # 15.875

CFDA # 15.875 represents funding from the Office of Insular Affairs (OIA), U.S. Department of the Interior. Funding from this source is subject to varying rules and regulations since OIA administers the Compact of Free Association (the Compact), which is a treaty, and is not a federal program. The Compact is comprised of various funded programs, each with separate compliance requirements. To maximize audit coverage of OIA funding, the OIG has recommended that programs administered under CFDA # 15.875 be grouped by like compliance requirements and such groupings be separately evaluated for purposes of major program determinations.

COLLEGE OF THE MARSHALL ISLANDS

Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

1.	Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
	Internal control over financial reporting:	
2.	Material weakness(es) identified?	Yes
3.	Significant deficiency(ies) identified?	None reported
4.	Noncompliance material to financial statements noted?	No

Federal Awards

	Internal control over major federal programs:	
5.	Material weakness(es) identified?	No
6.	Significant deficiency(ies) identified?	Yes
7.	Type of auditors' report issued on compliance for major federal programs:	Unmodified
8.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
9.	Identification of major federal programs:	

CFDA #	Name of Federal Program
	Student Financial Assistance Cluster:
84.063	Federal Pell Grant Program

10.	Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
11.	Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

Reference Number	Finding
2019-001	Timely Financial and Compliance Reporting
2019-002	Receivables

Section III - Federal Award Findings and Questioned Costs

Reference Number	CFDA #	Finding	Questioned Costs
2019-003	84.063	Cash Management	$ -
2019-004	84.063	Eligibility	$ -
2019-005	84.063	Reporting - COD	$ -
2019-006	84.063	Special Tests and Provisions – Verification	$ -
2019-007	84.063	Special Tests and Provisions – Disbursements To or On Behalf of Students	$ -
2019-008	84.063	Special Tests and Provisions – Return of Title IV Funds	$ -
2019-009	84.063	Special Tests and Provisions – Enrollment Reporting	$ -

Finding No. 2019-001
Area: Timely Financial and Compliance Reporting

Criteria:

Timely financial reporting should be facilitated by an internal control structure conducive to the preparation and independent review of reconciliations of all significant general ledger accounts.

Condition:

The College did not finalize closing fiscal year September 30, 2019 financial information (trial balance, subsidiary and general ledgers) until August 25, 2020. Further, the College does not have an established set of policies, procedures and controls in place to timely prepare and review reconciliations and reports. During the year ended September 30, 2019, various accounting records did not appear to have been processed and timely updated as evidenced by the following:

1. The Schedule of Expenditures of Federal Awards (SEFA) was not timely updated and completed.

2. Examination of bank reconciliations indicated the following:
   a. $31,473 of outstanding checks have been outstanding for more than six months.
   b. $878 of outstanding checks were duplicates.

   Reconciling items do not appear to be monitored.

3. Tests of due to/from grantor agencies noted twenty-seven (27) non-moving/inactive credit balance accounts aggregating $456,372, which were not timely assessed, monitored and closed out to the appropriate account.

4. Examination of the accounts payable aging schedule indicated three vendor invoices totaling $18,451 that are aged more than one year which were not properly monitored.

5. Tests of other payables indicated the following:
   a. $79,159 of other payables were not liquidated or timely reconciled.
   b. $5,665 of long outstanding debit balances within other payables remain unreconciled.
   c. $61,631 recorded under General Ledger Account # 2061 was not supported by an underlying subsidiary ledger.
   d. $76,836 recorded under General Ledger Account # 2075 was not supported by an underlying subsidiary ledger.

6. $146,512 of prepaid expenses included $142,079 pertaining to prepaid expenses relating to prior years (FY 2000-2018).

7. The subsidiary ledger supporting receivables due from grantor agencies was not timely reconciled resulting in multiple versions being provided during the course of the audit.

Cause:

The lack of timely year-end closing and the absence of timely review and reconciliation of significant general ledger accounts appears to be the cause of the above condition.

Finding No. 2019-001, Continued
Area: Timely Financial and Compliance Reporting

Effect:

The trial balance and general ledger account reconciliations were not timely provided for audit purposes and compliance audit requirements.

