

**MARSHALL ISLANDS MARINE RESOURCES
AUTHORITY**

**(A COMPONENT UNIT OF THE REPUBLIC
OF THE MARSHALL ISLANDS)**

**FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Years Ended September 30, 2015 and 2014
Table of Contents

	<u>Page No.</u>
I. INDEPENDENT AUDITORS' REPORT	1
II. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
III. FINANCIAL STATEMENTS	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13
IV. OTHER SUPPLEMENTARY INFORMATION	
Schedule of World Bank Grants Funds Received and Expended	22
V. INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS	
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 <i>Government Auditing Standards</i>	23
Schedule of Findings and Responses	25
Unresolved Prior Year Findings	27



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

Tel: (671)646-3884
Fax: (671)649-4932
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Marine Resources Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands, which comprise the statements of net position as of September 30, 2015 and 2014, 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 Marshall Islands Marine Resources Authority as of September 30, 2015 and 2014, 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.

Other Matters

Required Supplementary Information

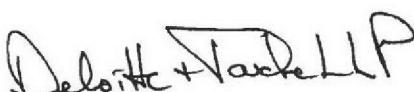
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be 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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information is the responsibility of MIMRA's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2016, on our consideration of MIMRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MIMRA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is fluid and cursive, with "Deloitte" and "Touche" connected at the top, and "LLP" at the end.

July 13, 2016

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis September 30, 2015 and 2014

This section of the Marshall Islands Marine Resources Authority (MIMRA) annual financial report presents our discussion and analysis of MIMRA's financial performance for the fiscal year ending September 30, 2015. Please read it and verify any clarification to the financial statements, which follow this section. The below table summarizes the financial condition and operations of MIMRA for fiscal years 2015, 2014 and 2013.

Statements of Net Position

	<u>2015</u>	<u>2014</u>	<u>% Change</u>	<u>2013</u>
ASSETS:				
Current and other assets	\$ 32,741,649	\$ 19,662,248	67%	\$ 12,627,881
Capital assets	202,955	206,048	(2%)	244,364
Investments	<u>4,811,417</u>	<u>5,530,922</u>	(13%)	<u>5,240,001</u>
Total assets	\$ 37,756,021	\$ 25,399,218	49%	\$ 18,112,246
LIABILITIES:				
Current liabilities	\$ 508,003	\$ 735,196	(31%)	\$ 362,138
NET POSITION:				
Net investment in capital assets	202,955	206,048	(2%)	244,364
Unrestricted	<u>37,045,063</u>	<u>24,457,974</u>	51%	<u>17,505,744</u>
Total net position	<u>37,248,018</u>	<u>24,664,022</u>	51%	<u>17,750,108</u>
	\$ 37,756,021	\$ 25,399,218	49%	\$ 18,112,246

Statements of Revenue, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>% Change</u>	<u>2013</u>
OPERATING:				
Operating revenues	\$ 31,569,468	\$ 19,815,209	59%	\$ 11,641,057
Operating expenses	<u>3,821,084</u>	<u>2,708,186</u>	41%	<u>2,379,051</u>
Operating income	<u>27,748,384</u>	<u>17,107,023</u>	62%	<u>9,262,006</u>
NON-OPERATING:				
Non-operating revenues	608,612	1,355,891	(55%)	3,118,299
Non-operating expenses	<u>15,773,000</u>	<u>11,549,000</u>	37%	<u>6,742,561</u>
Net non-operating revenues (expenses)	(15,164,388)	(10,193,109)	49%	(3,624,262)
Changes in net position	12,583,996	6,913,914	82%	5,637,744
Net position at beginning of year	<u>24,664,022</u>	<u>17,750,108</u>	39%	<u>12,112,364</u>
Net position at end of year	<u>\$ 37,248,018</u>	<u>\$ 24,664,022</u>	51%	<u>\$ 17,750,108</u>

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis, Continued
September 30, 2015 and 2014

Overall analysis

In FY 2015, operating revenues increased by \$11,754,259 or 59% compared with FY2014; and, for FY2014, operating revenues increased by \$8,174,152 or 70% compared with FY2013. For FY2015, all revenue generated has increased during the current year. Fishing rights (income from Japan Bilateral, U.S. Treaty and FSM Arrangement) increased by \$5,794,028 or 171%; licensing and registration fees increased by \$257,951 or 19%; transshipment fees increased by \$130,000 or 24%; observer's fees increased by \$85,495 or 15%; fishing fines increased by \$2,410,000 or 292%; and other operating revenues increased by \$279,569 or 191%. Boat chartering fees remained at \$700,000 for each respective year.

