COLLEGE OF THE MARSHALL ISLANDS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

COLLEGE OF THE MARSHALL ISLANDS

Table of Contents
Year Ended September 30, 2009 and 2008

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3911
USA
Tel: (671)646-3884
Fax: (671)649-4932
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Regents
College of the Marshall Islands:

We have audited the accompanying financial statements of the College of the Marshall Islands (the College) and its discretely presented component units, collectively a component unit of the Republic of the Marshall Islands, as of September 30, 2009 and 2008, and which collectively comprise the College's basic financial statements as set forth in Section II of the foregoing table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College of the Marshall Islands and its discretely presented component units as of September 30, 2009 and 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte + Touche LLP

June 30, 2010

Introduction

This section of the College of the Marshall Islands Annual Financial Report presents an analysis of the financial activities of the College for fiscal year ended September 30, 2009. 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 discussion is designed to focus on current activities, resulting changes and current known facts.

Accounting Standards

In June 1999, the Governmental Accounting Standard 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 Standard Board Standard 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 2009, 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, 2009, as compared to both 2008 and 2007.

In 2009, the College also adopted GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units" to report on a legally separate, tax-exempt entity which provides financial support for the objectives, purposes, and programs of the College. Investments of the College of the Marshall Islands Foundation, Inc. are controlled by an independent governing board and reported at fair market value.

New accounting standards implemented by the College during FY 2009 included:

- GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other than Pensions;*
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations;*
- GASB Statement No. 52, *Land and Other Real Estate Held;*
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;*
- GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.

This discussion has been prepared by the College management and should be read in conjunction with the financial statements and related notes that follow.

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 of the College, 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 Assets* presents information on all of the College's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 Assets* presents the revenues earned and the expenses incurred during the year. All changes in net assets are reported under 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.

- The *Statement of Cash Flows* presents information on cash flows from operating activities, non-capital financial 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 health of the College. These include its strategic direction, financial status, student enrollment, and institutional capacity. In evaluating financial status, one of the most important questions is whether the institution is financially better off the beginning of the year or at the end of the year. In 2009, the College significantly improved its overall financial position, as evidenced by the increase in net assets from $13,470,847 in FY2008 to $16,227,401 in FY2009- an increase of 17%.

There is a continuing growth trend in Net Assets, dominated mainly by the capital and investment categories due to the continuation of construction under a five year, $27 million Capital Improvement Project and an initiative to raise the endowment to $1 million by 2010.

Statement of Net Assets

The Statement of Net Assets presents the overall financial condition of the College's at year-end. For the year ended September 30, 2009, the net asset position of the College was $16,227,401. This represents an increase of $2,756,554 or 17% and a continuation of a five-year growth trend (see Exhibit A).

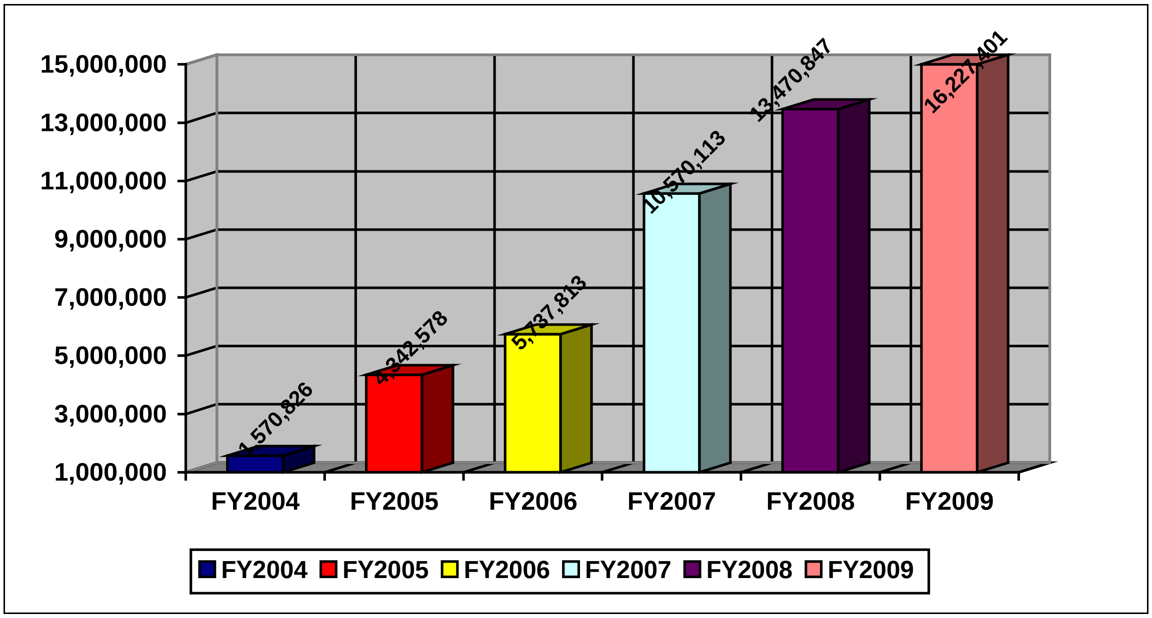
Table I
Summary of Statement of Net Assets