Recommendation:

College management should implement internal control procedures to facilitate timely and accurate general ledger reconciliation processes.

Identification as a Repeat Finding: Finding 2018-001

Views of Auditee and Planned Corrective Actions:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No. 2019-002
Area: Receivables

Criteria:

Financial reporting should be facilitated by an internal control structure conducive to the preparation and independent review of reconciliations of all receivable accounts.

Condition:

At September 30, 2019, the following exceptions were noted:

a. *General Ledger Account # 1101 Student Receivables*

   1. Various Pell awards received by the College were not timely applied to student tuition accounts.

   2. The aging report included a $72,139 double posting for Fall 2018 meal charges. College management subsequently recorded an adjustment to correct this error.

   3. The aging report included an unsupported $1,524 debit balance annotated as Summer 2020.

b. *General Ledger Account # 1102 A/R-Student (Temporary Account)*

   1. A subsidiary ledger was not available to support the $206,839 account balance.

c. *Other Receivables*

   1. $93,065 of employee receivables were not timely monitored and adjusted.

   2. $16,914 of employee travel advances included advances of $12,970 that were aged more than one year.

   3. $115,628 of other receivables included $10,613 pertaining to receivables relating to prior years (FY 2014-2016).

Cause:

The College lacks adequate monitoring control policies and procedures over the timely reconciliation of receivables.

Effect:

A potential misstatement of receivable balances results from the above condition.

Recommendation:

College management should implement monitoring control policies and procedures to facilitate timely and accurate receivable reconciliation processes.

Views of Auditee and Planned Corrective Actions:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.:	2019-003
Federal Agency:	U.S. Department of Education
CFDA Program	84.063 Federal Pell Grant Program
Area:	Cash Management
Questioned Costs:	$0

Criteria:

In accordance with applicable cash management requirements, the College must comply with the following:

- In the absence of a separate bank account for the fund, the institution must identify the balance for the federal fund that is included in the school's bank account as readily as if those funds were in a separate account.

- To help fulfill its responsibility to safeguard federal funds and ensure they are expended as intended, the institution must perform a reconciliation of each FSA program monthly. That is, to provide adequate internal controls, the institution must have a system for comparing separately, for each FSA program, the total draws recorded in G5 in a 30-day period to the amount disbursed to students or returned to the Department and for explaining all discrepancies.

Condition:

1. The College does not have a separate bank account for federal funds, and does not maintain separate monitoring of bank balances of undisbursed funds. Further, no monthly reconciliations of drawdowns, of disbursements to students, and of returned funds are prepared.

2. Program requests for drawdown were not based on either actual disbursements or expenditures recorded in the general ledger. Since advance drawdowns were made throughout the fiscal year, an accumulated amount due to grantor of $75,293 was recorded as of September 30, 2019. A corresponding list of specific students awarded undisbursed drawdowns was not available. The $75,293 balance was recorded as due to grantor, therefore, no related questioned costs is reported.

Cause:

There appears to be a lack of internal control policies and procedures over compliance with federal cash management requirements.

Effect:

The College is in noncompliance with applicable cash management requirements and a possible misstatement of student financial aid is possible. No questioned costs are reported as we are unable to determine the quantitative impact on the program.

Recommendation:

College management should maintain separate monitoring of bank balances of undisbursed funds and perform timely reconciliation of drawdowns and related disbursements. Further, all fund disbursements should be supported.

Identification as a Repeat Finding: Finding 2018-002

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.:	2019-004
Federal Agency:	U.S. Department of Education
CFDA Program	84.063 Federal Pell Grant Program
Area:	Eligibility
Questioned Costs:	$0

Criteria:

The Federal Student Aid Handbook states that the College needs to retain either the signed signature page or the signed Free Application for Federal Student Aid (FAFSA) form for its records, even if the student does not receive aid or attend school. Further, the FAFSA form must be filled-out completely and correctly.