On the other hand, MIMRA was able to collect fishing fines during FY2015 for violations in the access agreement amounting to \$3,235,000, 292% higher compared with \$825,000 in FY2014. Fishing Vessel Day Scheme (VDS) revenues boosted total revenue generated by MIMRA during the current year in the amount of \$15,228,935, from \$12,171,596 in FY2014, an increase of 25% compared to the 57% increase in FY2014 versus FY2013.

Total fishing vessels (purse seiners, carriers and bunker vessels) transshipped in the RMI port during the current year was 663 boats, which is 132 boats more than in FY2014 with 531 boats and higher than FY2013, which was 396 boats.

For the current year, Korea registered 5 boats (FY2014: 29 boats); Taiwan 25 boats (FY2014: 29 boats); China 5 boats (FY2014: 7 boats); New Zealand 2 boats (FY2014: 3 boats) and Shanghai Kaichuang (China) 2 boats (FY2014: 6 boats). The above also purchased fishing days from MIMRA for 568 days amounting to \$4,634,000. Domestic companies like Koo's Fishing (**4 boats**), Marshall Islands Fishing Corporation (**1 boat**), Central Pacific Fishing (**2 boats**), and Pan Pacific Fishing (**3 boats**) had the same number of boats registered in FY 2014. Domestic-based companies also bought fishing days from MIMRA as follows: Central Pacific Fishing - 298 days for \$1,904,000; Koo's Fishing - 596 days for \$3,808,000; Marshall Islands Fishing Corporation - 149 days for \$952,000; and Pan Pacific Fishing - 447 days for \$2,856,000. The above made a significant impact on the overall revenue picture of MIMRA for the current year. Another domestic-based company, Marshall Islands Fishing Venture (MIFV), registered long lines boats with the same rates as in previous years. Parties to the Nauru Agreement pooling and FSMA days share also boosted MIMRA revenue by \$1,042,435. Overall, operating revenues for FY2015 increased by 59% to \$31,569,468 compared with \$19,815,209 for FY2014 and exceeded estimated revenues by \$12,179,468 against the budgeted collection of \$19,390,000 for FY2015. As mentioned above, all MIMRA current revenue in FY2015 increased by 59% over FY2014.

For FY2015, operating expenses increased by \$1,112,898 or 41% compared with FY2014. The major contributor for the increase in operating expenses is the impairment provision of \$980,000 relating to MIMRA's investment in stocks of an affiliate, which is a non-recurring expense. Hence, excluding this one-time item, the increase in operating expenses was \$132,898 or 5% from FY2014, which is lower than the 13% increase in FY2014 compared with FY2013, and lower than the 9% increase in operating expenses from FY2013 compared with FY2012.

Even with the increase in operating expenses, MIMRA's operations still resulted in a much higher operating income of \$27,748,384 during FY2015 compared to the operating income for FY2014 of \$17,107,023, an increase of \$10,641,361 or 62%. Net non-operating expenses of \$15,164,388 decreased MIMRA's results of operations for FY2015. Changes in net position for FY2015 is \$5,670,082, higher than the change in FY2014, which was higher again by \$1,276,170 compared with FY2013.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis, Continued September 30, 2015 and 2014

MIMRA's financial condition as shown by the change in net position at end of the year shows an overall increase of 82% compared to FY2014. The change during the current year is 59% higher compared to FY2013.

Management's Discussion and Analysis for the year ended September 30, 2014 is set forth in MIMRA's report on the audit of financial statements, which is dated July 29, 2015. That Management's Discussion and Analysis explains the major factors impacting 2014 financial statements and can be obtained from MIMRA's Administrator via the contact information on page 8.

Fund Analysis

At the end of FY2015, MIMRA's combined fund (Savings and Current Account) amounted to \$27,578,920, which was a 104% increase compared to the balances of \$13,529,689 at the end of FY2014. The major reason for the increase in cash balances is due to the highest collection made from all the revenue generated, which is equivalent to 59% of the revenue MIMRA generated in FY2015. Equity earnings from the joint venture amounting to \$260,495, grants amounting to \$16,000 and interest income amounting to \$332,117 also added to the overall funds generated during the current year FY2015. Transfer payments to RepMar were \$15,773,000 in FY2015 compared to \$11,549,000 in FY2014.

Budget Variances

Actual total revenues, including both operating and non-operating revenues, generated during the current FY2015 was \$32,178,080 compared to the budgeted total revenues for FY2015 of \$19,390,000. The result was favorable by as much as \$12,788,080 or 66% compared to the final budget of the same year. Actual expenses, including transfers out to RepMar, and other contributions for FY2015 amounted to \$19,594,084 compared to the budget of \$16,162,079, which represents an unfavorable variance of \$3,432,005 or 21%.

Capital Assets

At the end of the FY2015, MIMRA has a net investment in capital assets of \$202,955. The decrease of 1.5% from FY2014 was due to net total reduction of \$3,093 in capital assets for FY2015. This decrease indicates that MIMRA capital assets right now shall be looked into by management. (See table below).