				% change	
	2009	**2008**	**2007**	**08-09**	**07-08**
Assets					
Current Assets	$ 3,119,810	$ 3,987,205	$ 4,560,881	-21.080%	-12.6%
Investments	80,161	71,400	538,596	12.3%	-86.7%
Property, Plant & Equip't, net	15,955,037	11,794,464	7,524,627	35.3%	56.7%
Total Assets	**$ 19,155,008**	**$ 15,853,069**	**$ 12,624,104**	**20.8%**	**25.6%**
Liabilities					
Current Liabilities	2,927,607	2,382,222	2,053,991	22.9%	16.0%
Total Liabilities	**2,927,607**	**2,382,222**	**2,053,991**	**22.9%**	**16.0%**
Net Assets					
Invested in capital assets	$ 15,955,037	$ 11,794,464	$ 7,524,627	35.3%	56.7%
Restricted-Nonexpendable	80,161	71,400	538,596	12.3%	-86.7%
Restricted-Expendable	-	-	200	-	-100.0%
Unrestricted	192,203	1,604,983	2,506,690	-88.0%	-36.0%
Total Net Assets	**16,227,401**	**13,470,847**	**10,570,113**	**20.5%**	**27.4%**
Total Liabilities & Net Assets	**$ 19,155,008**	**$ 15,853,069**	**$ 12,624,104**	**20.8%**	**25.6%**

Statement of Net Assets (cont'd.)

The growth trend in Net Assets over the last five (6) years is illustrated in Exhibit A below.

EXHIBIT A
Net Assets Trend
FY2004 to FY2009



Current assets decreased by 21.8% from FY2008 mainly due to the decrease in cash and cash equivalents at the end of the year. Most of the cash reduction came from the use of cash reserves used to pay liabilities, during a waiting period for payments and reimbursements by the RMI government. Many of the payments were made to contractors for infrastructure projects. As a result, "Due from RMI" account increased by 89%. Other Current Assets items also decreased like Due from grantor agencies, Prepaid items, Inventory and Accounts receivables. The College was identified as a low-risk auditee as defined in OMB Circular A-133 and has been returned to the advanced method of payment for Title IV funds and other federal grants. This has enabled the College to drawdown federal funds on a timely basis.

The College has a board designated quasi-endowment as the primary source of investment asset. In FY2008, the College transferred $500,000 from the quasi-endowment fund to the newly established College of the Marshall Islands Foundation Inc. The corporation is organized and operated exclusively for religious, charitable, scientific, literary and educational purposes within the meaning of the provisions of IRC §170(c)(2)(B), 501(c)(3), 2055(a)(2) and 2522(a)(2). The CMI Foundation has been created to support the Friends of the College of the Marshall Islands Foundations Inc., a District of Columbia non-profit corporation, whose sole purpose is to support and advance the purposes of the College of the Marshall Islands through the solicitation and receipt of gifts, grants and contributions and the utilization of these funds to advance these purposes. The mission of the Foundation is to support the College of the Marshall Islands, its programs, students, and the alumni in the United States and abroad by managing long-lived assets such as endowments. The Foundation operates on a fiscal year that ends on December 31st. As such, the CMI financial statements report the results of the fiscal year ended Dec. 31, 2008. At that time, the CMI Foundation had received $600,000 in restricted endowment – representing a like reduction in CMI investments. On December 31, 2008, those investments had a fair market value of $526,079.