Condition:

For 7 (or 12%) of 60 students tested, either the signed signature page or the signed FAFSA form was not on file. In addition, for 1 (or 2%) of 60 students tested, the FAFSA form was incomplete with blank fields.

Cause:

The College failed to ascertain that all required documents are submitted/maintained. Further, the College did not implement internal control policies and procedures to meet compliance with federal eligibility requirements.

Effect:

Possible noncompliance with the criteria exists. No questioned costs are reported since the applicants were eligible and were verified against the student identification number assigned upon registration.

Recommendation:

College management should strengthen and implement internal control policies and procedures to verify student files for accuracy and completeness in accordance with applicable eligibility requirements.

Identification as a Repeat Finding: Finding 2018-005

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.: 2019-005
Federal Agency: U.S. Department of Education
CFDA Program 84.063 Federal Pell Grant Program
Area: Reporting - COD
Questioned Costs: $0

Criteria:

Per Chapter 2 Cost of Attendance (COA) of Part 1: 2018-2019 FSA Handbook, the COA for a student is an estimate of the student's educational expenses for the period of enrollment. The school/ institution must determine the appropriate and reasonable amounts for each eligible Cost of Attendance category for students.

Furthermore, origination and disbursement records reflected in the Common Origination and Disbursements (COD) Report should be complete and accurate.

Condition:

The COA reflected on the Origination Report is carried forward from the prior year system, without any updates to reflect the current reasonable amount of COA. Further, the COA reflected on the Origination Report could not be traced to the College's 2018-2019 Catalog.

Test of origination records from the Origination Report indicated the following:

1. For 5 (or 8%) of 60 students tested, the 'Academic Calendar' field was blank.

2. For 2 (or 3%) of 60 students tested, the 'Verification Status Code' field was blank.

Cause:

The College failed to ascertain that compliance with federal regulations was met.

Effect:

The College is in noncompliance with applicable reporting requirements. No questioned costs are reported as we are unable to determine the quantitative impact on the program.

Recommendation:

College management should establish policies and procedures relating to the determination, and the timely and regular update of COA amounts. Further, College management should enhance adequate review of completeness and accuracy of student information submitted to COD.

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.:	2019-006
Federal Agency:	U.S. Department of Education
CFDA Program	84.063 Federal Pell Grant Program
Area:	Special Tests and Provisions – Verification
Questioned Costs:	$0

Criteria:

Chapter 4 Verification, Updates and Correction of Part 1: 2018-2019 FSA Handbook states that if verification reveals that answers do not match, the FAFSA needs to be corrected. Corrections and updates can be submitted by the student on the web or by the school using FSA Access to Central Processing System Online or the Electronic Data Exchange.

Condition:

Tests of the Institutional Student Information Record (ISIR) and the Verification Worksheet and/or FAFSA Form indicated the following unexplained/ unreconciled inconsistencies:

1. For 16 (or 27%) of 60 students tested, the number of household and/or college attendees on the ISIR did not match the information reflected on the Verification Worksheet submitted by the student.

2. For 2 (or 3%) of 60 students tested, the student's source of income on the ISIR did not match the information reflected on the FAFSA Form submitted by the student.

Cause:

The College failed to ascertain that compliance with federal regulations was met.

Effect:

The College is in noncompliance with applicable reporting requirements. No questioned costs are reported as we are unable to determine the quantitative impact on the program.

Recommendation:

College management should enhance adequate review of completeness and accuracy of students' information reflected on students' application form and ISIR.

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.:	2019-007
Federal Agency:	U.S. Department of Education
CFDA Program	84.063 Federal Pell Grant Program
Area:	Special Tests and Provisions – Disbursements To or On Behalf of Students
Questioned Costs:	$0

Criteria:

Per Chapter 2 of Part 2: 2018-2019 Financial Student Aid (FSA) Handbook, it is the sole responsibility of the school to pay, or make available, any FSA credit balance within the 14-day regulatory time frames.

Per Chapter 2 of Part 2: 2018-2019 FSA Handbook, since the College is issuing check to students, a school may hold the check for no longer than 21 days after the date the school notifies the student or parent. If the student or parent does not pick up the check, the school must immediately: 1) mail the check to the student or parent; 2) pay the student or parent directly by other means; or 3) return the funds to the appropriate Title IV program.