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 176,367	\$ 176,367	\$ 176,367
Equipment improvements	70,395	26,696	23,446
Vehicles	170,485	170,485	208,590
Equipment	451,886	390,107	335,298
Furniture and fixtures	36,564	35,351	34,093
Motorboats	<u>118,002</u>	<u>118,002</u>	<u>118,002</u>
	1,023,699	917,008	895,796
Less: accumulated depreciation	<u>820,744</u>	<u>710,960</u>	<u>671,226</u>
	202,955	206,048	224,570
Construction-in-progress	<u>-</u>	<u>-</u>	<u>19,794</u>
Net	\$ <u>202,955</u>	\$ <u>206,048</u>	\$ <u>244,364</u>

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

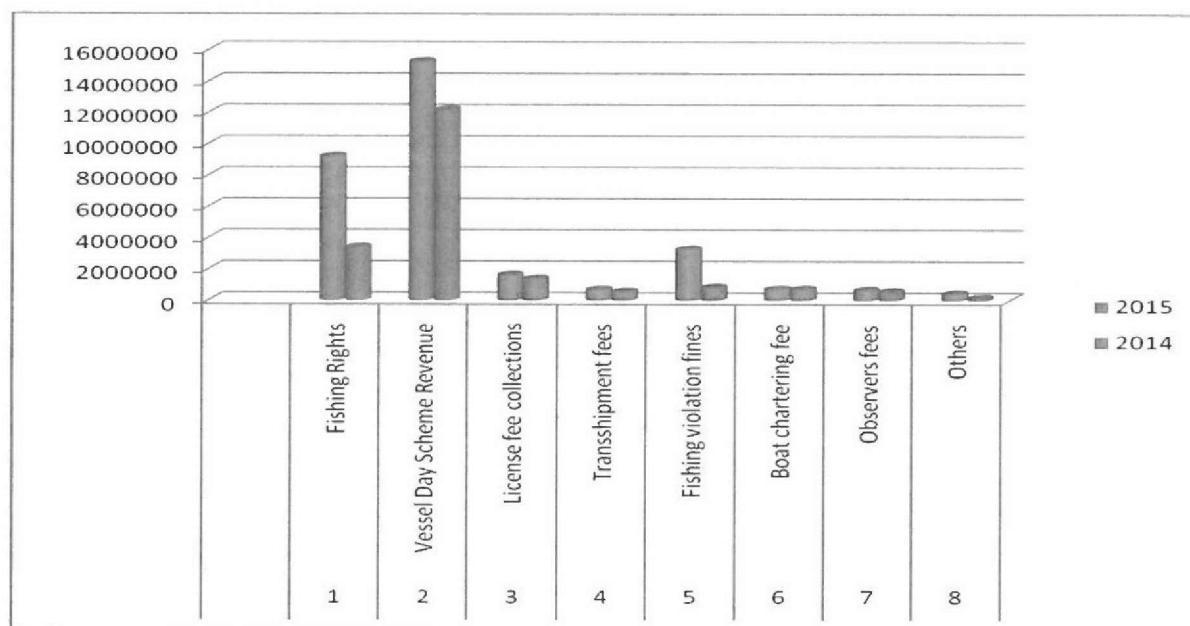
Management's Discussion and Analysis, Continued
September 30, 2015 and 2014

Fiscal Year 2015 major capital asset additions include:

1. Equipment	\$ 61,779
2. Furniture and fixtures	1,213
3. Equipment improvements	<u>43,699</u>
	<u>\$ 106,691</u>

For additional information concerning capital assets, please see note 5 to the financial statements.