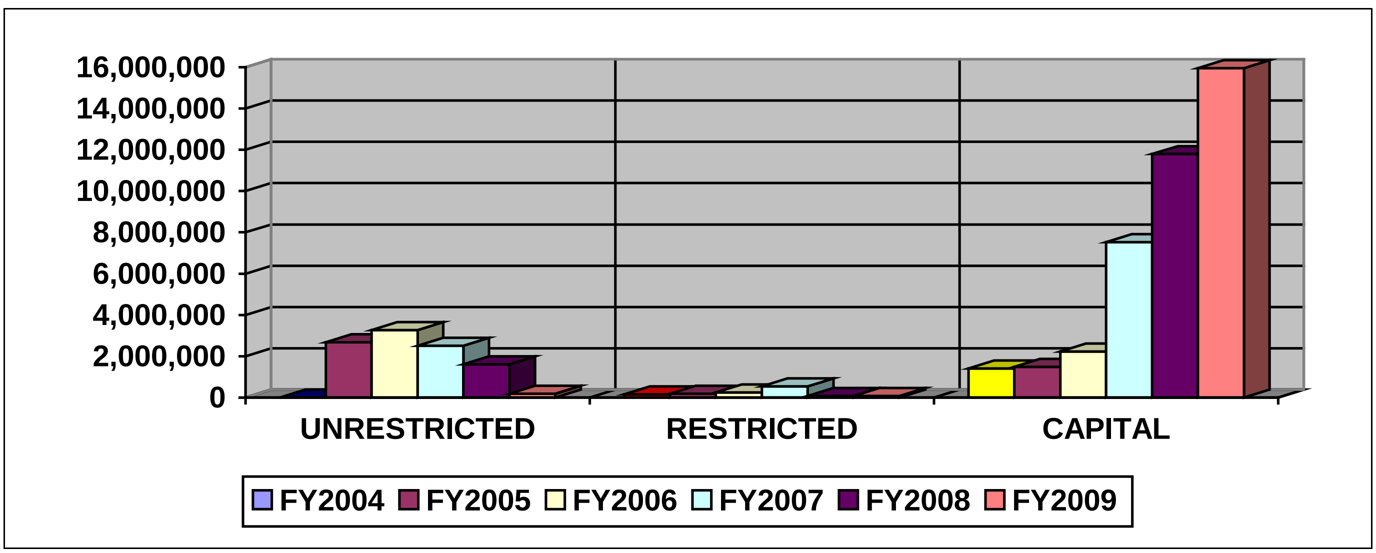
In FY2008, what remained in the College's books as quasi-endowment fund was $71,400. It increased by 11% in FY2009 bringing it to a year-end balance of $80,161, despite the market situation in FY2009.

For FY2009, the College completed construction of Classroom Block 2 and the Energy Maintenance Building. Capital assets represented the major area of asset growth (35.3% growth from FY2008) for FY 2009.

Liabilities of the College for FY2009 are current. They increased by $545,385 (22.9%) from FY2008. Accrued liabilities ($535,184) and deferred revenues from Fall 2009 semester ($1,037,513) accounts for 60% of total Current Liabilities. The College has no long-term debt.

A large component of the Net Assets for the past five fiscal years is invested in Capital assets due to the implementation of the 5-year Facilities Master Plan of the College. For FY2009, capital assets comprise 98.32% of the total net assets. For additional information concerning capital assets, please see note 6 to the financial statements.

EXHIBIT B
Net Assets Allocation
FY2004 to FY2009



Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets provides the detail of operating and non-operating revenues and expenditures that resulted in a $2,395,320 increase in net assets -- part of a growth trend in net assets that has been sustained for five years.

Table II
Summary of Statement of Revenues, Expenses and Changes in Net Assets

	2009	2008	2007	% Change 08-09	% Change 07-08
Operating Revenues	$ 4,847,242	$ 3,878,776	$ 3,910,309	24.97%	-0.81%
Operating Expenses	10,983,393	8,383,451	7,833,467	31.01%	7.02%
Operating Loss	(6,136,151)	(4,504,675)	(3,923,158)	36.22%	14.82%
Non-operating revenues (expenses)	3,126,397	2,557,108	3,248,424	22.26%	-21.28%
Capital Contributions	5,766,308	4,848,301	5,507,034	18.93%	-11.96%
Increase in Net Assets	2,756,554	2,900,734	4,832,300	-4.97%	-39.97%
Net assets-beginning of year	13,470,847	10,570,113	5,737,813	27.44%	84.22%
Net Assets-end of year	**$ 16,227,401**	**$ 13,470,847**	**$ 10,570,113**	**20.46%**	**27.44%**

Appropriations or subsidies from the Republic of the Marshall Islands Government and subsidies flowing through the RMI Government from the Compact of Free Association with the United States are classified as non-operating revenues. As a publicly chartered, governmental institution whose mission is to provide higher education services to the people of the Marshall Islands, the College is dependent on the RMI Government's support in the form of these appropriations and subsidies. This statement shows an operating loss, reflecting the nature of that relationship.

The College showed an operating loss in the amount of $6,136,151 for the year ended September 30, 2009. This was covered by RMI government and Compact funding support for operations through appropriations and subsidies amounting to $3,243,632 and capital contributions amounting to $5,766,308.

Revenues in excess of expenditures in fiscal years 2006 to 2009 have permitted the structuring of institutional strategic reserves, cash flow management through short-term and long-term investment, and the creation of a CMI Foundation for the purposes of protecting long-lived assets to support the mission of the institution.

Statement of Cash Flows

The College's cash position at the end of the fiscal year remained strong in spite of increased use of cash for capital expenditures. The College invested in money market fund during the fiscal years 2009 and 2008 in an effort to reduce custodial risk of deposits in the bank and to maximize interest income earning potential of funds. A Cash Management System has been adopted to have a better flexibility in planning and management of its operations.