Per Chapter 2 of Part 2: 2018-2019 FSA Handbook, if the school attempts to disburse the credit balance by check and the check is not cashed, the school must return the funds no later than 240 days after the date the school issued the check.

Condition:

Tests of student refund disbursements and related payables indicated the following:

1. For 32 (or 52%) of 61 transactions tested, the College did not pay the refund amount aggregating $6,887 ($6,560+$327) within the 14-day time frame.

2. For 1 (or 2%) of 60 transactions tested, the College did not issue a $38 refund check as of September 15, 2020 to Student # 2018FA078 (Document # 166-093).

3. For 3 (or 5%) of 60 transactions tested, the College held refund checks aggregating $382 beyond the 21-day time frame.

4. For 10 (or 17%) of 60 transactions tested, student acknowledgment did not include the date of actual check receipt. Hence, the auditor could not verify whether the College held the refund check beyond the 21-day time frame.

5. For 1 (or 2%) of 60 transactions tested, a $19 refund check as of September 30, 2019 was aged over 240 days and such should have been returned to the U.S. Department of Education no later than September 30, 2019.

Cause:

The College failed to ascertain that compliance with federal regulations was met.

Effect:

The College is potentially noncompliant with the criteria. No questioned costs are reported as projected questioned costs do not exceed the $25,000 threshold.

Finding No.:	2019-007, Continued
Federal Agency:	U.S. Department of Education
CFDA Program	84.063 Federal Pell Grant Program
Area:	Special Tests and Provisions – Disbursements To or On Behalf of Students
Questioned Costs:	$0

Recommendation:

College management should strengthen control policies and procedures to comply with applicable federal regulations on issuing excess credits and returning unclaimed refunds to the agency on a timely basis. Regular assessment of student accounts and timely issuance of checks should be implemented. Further, we recommend management enhance adequate review of approved PELL awards and related disbursements to verify accuracy and to minimize the opportunity for over application of grant awards.

Identification as a Repeat Finding: Finding 2018-004

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.:	2019-008
Federal Agency:	U.S. Department of Education
CFDA Program	84.063 Federal Pell Grant Program
Area:	Special Tests and Provisions – Return of Title IV Funds
Questioned Costs:	$0

Criteria:

In accordance with applicable special tests and provisions requirements, when a recipient of Title IV grant withdraws from an institution during a payment period or a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. In addition, within 45 days (or within 30 days for students that never began attendance) of becoming aware that the student had withdrawn, the College is required to initiate the return of Title IV funds.

Condition:

For 4 (or 44%) of 9 transactions, no adjustments were recorded to student subledger accounts and no deposit or transfers were made into the Federal funds account for unearned Title IV funds for the following:

Student #
1. 2018FA023
2. 2015FA107
3. 2018FA203
4. 2019SP375

Unadjusted amounts aggregated $3,204. The College subsequently adjusted the student subledger accounts during the audit process.

Cause:

The lack of adequate internal control procedures to satisfy compliance with federal special tests and provisions for the return of Title IV funds appears to be the cause of the above condition.

Effect:

The College is in noncompliance with applicable special tests and provisions requirements. No questioned costs are reported as projected questioned costs do not exceed the $25,000 threshold.

Recommendation:

College management should implement internal control over monitoring, timely filing and timely return of Title IV funds.

Identification as a Repeat Finding: Finding 2018-003

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

Finding No.:	2019-009
Federal Agency:	U.S. Department of Education
CFDA Program	84.063 Federal Pell Grant Program
Area:	Special Tests and Provisions – Enrollment Reporting
Questioned Costs:	$0

Criteria:

Per Chapter 3 of Part 1: 2018-2019 FSA Handbook, the school must certify the information and return the roster file within 15 days of receiving it. Also, the school must report enrollment changes within 30 days; however, if a roster file is expected within 60 days, the school must provide the updated data on that roster file.