COMPARATIVE REVENUE - FY 2015 VS FY 2014

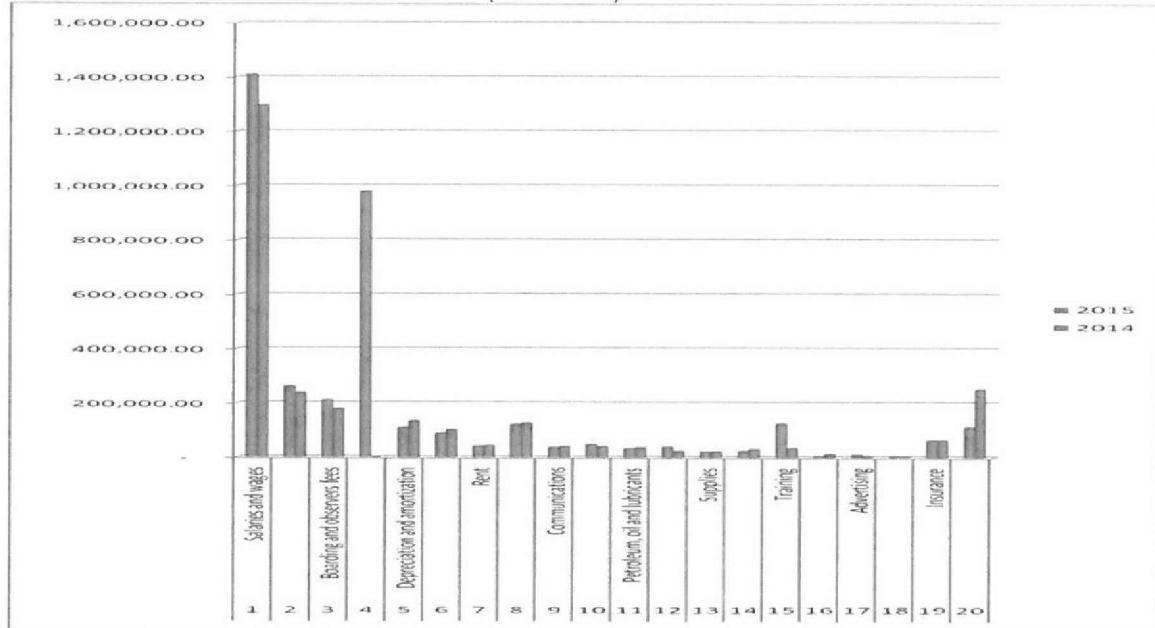


	2015	2014	2013
Vessel Day Scheme revenue	\$ 15,228,935	\$ 12,171,596	\$ 7,746,478
Fishing rights	9,177,671	3,383,643	2,478,875
Fishing violation fines	3,235,000	825,000	870,000
License fee collections	1,621,500	1,363,549	1,140,200
Boat chartering fee	700,000	700,000	-
Transshipment fees	677,000	547,000	413,000
Observers fees	647,419	561,924	261,286
Others	<u>426,092</u>	<u>146,523</u>	<u>38,813</u>
Recovery of (allowance for) bad debts	31,713,617	19,699,235	12,948,652
	<u>(144,149)</u>	<u>115,974</u>	<u>(1,307,595)</u>
Net operating revenues	<u>\$ 31,569,468</u>	<u>\$ 19,815,209</u>	<u>\$ 11,641,057</u>
Overall Change FY2015 vs FY2014	\$ 11,754,259	59%	

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis, Continued
September 30, 2015 and 2014

COMPARATIVE OPERATING EXPENSES (2015-2014)



	<u>2015</u>	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 1,409,738	\$ 1,296,812	\$ 1,219,448
Impairment provision for investment	980,000	-	-
Membership dues and subscription	261,325	237,785	169,631
Boarding and observer fees	210,820	178,712	191,101
Training	124,500	33,182	79,709
Travel	121,431	126,258	91,702
Depreciation and amortization	109,784	135,634	82,958
Utilities	89,567	102,298	108,639
PNA administrative fee	71,433	143,972	33,448
Insurance	62,635	63,255	52,657
Repairs and maintenance	48,629	40,355	55,435
Rent	42,257	44,458	50,245
Professional fees	39,000	23,000	59,000
Communications	37,394	41,136	36,537
Petroleum, oil and lubricants	32,283	36,290	43,160
Contributions	23,460	29,642	16,500
Supplies	20,789	21,457	14,841
Advertising	10,804	5,125	4,225
Freight	4,989	3,483	3,658
Entertainment	4,096	12,234	14,543
Claim	-	50,000	-
Miscellaneous	<u>116,150</u>	<u>83,098</u>	<u>51,614</u>
Operating expenses	\$ 3,821,084	\$ 2,708,186	\$ 2,379,051
Overall change for FY2015 compared to FY2014	\$ 1,112,898	41%	

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis, Continued
September 30, 2015 and 2014

Economic Factors and Next year Budgets and Rates

Budget has been formulated and approved by the MIMRA Board for FY2016. Projected revenues both operating and non-operating revenues, is \$25,000,000, while projected expenses, including transfer payments to RepMar, is \$26,061,989 (\$20,000,000 for RMI General Fund). A 40% percent increase in the operating expenses is provided due to the WB-PROP Project included which added 28% of the total budget. Without the WB-PROP, FY2015 and FY2016 has the same projected expenses. The 15% across the board increase approved by the MIMRA Board will still be effected for contract renewals and new contracts during FY2016. Travel expenses, both international and domestic, will depend on how it will be funded, but for those unfunded trips, MIMRA will shoulder the cost. Some domestic travel covered by grants that were approved and released to MIMRA in previous years, will be used during FY2016. For international travel, internal agreement by management for such shall be limited to externally funded travel unless, in certain cases, where MIMRA shall match the travel expenses and, in cases, where it is necessary that MIMRA must fund the travel. Supplemental budget amounting to \$4,700,000 for FY2016 has also been approved. The additional \$1,000,000 (\$3,700,000 for FY2015) is for outer island development.