Table III
Summary of Statement of Cash Flows

	2009	2008	2007	% Change 08-09	% Change 07-08
Cash Provided by (used in):					
Operating Activities	$ (3,847,838)	$ (3,699,534)	$ (3,295,069)	-4.01%	12.27%
Noncapital financing activities	3,523,236	3,088,000	3,115,004	14.09%	-0.87%
Capital and related financing activities	(638,061)	359,921	25,928	-277.28%	1288.16%
Investing activities	(8,265)	440,580	(260,000)	-101.88%	-269.45%
Net Change in cash	(970,928)	188,967	(414,137)	-613.81%	-145.63%
Cash-beginning of year	1,808,805	1,619,838	2,033,975	11.67%	-20.36%
Cash & cash equivalents-end of year	$ 837,877	$ 1,808,805	$ 1,619,838	-53.68%	11.67%

Despite the decrease in cash and cash equivalents from FY2008 to FY2009, cash availability remained strong at the end of September 30, 2009. The College was able to pay its liabilities on time. The College has been returned to the advance method of payment for Title IV funds and other federal grants resulting in easy access to these funds and timely reimbursement of funds.

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. 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, sugar, pineapple, copra, etc.); overseas visitors from Asian countries such as Japan 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]

[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 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.

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 third 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 important because of the College's dependence on operational subsidies. The RMI Government also committed to fund its $3,000,000 operational subsidy to CMI as represented by a Memorandum of Understanding through fiscal year 2011. This allows for better planning for cash flow purposes and increased flexibility for management. The Memorandum of Understanding is subject to extension of beginning in fiscal year 2010.

In support of the College's efforts to maintain physical facilities that meet the standards for accreditation, the RMI Government has allocated $25,000,000 of Compact of Free Association funds to CMI for facilities construction. The commitment is in the form of a Memorandum of Agreement which provides for $5,000,000 per year in FY's 2007-2011. The Republic of China (Taiwan) contributed an additional $2,000,000 (in FY 2005-2007).

Summary

1) Net Assets continued to increase a six-year accumulation totaling $16.27 million. For 2009, the growth rate was 20.46%.

2) Growth in Net Assets was attributed largely to the implementation of a $27 million Capital Improvement Campaign through 2011.

   a. Non-current Assets increased by $4,169,334 in FY2009 primarily due to construction in progress. Investment increased in FY2009 despite the financial market condition.
   b. Current Liabilities increased by $545385 also mainly due to liabilities incurred related to the Capital Improvements Projects, accruals and deferred revenues.

3) The RMI Government has continued its subsidy to CMI at $3,000,000 per annum and extended the agreement through FY 2011. Annually the government may elect to pay some portion of this subsidy with funds available through the Compact of Free Association with the United States. These Financial Statements allocate the subsidy proportionately to the two sources.

4) As part of the $25,000,000 agreement with the RMI government through the Compact of Free Association to CMI for physical facilities improvement, the RMI Government provided a $5 million subsidy to CMI for FY2009 to fund Capital Improvements Projects for the fiscal year. This represents the third of five scheduled payments through 2011.

5) Overall operating expenses increased 31% due to the continuous efforts and activities done across all Departments of the College to meet accreditation requirements and continuous quality improvements.

The College's financial condition continued to improve in FY 2009. This improvement is seen most notably in Net Assets and a strong cash environment. These improvements occurred in an atmosphere in which funds available for operational expenses increased. This has resulted in continued progress in the College's efforts to increase its institutional effectiveness and better accomplish its mission in service to the people of the Marshall Islands.

Management's Discussion and Analysis for the year ended September 30, 2008 is set forth in the College's report on the audit of financial statements, which is dated January 7, 2009. That Discussion and Analysis explains the major factors impacting the 2008 financial statements and can be obtained from the College's President at **www.cmi.edu.**

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 Assets
September 30, 2009 and 2008

ASSETS	2009	2008
Current assets:		
Cash and cash equivalents	$ 837,877	$ 1,808,805
Accounts receivable and unbilled charges, net	557,310	744,978
Due from RepMar	1,124,590	595,053
Due from grantor agencies	188,120	270,264
Prepaid items	214,742	305,396
Inventory	197,171	262,709
Total current assets	3,119,810	3,987,205
Noncurrent assets:		
Investments	80,161	71,400
Property, plant and equipment, net	15,955,037	11,794,464
Total noncurrent assets	16,035,198	11,865,864
Total assets	$ 19,155,008	$ 15,853,069
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 630,681	$ 395,311
Contracts payable	144,399	308,307
Retention payable	424,670	430,944
Social security taxes payable	155,160	144,629
Accrued liabilities	535,184	367,941
Deferred revenue	1,037,513	735,090
Total current liabilities	2,927,607	2,382,222
Commitments and contingencies		
Net assets:		
Invested in capital assets	15,955,037	11,794,464
Restricted:		
Nonexpendable	80,161	71,400
Unrestricted	192,203	1,604,983
Total net assets	16,227,401	13,470,847
Total liabilities and net assets	$ 19,155,008	$ 15,853,069

See accompanying notes to financial statements.