Condition:

Tests of student refund disbursements and related payables noted the following:

1. All rosters received from the National Student Loan Data System (NSLDS) (6 rosters; frequency of receipt is every 60 days) were not returned to NSLDS within 15 days from the receipt date.

2. For 23 (or 38%) of 60 transactions tested, the College did not report attendance changes for students within 60 days.

3. For 10 (or 17%) of 60 transactions tested, the College did not make changes or updates on the student's NSLDS Program Enrollment Detail, although there were enrollment status changes during FY19.

4. For 5 (or 8%) of 60 transactions tested, we noted inconsistencies in the enrollment status reflected between the NSLDS Program Enrollment Detail and the transcript of records.

Cause:

The College failed to ascertain that compliance with federal regulations was met.

Effect:

The College is potentially noncompliant with the criteria. No questioned costs are reported as we are unable to determine the quantitative impact on the program.

Recommendation:

College management should establish control policies and procedures to comply with applicable federal regulations on promptly notifying ED and NSLDS of changes in student status in a timely and accurate manner.

Views of Auditee and Corrective Action Plan:

The College agrees with the finding and provides details in its Corrective Action Plan.

AffairsCollege of the Marshall Islands
Accredited by the Western Association of Schools and Colleges
P.O. box 1258
Majuro Marshall Islands, MH 96960
Tel: (692) 625-3291/4931
Email: skotton@cmi.edu

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
Year Ended September 30, 2019

Finding No. 2019-001: Timely Financial and Compliance Reporting
The College agrees with the finding. During the Fiscal Year 2018 and FY2019, the CMI Business Office made organizational changes including personnel changes. During this time, the CMI Business Office processes and reporting experience some challenges including glitches in the Accounting system. The CMI Business Office staff were able to resolve the issues in the Accounting system after they work with the MIP system IT team.

Finding No. 2019-002: Receivables
The College agrees with the finding and proposed recommendation. As mentioned in Finding 2019-001, the College went through some major changes and the College experienced few challenges in completing the conciliation and updating of its major ledgers. The reconciliation of the ledgers and updating were done during the audit fieldwork for FY2019 audit.

Corrective Action Plan:
The College is now doing monthly reconciliation of all its major ledgers. Additionally, the College has advertised a new Internal Auditor position to help monitor the College's policies and procedures as well as to ensure the College adhere to monthly reconciliation of its account.

Finding No. 2019-003: Cash Management
The College had taken the steps to address this finding. A bank account with Bank of Guam has designated as the Title IV fund account. The College will start recording transaction using the designated bank account for Title IV funds starting in FY2020-2021 to give the College enough time for proper transition as well as proper implementation of new Federal Grant including Student Financial Aid Policy and Procedure. These newly establish policies and procedures provide clear guidelines for the CMI team to better record and manage Title IV funds and all other Federal grant funds.

Corrective Action Plan:
The College will continue to implement its *corrective action plans* to ensure proper internal controls including monitoring system are in place to ensure compliance.

As part of its new initiatives, the College is assessing new SIS Systems to move from the existing SIS system because it is no longer conducive to CMI's current and future plans. The two new systems currently evaluating now are both US based and both are capable of managing and recording transactions related to Title IV funds.

AffairsCollege of the Marshall Islands
Accredited by the Western Association of Schools and Colleges
P.O. box 1258
Majuro Marshall Islands, MH 96960
Tel: (692) 625-3291/4931
Email: skotton@cmi.edu

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
Year Ended September 30, 2019

Finding No. 2018-04: Special Tests and Provisions
CMI agrees with the finding; however, the non-compliance was not due to neglecting the policies and procedures but rather an overlook on the College's part in processing the refunds. With the new features in the SIS System and adding of the new SIS Module, proper internal controls are now in place to systematically monitor student records.

Corrective Action Plan:
As part of its review and corrective action plans, the College has already made the necessary corrections to *Finding No. 2018-004.*

The College already made the necessary adjustments to the Monthly reconcile student accounts by relying on the SIS System to eliminate human errors.