The continuing up and down prices of fuel in the world market also affected the Marshall Islands. Marshall Islands still has the highest fuel prices in the Micronesia region by at least a little bit over 30% of the pump prices, even if the prices went down. Commodities in the islands continue to have high prices compared to that in the previous years, including the cost of utilities. MIMRA's cost saving and conservation measures adopted in FY2011 will continue to be adopted in the formulation for the FY2016 budget. As mentioned above, salaries and wages has an approved 15% increase across the board, by the MIMRA Board of Directors. Some positions are still to be filled. So that budget for new hires is also provided.

Though climate change is a continuing factor that would affect MIMRA's revenue generation, FAD closure is also an aspect that affects the revenue collection of MIMRA, especially on the transshipment revenue. Because of the FAD closure, such means fewer boats berthing in Majuro. Bilateral Agreements between MIMRA and Japan and Taiwan have been signed and would definitely help in the increase of revenue for FY2016. Fishing Vessel Days sales is also one factor that will boost the revenue for MIMRA in the next year.

Contacting MIMRA's financial management

This financial report is designed to provide our beneficiaries and others a general overview of MIMRA's finances and to demonstrate its accountability for the money it collects. If you have questions about this report or need additional financial information, contact the Administrator, P.O. Box 175, Majuro, MH 96960 or via e-mail at mimra.@ntamar.net

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Net Position
September 30, 2015 and 2014

	<u>ASSETS</u>	2015	2014
Current assets:			
Cash	\$ 3,812,316	\$ 3,866,888	
Time certificates of deposit	23,766,604	9,662,801	
Receivables:			
Affiliates	100,000	125,000	
Trade	2,374,384	3,403,478	
Due from PNA Office	2,611,440	2,629,546	
Due from joint venture	550,500	708,525	
Accrued interest	226,708	116,633	
Other	102,060	179,536	
Less allowance for doubtful accounts	5,965,092	7,162,718	
	(802,363)	(1,030,159)	
	5,162,729	6,132,559	
Total current assets	32,741,649	19,662,248	
Capital assets, net of accumulated depreciation	202,955	206,048	
Investment in stock of an affiliated entity	-	980,000	
Investment in joint venture	4,811,417	4,550,922	
	<u>\$ 37,756,021</u>	<u>\$ 25,399,218</u>	

LIABILITIES AND NET POSITION

Liabilities:			
Accounts payable	\$ 204,229	\$ 490,400	
Payable to affiliates	174,096	120,518	
Other liabilities and accruals	129,678	124,278	
Total liabilities	<u>508,003</u>	<u>735,196</u>	
Commitments			
Net position:			
Net investment in capital assets	202,955	206,048	
Unrestricted	37,045,063	24,457,974	
Total net position	<u>37,248,018</u>	<u>24,664,022</u>	
	<u>\$ 37,756,021</u>	<u>\$ 25,399,218</u>	

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position Years Ended September 30, 2015 and 2014

	2015	2014
Operating revenues:		
Vessel Day Scheme revenue	\$ 15,228,935	\$ 12,171,596
Fishing rights	9,177,671	3,383,643
Fishing violation fines	3,235,000	825,000
Licensing and registration fees	1,621,500	1,363,549
Boat charter fee	700,000	700,000
Transshipment fees	677,000	547,000
Observers fees	647,419	561,924
Other	426,092	146,523
Total operating revenues	31,713,617	19,699,235
Recovery of (allowance for) uncollectible accounts	(144,149)	115,974
Total net operating revenues	31,569,468	19,815,209
Operating expenses:		
Salaries and wages	1,409,738	1,296,812
Impairment provision for investment	980,000	-
Membership dues and subscriptions	261,325	237,785
Boarding and observer fees	210,820	178,712
Training	124,500	33,182
Travel	121,431	126,258
Depreciation and amortization	109,784	135,634
Utilities	89,567	102,298
PNA administrative fee	71,433	143,972
Insurance	62,635	63,255
Repairs and maintenance	48,629	40,355
Rent	42,257	44,458
Professional fees	39,000	23,000
Communications	37,394	41,136
Petroleum, oil and lubricants	32,283	36,290
Contributions	23,460	29,642
Supplies	20,789	21,457
Advertising	10,804	5,125
Freight	4,989	3,483
Entertainment	4,096	12,234
Claim	-	50,000
Miscellaneous	116,150	83,098
Total operating expenses	3,821,084	2,708,186
Operating income	27,748,384	17,107,023
Nonoperating revenues (expenses), net:		
Equity in earnings of joint venture	260,495	1,150,490
Grants	16,000	14,000
Interest income	332,117	188,181
Gain on sale of asset	-	3,220
Transfer out to RepMar	(15,773,000)	(11,549,000)
Total nonoperating revenues (expenses), net	(15,164,388)	(10,193,109)
Change in net position	12,583,996	6,913,914
Net position at beginning of year	24,664,022	17,750,108
Net position at end of year	<u>\$ 37,248,018</u>	<u>\$ 24,664,022</u>