COLLEGE OF THE MARSHALL ISLANDS

Combined Statements of Financial Position - Component Units
December 31, 2008

ASSETS

Cash and cash equivalents	$	49,862
Investments		526,079
Total assets	$	575,941

NET ASSETS

Net assets:		
Unrestricted	$	29,862
Temporarily restricted		20,000
Permanently restricted		526,079
Total net assets	$	575,941

See accompanying notes to financial statements.

COLLEGE OF THE MARSHALL ISLANDS

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2009 and 2008

	2009	2008
Operating revenues:		
Student tuition and fees	$ 2,549,722	$ 1,887,213
Less: Scholarship discounts and allowances	(2,217,052)	(1,616,521)
	332,670	270,692
U.S. federal grants	3,870,775	3,189,629
Private gifts, grants and donations - restricted	90,876	43,175
Auxiliary enterprises	525,339	311,809
Other	27,582	63,471
Total operating revenues	4,847,242	3,878,776
Operating expenses:		
Instruction	3,940,393	3,778,845
Academic support	644,030	537,797
Student services	684,979	511,385
Institutional support	2,403,504	1,487,957
Operations and maintenance	2,879,934	1,733,852
Auxiliary enterprises	430,553	333,615
Total operating expenses	10,983,393	8,383,451
Operating loss	(6,136,151)	(4,504,675)
Nonoperating revenues (expenses):		
RepMar contributions	2,018,000	1,988,000
Compact funding	1,225,632	1,104,687
Contribution to College of Marshall Islands Foundation	(100,000)	(500,000)
Loss on disposal of fixed asset	(17,731)	(8,963)
Investment (loss) income	496	(26,616)
Total nonoperating revenues (expenses), net	3,126,397	2,557,108
Capital contributions	5,766,308	4,848,301
Change in net assets	2,756,554	2,900,734
Net assets at beginning of the year	13,470,847	10,570,113
Net assets at end of the year	$ 16,227,401	$ 13,470,847

See accompanying notes to financial statements.

COLLEGE OF THE MARSHALL ISLANDS

Combined Statements of Activities - Component Units
Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other additions:				
Investment (loss) income	$ -	$ -	$ (79,051)	$ (79,051)
Interest income	12	-	5,459	5,471
Contributions	30,000	20,000	600,000	650,000
Total gains and other additions	30,012	20,000	526,408	576,420
Expenditures and other deductions:				
Investment management fees	150	-	329	479
Total expenditures and other deductions	150	-	329	479
Excess of gains and other additions over expenditures and other deductions	29,862	20,000	526,079	575,941
Net assets at beginning of year	-	-	-	-
Net assets at end of year	$ 29,862	$ 20,000	$ 526,079	$ 575,941

See accompanying notes to financial statements.

COLLEGE OF THE MARSHALL ISLANDS

Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash received from student tuition and fees	$ 660,596	$ 661,663
Cash received from U.S. federal grants	3,952,919	3,261,795
Other receipts	703,186	311,028
Cash payments to employees for services	(3,718,861)	(3,248,618)
Cash payments to suppliers for goods and services	(5,445,678)	(4,685,402)
Net cash used in operating activities	(3,847,838)	(3,699,534)
Cash flows from noncapital financing activities:		
RepMar contributions received	2,018,000	1,988,000
Compact funding received from RepMar	1,505,236	1,100,000
Net cash provided by noncapital financing activities	3,523,236	3,088,000
Cash flows from capital and related financing activities:		
Purchases of property, plant and equipment, net	(5,495,228)	(4,908,864)
Contributions to Endowment Foundation	(100,000)	(500,000)
Capital contributions received	4,957,167	5,768,785
Net cash (used for) provided by capital and related financing activities	(638,061)	359,921
Cash flows from investing activities:		
Net sales, purchases, and maturities of investments	(8,761)	415,256
Interest and dividends received	496	25,324
Net cash (used in) provided by investing activities	(8,265)	440,580
Net change in cash and cash equivalents	(970,928)	188,967
Cash and cash equivalents at beginning of year	1,808,805	1,619,838
Cash and cash equivalents at end of year	$ 837,877	$ 1,808,805

See accompanying notes to financial statements.