Finding No. 2019-004: Eligibility
The College partially agrees with the finding. As stated in FY2018 audit, the College file the Institutional Student Information Record (ISER) with the Financial Aid Office. Students who apply online, their student FAFSA are not kept at the Financial Aid Office, only their ISER. Students may choose to apply online via https://studentaid.ed.gov/sa/fafsa website. If the student does not have access to online application, then the student can fill out the paper application and submit to Financial Aid Office.

Corrective Action Plan:
As part of its review and corrective action plans, the College has already made the necessary corrections including board approval of the new Student Financial Aid Policy and Procedure handbook.

Finding No. 2019-005: Reporting
The College of the Marshall Islands agrees with the finding. The College also recognize that there is a need to improve coordination between the Financial Aid Office and the Academic Services and Student Services Department. The College now has a new Student Financial Aid Policy and Procedure that was approved by the College Board on October 6, 2020. The new Policy and Procedure handbook clearly provide the COA for CMI students.

CMI's Corrective Action Plan and Response: The College is in its final stages to acquire a new Student Information System (SIS) that will provide the right tools to manage and report student records. The system will be in full operation in SY2021-2022.

AffairsCollege of the Marshall Islands
Accredited by the Western Association of Schools and Colleges
P.O. box 1258 Tel: (692) 625-3291/4931
Majuro Marshall Islands, MH 96960 Email: skotton@cmi.edu

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
Year Ended September 30, 2019

Finding No. 2019-006: Special Tests and Provisions
The College of the Marshall Islands agrees with the finding.

CMI's Corrective Action Plan and Response: The College is now providing trainings to students (current and new) on how to complete the FAFSA application accurately. In addition, the Financial Aid Office already reached out to local high schools to do more training for the high school students.

Finding No. 2019-007: Special Tests and Provisions- Disbursements to or On Behalf of Students
The College of the Marshall Islands agrees with the finding.

CMI's Corrective Action Plan and Response: The College is now requiring all accepted CMI students to have a bank account wherein all student refunds will be deposited directly into their bank accounts. This will prevent the long-standing issues with student refund.

Finding No. 2019-008: Special Tests and Provisions- Return of Title IV Funds
The College of the Marshall Islands agrees with the finding.

CMI's Corrective Action Plan and Response: As stated in Finding 2019-006, the College is currently in its final stages to bring in a new SIS system. The new SIS system also include Modules for managing student enrollment records and Title IV compliance.

Finding No. 2019-009: Special Tests and Provisions- Enrollment Reporting
The College of the Marshall Islands agrees with the finding. As stated in the FY2018 audit corrective action plans, the CMI Financial Aid Office staff including the Director are new and they are going through transition and have properly trained. As of SY2020-2021, the FAO team understands the compliance requirements and they are following the required compliance rules in managing and reporting the Title IV funds.

CMI's Corrective Action Plan and Response: The College will continue to provide training to the Financial Aid Office team to ensure they fully understand the compliance rules for Title IV funds.

AffairsCollege of the Marshall Islands
Accredited by the Western Association of Schools and Colleges
P.O. box 1258
Majuro Marshall Islands, MH 96960
Tel: (692) 625-3291/4931
Email: skotton@cmi.edu

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019

Finding Number	CFDA	Status and Corrective Action Plan
2015-001	N/A	Corrective action was taken.
2016-001	84.063	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2019-001.
2016-002	84.063	Not resolved as per the grantor's final determination letter dated December 7, 2017. CMI to continue to review and revise as necessary, its internal policies and procedures to ensure that student credit balances are issued, and returned according to the Federal regulations.
2017-001	84.063	Not resolved as per the grantor's final determination letter dated January 17, 2019. Further, grantor requested CMI to continue to review and revise as necessary, its internal policies and procedures to ensure that student credit balances are issued, and returned according to the Federal regulations.
2018-001	N/A	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2019-001.
2018-002	84.063	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2019-003.
2018-003	84.063	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2019-008.
2018-004	84.063	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2019-007.
2018-005	84.063	Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2019-004.
2018-006	15.875	Corrective action was taken.