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from customers	\$ 32,649,373	\$ 16,198,528
Cash payments to suppliers for goods and services	(1,554,155)	(903,219)
Cash payments to employees for services	(1,404,338)	(1,296,275)
Net cash provided by operating activities	<u>29,690,880</u>	<u>13,999,034</u>
Cash flows from noncapital financing activities:		
Operating grants received	16,000	14,000
Payments made to RepMar and affiliates	(15,773,000)	(11,549,000)
Net cash used for noncapital financing activities	<u>(15,757,000)</u>	<u>(11,535,000)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(106,691)	(94,098)
Cash flows from investing activities:		
Net additions to time certificates of deposit	(14,103,803)	(1,380,560)
Investment in common stock	-	(980,000)
Dividend received from joint venture	-	3,023,495
Interest received on time certificates of deposit	222,042	163,584
Net cash provided by (used for) investing activities	<u>(13,881,761)</u>	<u>826,519</u>
Net change in cash	(54,572)	3,196,455
Cash at beginning of year	3,866,888	670,433
Cash at end of year	<u>\$ 3,812,316</u>	<u>\$ 3,866,888</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 27,748,384	\$ 17,107,023
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	109,784	135,634
Bad debts expense (recovery of bad debts)	144,149	(115,974)
Impairment loss	980,000	-
Decrease (increase) in assets:		
Receivables:		
Affiliates	25,000	(19,691)
Trade	657,149	(1,602,882)
Due from PNA Office	18,106	(1,910,985)
Due from joint venture	158,025	10,026
Other	77,476	22,825
Increase (decrease) in liabilities:		
Accounts payable	(286,171)	331,971
Payable to affiliates	53,578	40,550
Other liabilities and accruals	5,400	537
Net cash provided by operating activities	<u>\$ 29,690,880</u>	<u>\$ 13,999,034</u>
Summary of noncash financing activities:		
Income from equity share investment:		
Decrease (increase) in investment in joint venture	\$ (260,495)	\$ 689,079
Decrease in receivable from joint venture	-	1,183,926
Dividend income from joint venture	-	(3,023,495)
Equity in earnings of joint venture	260,495	1,150,490
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements September 30, 2015 and 2014

(1) Organization

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

MIMRA is governed by a seven-member Board of Directors, including three members consisting of the Minister of Resources and Development, the Secretary of Foreign Affairs and the Attorney General and four members appointed by the President of RepMar.

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

(2) Summary of Significant Accounting Policies

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

To conform to the requirements of GASB 34, equity is presented in the following net position categories:

- Net investment in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Unrestricted; net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements
September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

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

Cash and Time Certificates of Deposit

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

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. As of September 30, 2015 and 2014, the carrying amount of cash and time certificates of deposit were \$27,578,920 and \$13,529,689, respectively, and the corresponding bank balances were \$27,596,558 and \$13,608,088, respectively. Of the bank balances, \$3,118,153 and \$3,747,929, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$24,478,405 and \$9,860,159, respectively, were maintained in a non-FDIC insured financial institution. As of September 30, 2015 and 2014, bank deposits in the amount of \$250,000 were FDIC insured. MIMRA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Receivables

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

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements
September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

Improvements and Equipment

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

Building improvements	10 years
Equipment improvements	10 years
Vehicles	3 years
Equipment	4 years
Furniture	4 years
Motor boats	6 years

Investments

The investment in stock of an affiliate is carried at cost net of an impairment reserve in 2015. Investments of 20% or more of the voting stock of a joint venture investee are presumed to give the investor significant influence and are carried using the equity method. Under the equity method, the investor records, as earnings or loss, its proportionate share of the investee's earnings or loss.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources 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. MIMRA has no items that qualify for reporting in this category.

Taxes

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

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition

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

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

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. As of September 30, 2015 and 2014, the accumulated vacation leave liability totals \$36,686 and \$42,479, respectively, and is included within the statements of net position as other liabilities and accruals.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

New Accounting Standards

During the year ended September 30, 2015, MIMRA implemented the following pronouncements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The implementation of these statements did not have a material effect on the accompanying financial statements.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this statement did not have a material effect on the accompanying financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements
September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements of MIMRA.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements
September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

(3) Risk Management

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

(4) Investment in Joint Venture

On May 1, 2005, MIMRA entered into a joint venture agreement with Koo's Fishing Company, Ltd. (KFC) to form the Marshall Islands Fishing Company (MIFCO), an ongoing association for the purpose of engaging in the purse seine fishing business. The association was formally organized during fiscal year 2006 with the purchase of the vessel, RMI201. MIMRA and KFC's contributed capital at the time was \$2,940,000 and \$3,060,000, respectively, which represented a 49% and 51% interest, respectively, of the vessel's value of \$6,000,000.