COLLEGE OF THE MARSHALL ISLANDS

Statements of Cash Flows, Continued
Years Ended September 30, 2009 and 2008

	2009	2008
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (6,136,151)	$ (4,504,675)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,146,742	632,380
Bad debts expense	196,087	51,349
Changes in assets and liabilities:		
Accounts receivable and unbilled charges	(8,419)	(30,306)
Prepaid items	90,654	(266,912)
Due from grantor agencies	82,144	72,166
Inventory	65,538	20,549
Accounts payable	235,370	220,657
Payable to UESC	-	(254,913)
Social security taxes payable	10,531	(1,697)
Accrued liabilities	167,243	119,271
Deferred revenue	302,423	242,597
Net cash used in operating activities	$ (3,847,838)	$ (3,699,534)
Summary disclosure of noncash activities:		
Increase in property, plant and equipment, net	$ 3,240,560	$ 3,259,902
Construction work-in-progress	(3,240,560)	(3,257,586)
Decrease in contracts payable	-	145,412
Increase in retention payable	-	(147,728)
	$ -	$ -

See accompanying notes to financial statements.

(1) Organization

On April 1, 1993, the College of the Marshall Islands (the College), a component unit of the Republic of the Marshall Islands, was established as an independent institution pursuant to the College of the Marshall Islands Act of 1992 (Public Law 1992-13). The Act established the College as an independent institution governed by a Board of Regents appointed by the Republic of the Marshall Islands (RepMar) Cabinet. 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.

The College of the Marshall Islands Foundation, Inc. and Friends of the College of the Marshall Islands, Inc. (collectively, the Foundations) were founded in January 14, 2008 as a non-profit, public benefit corporation, which operate under a separate Board of Directors from that of the College. The accompanying financial statements include the accounts of the Foundations.

(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 Statements 34 and 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, 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* and Statement No. 38, *Certain Financial Statement Note Disclosures.*

The College has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and presents the Foundations, legally separate, tax-exempt entities, as discretely presented component units. The Foundations provide financial support for the objectives, purposes and programs of the College. Although the College does not control the timing, purpose, or amount of receipts from the Foundations, the resources (and income thereon) which the Foundations hold and invest are restricted to the activities of the College. Because the resources held by the Foundations can only be used by, or for the benefit of, the College, the Foundations are considered as component units of the College and its Combined Statements of Financial Position and Combined Statements of Activities and Changes in Net Assets are separately presented in the College's financial statements. In addition, significant notes are summarized under Foundations Investments.

(2) Summary of Significant Accounting Policies, Continued

The Foundations are private organizations that report under accounting standards established by the Financial Statement Accounting Standards Board (FASB), which is the source of generally accepted accounting principles for not-for-profit entities. The financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation financial information in the College's financial reporting entity for these differences.

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.

The College has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents and Time Certificate 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 a maturity date within three months of the date acquired by the College.

Investments

Investments and related investment earnings are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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.

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 added to the allowance.

(2) Summary of Significant Accounting Policies, Continued

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.

Property, Plant and Equipment

Property, plant and equipment 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 Revenue

Deferred revenues include amounts received for tuition and 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, 2009 and 2008, the College recorded accrued annual leave in the amounts of $142,820 and $135,625, respectively, which is included within the statement of net assets as accrued liabilities. The College does not participate in an employee pension plan.

Estimates

The preparation of financial statements in conformity 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 liabilities 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.

Net Assets

The College's net assets are classified as follows:

Invested In Capital Assets - This represents the College's total investment in capital assets, net of accumulated depreciation.

Restricted Net Assets - Expendable - Expendable restricted net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Assets - Nonexpendable - Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as 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.

(2) Summary of Significant Accounting Policies, Continued

Net Assets, Continued

Unrestricted Net Assets - Unrestricted net assets represent resources derived from student tuition and fees, RepMar appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources, and then toward restricted resources.

Classification of Revenues

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

Operating Revenues - Operating revenues 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 Revenues - Nonoperating revenues 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 Assets. 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 and fees and other student charges, the College has recorded a scholarship discount and allowance.

Foundation Investments

The Foundations have adopted the accounting guidance within ASC 320, *Investments - Debt and Equity Securities*, which require that the Foundation's account for their investments at market value.

(2) Summary of Significant Accounting Policies, Continued

Foundation Investments, Continued

The original cost and market values of investments at December 31, 2008, are:

Cost	Market Value
$ 605,130	$ 526,079

The following represents the composition of market values of the above investments:

	2008
Equities and related	$ 258,562
Fixed income securities	205,401
Alternative assets	60,310
Cash and equivalents	1,806
	$ 526,079

The following represents the composition of investment income (loss) for the year ended December 31, 2008:

	2008
Unrealized investment losses	$ (79,051)
Net interest income and dividends	5,471
	$ (73,580)

It is the policy of the Foundations to limit investment of funds to no-load mutual funds, unit investment trusts, real estate investments trust, no-load variable annuities, closed end mutual funds and other diversified securities. In addition, investments in limited partnerships and other vehicles that do not have readily objective valuations shall not be permitted.

New Accounting Standards

During fiscal year 2009, the College implemented the following pronouncements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation.

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

(2) Summary of Significant Accounting and Reporting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

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

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. The effect of the implementation of this statement on the financial statements of the College has not been determined.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. The effect of the implementation of this statement on the financial statements of the College has not been determined.

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the College.

(3) Deposits and Investments

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

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, REITs, and commodities, as follows:

U.S. equities	24%
Non-U.S. equities	24%
Fixed income	40%
Alternative asset classes	12%
Total portfolio	100%

A. Deposits

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

Category 1 Deposits that are federally insured or collateralized with securities held by the College or its agent in the College's name;

Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the College's name; or

Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. 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, 2009 and 2008, the carrying amounts of the College's total cash and cash equivalents were $837,877 and $1,808,805, respectively, and the corresponding bank balances were $856,623 and $2,076,688, respectively. Of the bank balance amounts, $124,458 and $571,218, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of $732,165 and $1,505,470, respectively, represent short-term investments held and administered by the College's trustee. Based on negotiated trust and custody agreements, all of these investments were held by the College's trustee in the College's name. As of September 30, 2009 and 2008, bank deposits in the amount $124,458 and $100,000, respectively, were FDIC insured. The College 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.

B. Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

Category 1 Investments that are insured or registered, or securities held by the College or its agent in the College's name;

Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the College's name; or

Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the College's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

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, 2009 and 2008, 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.

(3) Deposits and Investments, Continued

B. Investments, Continued

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, 2009 and 2008, there were no investments in any one issuer that 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.

As of September 30, 2009 and 2008, investments at fair value are as follows:

	2009	2008
Cash	$ 868	$ 1,931
U.S. and non-U.S. equities	6,924	11,203
Mutual funds	72,369	58,266
	$ 80,161	$ 71,400

(4) 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.

(5) Accounts Receivable and Unbilled Charges

Summarized below is the College's accounts receivable and unbilled charges as of September 30, 2009 and 2008:

	2009	2008
Student tuition and fees	$ 924,250	$ 856,442
College of Micronesia	132,022	240,525
Employees and officers	55,448	26,362
Other	34,604	14,576
	1,146,324	1,137,905
Less allowance for doubtful accounts	(589,014)	(392,927)
Net accounts receivable and unbilled charges	$ 557,310	$ 744,978

(6) Property, Plant and Equipment

Summarized below is the College's investment in property, plant and equipment and changes for the years ended September 30, 2009 and 2008:

	Estimated Useful Lives	2009 Balance at October 1, 2008	Additions	Deletions	Balance at September 30, 2009
Nondepreciable capital assets:					
Land and improvements		$ 441,562	$ -	$ (152,000)	$ 289,562
Construction work-in-progress		3,807,910	3,752,114	(6,992,674)	567,350
		4,249,472	3,752,114	(7,144,674)	856,912
Depreciable capital assets:					
Furniture, vehicles and equipment	3 - 5 years	1,967,112	1,572,932	(86,731)	3,453,313
Buildings and improvements	20 years	7,969,938	7,144,674	-	15,114,612
		9,937,050	8,717,606	(86,731)	18,567,925
Less accumulated depreciation		(2,392,058)	(1,146,742)	69,000	(3,469,800)
		7,544,992	7,570,864	(17,731)	15,098,125
Net investment in plant		$ 11,794,464	$ 11,322,978	$ (7,162,405)	$15,955,037

	Estimated Useful Lives	2008 Balance at October 1, 2007	Additions	Deletions	Balance at September 30, 2008
Nondepreciable capital assets:					
Land and improvements		$ 289,562	$ 152,000	$ -	$ 441,562
Construction work-in-progress		4,021,764	3,043,732	(3,257,586)	3,807,910
		4,311,326	3,195,732	(3,257,586)	4,249,472
Depreciable capital assets:					
Furniture, vehicles and equipment	3 - 5 years	1,328,168	673,862	(34,918)	1,967,112
Buildings and improvements	20 years	3,670,766	4,299,172	-	7,969,938
		4,998,934	4,973,034	(34,918)	9,937,050
Less accumulated depreciation		(1,785,633)	(632,380)	25,955	(2,392,058)
		3,213,301	4,340,654	(8,963)	7,544,992
Net investment in plant		$ 7,524,627	$ 7,536,386	$ (3,266,549)	$ 11,794,464

Construction work-in-progress, totaling $567,350, as of September 30, 2009 and 2008, relates to renovations and improvements at the Gugeegue Campus, which are currently on hold due to the College's accreditation status. The College is not currently utilizing the Gugeegue Campus and has entered into Memorandums of Agreement with the Ministry of Education for the use of other buildings and facilities located at the campus.