The parties agreed that the joint venture will be operated by KFC and MIMRA will not be liable to the joint venture.

A summary of financial information as of and for the years ended December 31, 2015 and 2014, for investees accounted for using the equity method of accounting for investments, are as follows:

	<u>2015</u>	<u>2014</u>
Assets	\$ <u>13,874,090</u>	\$ <u>18,181,823</u>
Liabilities	\$ <u>3,965,842</u>	\$ <u>8,634,103</u>
Net earnings	\$ <u>360,528</u>	\$ <u>1,044,906</u>

During the year ended September 30, 2014, MIMRA received a distribution of \$3,023,495 from the joint venture. No distribution was received in 2015.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements
September 30, 2015 and 2014

(5) Improvements and Equipment

Capital asset activity during the years ended September 30, 2015 and 2014 is as follows:

	October 1, 2014	Additions	Disposal	September 30, 2015
Building improvements	\$ 176,367	\$ -	\$ -	\$ 176,367
Equipment	390,107	61,779	-	451,886
Equipment improvements	26,696	43,699	-	70,395
Vehicles	170,485	-	-	170,485
Furniture and fixtures	35,351	1,213	-	36,564
Motor boats	<u>118,002</u>	<u>-</u>	<u>-</u>	<u>118,002</u>
	917,008	106,691	-	1,023,699
Less accumulated depreciation	<u>(710,960)</u>	<u>(109,784)</u>	<u>-</u>	<u>(820,744)</u>
	<u>\$ 206,048</u>	<u>\$ (3,093)</u>	<u>\$ -</u>	<u>\$ 202,955</u>

	October 1, 2013	Additions	Disposal	September 30, 2014
Building improvements	\$ 176,367	\$ -	\$ -	\$ 176,367
Equipment	335,298	56,109	(1,300)	390,107
Equipment improvements	23,446	3,250	-	26,696
Vehicles	208,590	56,495	(94,600)	170,485
Furniture and fixtures	34,093	1,258	-	35,351
Motor boats	<u>118,002</u>	<u>-</u>	<u>-</u>	<u>118,002</u>
	895,796	117,112	(95,900)	917,008
Less accumulated depreciation	<u>(671,226)</u>	<u>(135,634)</u>	<u>95,900</u>	<u>(710,960)</u>
	224,570	(18,522)	-	206,048
Construction in progress	<u>19,794</u>	<u>(19,794)</u>	<u>-</u>	<u>-</u>
	<u>\$ 244,364</u>	<u>\$ (38,316)</u>	<u>\$ -</u>	<u>\$ 206,048</u>

(6) Investment in Stock of an Affiliated Entity

On June 9, 2014, MIMRA purchased 49,000 shares of the Marshall Islands National Telecommunications Authority (MINTA), a component unit of RepMar, at \$20/share. The investment in MINTA is recorded at cost since MIMRA does not exercise significant influence over the operating and financial policies of the investee. The investment comprises approximately 15% of the outstanding shares of MINTA as of September 30, 2015 and 2014. No dividends were received during the years ended September 30, 2015 and 2014. As of September 30, 2015, due to the investee's recurring losses and its inability to generate sufficient cash flows to meet its debt obligation, the investment is recorded net of an impairment allowance in the accompanying financial statements.

(7) Related Party Transactions

MIMRA was created by the Nitijela of RepMar under Public Law 1997-60 and is thus considered a component unit of RepMar. Accordingly, MIMRA is affiliated with all RepMar-owned and affiliated entities, including Tobolar Copra Processing Authority (Tobolar) and the Office of Commerce and Investment (OCI).

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements September 30, 2015 and 2014

(7) Related Party Transactions, Continued

MIMRA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions for the years ended September 30, 2015 and 2014 is as follows:

	2015		
	<u>Expenses</u>	<u>Payables</u>	<u>Receivables</u>
Marshall Islands Social Security			
Administration	\$ 103,502	\$ 55,733	\$ -
Marshall Islands National Telecommunications Authority	37,394	3,021	-
Marshalls Energy Company, Inc.	81,002	106,003	-
RepMar	2,196	8,124	-
Tobolar Copra Processing Authority	148	-	75,000
Other	<u>53,114</u>	<u>1,215</u>	<u>25,000</u>
	<u>\$ 277,356</u>	<u>\$ 174,096</u>	<u>\$ 100,000</u>
	2014		
	<u>Expenses</u>	<u>Payables</u>	<u>Receivables</u>
Marshall Islands Social Security			
Administration	\$ 123,984	\$ 4,018	\$ -
Marshall Islands National Telecommunications Authority	46,226	-	-
Marshalls Energy Company, Inc.	102,483	109,699	-
RepMar	1,230	6,623	-
Tobolar Copra Processing Authority	-	-	75,000
Other	<u>39,188</u>	<u>178</u>	<u>50,000</u>
	<u>\$ 313,111</u>	<u>\$ 120,518</u>	<u>\$ 125,000</u>

In 2013, MIMRA advanced \$100,000 to Tobolar for the purpose of assisting in funding the purchase of copra. The advance is uncollateralized and is non-interest bearing and is due and payable by Tobolar from the proceeds of oil sales. As of September 30, 2015 and 2014, \$75,000 remains uncollected and due from Tobolar.