Management believes that continuation of the renovations and improvements at the Gugeegue Campus is dependent upon maintaining full accreditation for the College.

(7) RepMar Contributions

The College is dependent upon RepMar to provide for an annual appropriation in an amount sufficient to provide stable financial backing to meet the educational and vocational needs of the community. During the years ended September 30, 2009 and 2008, the College received $3,243,632 and $3,092,687, respectively, from RepMar to administer various postsecondary functions and to improve facilities, of which $0 and $228,853 was due and receivable from RepMar at September 30, 2009 and 2008, respectively. At September 30, 2009, the Nitijela of RepMar provided for an appropriation of $3,025,000 to fund the operations of the College for fiscal year 2010 and an additional $5,000,000 to fund capital improvements.

Commencing fiscal year 2006, the College was appropriated capital contributions from RepMar totaling $11,000,000, of which $5,000,000 was appropriated during the years ended September 30, 2009 and 2008. During the years ended September 30, 2009 and 2008, the College received $5,766,308 and $4,848,301, respectively, from RepMar under these appropriations to fund various capital improvements, of which $1,124,590 and $366,200 was due and receivable from RepMar at September 30, 2009 and 2008, respectively.

(8) Functional Classifications with Natural Classifications

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

2009	Salaries	Benefits	Services	Supplies	Insurance, Utilities and Rent	Depreciation	Bad Debts	Miscellaneous	Total
Instruction	$1,821,957	$ 515,906	$ 9,603	$ 70,052	$ 10,356	$ 78,754	$ -	$ 1,433,765	$ 3,940,393
Academic support	249,300	239,714	83,704	24,858	5,339	651	-	40,464	644,030
Student services	397,030	122,349	36,423	41,838	7,020	3,507	-	76,812	684,979
Institutional support	797,050	643,482	233,173	61,051	133,360	13,133	196,087	326,168	2,403,504
Operations and maintenance	540,760	71,826	316,192	159,081	463,820	1,050,697	-	277,558	2,879,934
Auxiliary Enterprises	-	-	-	884	17,651	-	-	412,018	430,553
	$ 3,806,097	$ 1,593,277	$ 679,095	$ 357,764	$ 637,546	$ 1,146,742	$ 196,087	$ 2,566,785	$ 10,983,393

2008	Salaries	Benefits	Services	Supplies	Insurance, Utilities and Rent	Depreciation	Bad Debts	Miscellaneous	Total
Instruction	$1,631,345	$ 735,084	$ 117,545	$ 81,454	$ 13,818	$ 20,926	$ -	$ 1,178,673	$ 3,778,845
Academic support	255,263	45,188	75,541	40,588	3,134	7,258	-	110,825	537,797
Student services	327,994	76,652	9,134	31,046	7,819	3,155	-	55,585	511,385
Institutional support	638,142	516,628	161,118	28,909	17,152	12,775	51,349	61,884	1,487,957
Operations and maintenance	442,168	68,481	29,207	60,845	390,861	588,266	-	154,024	1,733,852
Auxiliary enterprises	-	-	-	981	3,336	-	-	329,298	333,615
	$ 3,294,912	$ 1,442,033	$ 392,545	$ 243,823	$ 436,120	$ 632,380	$ 51,349	$ 1,890,289	$8,383,451

(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 October 1, 2006, the College executed a lease agreement for the main campus location in Uliga. This lease commenced October 1, 2006 for a term of twenty-five years, ending on September 30, 2031, with an option to extend in increments of five years for a total of twenty-five years. However, in January 2008, the RepMar government extended its Land Use Agreement for the same land for a period of five (5) years. Thus, the College has not made any payments pursuant to the lease agreement.

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 March 1, 2007 for a term of thirty years, ending on February 13, 2037.

Future minimum lease payments under these leases are as follows:

Year ending September 30,	
2010	$ 84,913
2011	87,313
2012	87,313
2013	87,313
2014	87,313
2015-2019	450,165
2020-2024	466,165
2025-2029	482,165
2030-2034	108,826
2035-2039	11,042
	$ 1,952,528

As of September 30, 2009, the College had entered into a service agreement in the total amount of $2,861,000, of which outstanding commitments of $575,300 remain.

(10) Contingencies

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. The estimated accumulated sick leave at September 30, 2009 and 2008 was $147,781 and $191,380 respectively.

(10) Contingencies, Continued

Accreditation

The Accrediting Commission for Community and Junior Colleges (ACCJC) of the Western Association of Schools and Colleges (WASC) at its semi-annual meeting on June 9-11, 2009 reaffirmed accreditation of the College with a requirement that the College complete a follow-up report by March, 2010. The Commission meets semi-annually in January and June to review the status of institutional reports.

The College is due for its next comprehensive evaluation during Spring 2015.