On February 14, 2014, MIMRA advanced \$100,000 to OCI for the purpose of financing its operations. The advance is uncollateralized and is non-interest bearing and is due and payable by OCI in April 2014. As of September 30, 2015 and 2014, \$25,000 and \$50,000, respectively, remains uncollected and due from OCI.

MIMRA acts as an agent of RepMar for the purposes of collecting and remitting income received from sovereign nations in accordance with various international fishing rights treaties. During the years ended September 30, 2015 and 2014, MIMRA collected \$9,177,671 and \$3,383,643, respectively, under these treaties.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements September 30, 2015 and 2014

(7) Related Party Transactions, Continued

During the years ended September 30, 2015 and 2014, MIMRA provided cash contributions to RepMar's General Fund of \$11,000,000 and \$7,500,000, respectively, in accordance with annual legislative appropriations as enacted by the Nitijela. Furthermore, MIMRA provided other contributions of \$4,773,000 and \$4,049,000, respectively, in accordance with various RepMar Cabinet Minute directives. These directives indicate that MIMRA is to be reimbursed upon the identification and availability of a funding source. Accordingly, MIMRA will recognize reimbursement of these contributions at the time that such reimbursement occurs.

MIMRA occupies certain office space and uses properties belonging to RepMar at no cost. No lease agreements have been executed to formalize these arrangements and no rental payments are anticipated. The fair value of these contributions is presently not determinable. Accordingly, the contributed use of facilities has not been recognized as revenue and expenses in the accompanying financial statements.

(8) PNA Office

The PNA was established by eight sovereign nations (Federated States of Micronesia, Marshall Islands, Kiribati, Tuvalu, Solomon Islands, Nauru, Papua New Guinea, and Palau) in 1982. The PNA Office was established as a quasi-governmental organization in Majuro as the Head Office of the PNA and is responsible for administering of the VDS program, including collection of revenues associated with this program. During the years ended September 30, 2015 and 2014, MIMRA recognized revenues related to the VDS program of \$15,228,935 and \$12,171,596, respectively. As of September 30, 2015 and 2014, receivables due from the PNA Office associated with VDS revenues amounted to \$2,611,440 and \$2,629,546, respectively. During the years ended September 30, 2015 and 2014, MIMRA incurred administrative fees of \$71,433 and \$143,972, respectively, associated with administration of the VDS program by the PNA Office.

(9) Commitments

MIMRA has assumed payment obligations under certain ground leases, which were previously obligations of RepMar's Ministry of Internal Affairs. In addition, MIMRA has assumed the payment obligation under a ground lease, which was previously the obligation of an unrelated party. These ground leases have original terms ranging from five to twenty-five years, expiring in 2010 through 2034.

Total future minimum lease payments for subsequent years ending September 30, are as follows:

<u>Year ending September 30,</u>	
2016	\$ 24,494
2017	21,158
2018	21,158
2019	19,905
2020	18,139
2021 - 2025	55,071
2026 - 2030	3,425
2031 - 2034	<u>2,397</u>
	<u>\$ 165,747</u>

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Notes to Financial Statements September 30, 2015 and 2014

(9) Commitments, Continued

MIMRA has entered into lease agreements expiring over various years through December 15, 2022. Future minimum lease income for the subsequent years ending September 30 is as follows:

<u>Year ending September 30,</u>	
2016	\$ 20,265
2017	20,265
2018	20,265
2019	20,265
2020	20,265
2021 - 2023	<u>25,482</u>
	<u>\$ 126,807</u>

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY**Schedule of World Bank Grant Funds Received and Expended
Year Ended September 30, 2015**

	<u>Grant Funds Received</u>	<u>Grant Funds Expended</u>
Grant Number D017-MH:		
Subsidiary Agreement with the Republic of the Marshall Islands Ministry of Finance, dated June 26, 2015, for the Pacific Islands Regional Oceanscape Program Project funded by the International Development Association		
Advertising costs	\$ -	\$ 1,928
Observer training costs	<u>-</u>	<u>8,909</u>
	<u>\$ -</u>	<u>\$ 10,837</u>

See accompanying independent auditors' report.