MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

Deloitte & Touche LLP
361 S. Marine Corps Drive
Tamuning, GU 96913-3911
USA

Tel: 1-671-646-3884
Fax: 1-671-649-4932
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Marine Resources Authority:

We have audited the accompanying statements of net assets of the Marshall Islands Marine Resources Authority (MIMRA), a component unit of the Republic of the Marshall Islands (RepMar), as of September 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of MIMRA's management. 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 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 MIMRA'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 opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of MIMRA as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows 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 2 through 7 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 MIMRA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 July 19, 2011, 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* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

July 19, 2011

Management's Discussion and Analysis
September 30, 2010 and 2009

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, 2010. 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 2010 and 2009.

	2010	2009	% Change	2008
ASSETS:				
Current and other assets	$ 3,119,533	$ 1,836,422	70%	$ 1,713,840
Capital assets	110,652	152,279	(27)%	175,471
Investment in Joint Venture	3,395,490	4,583,558	(26)%	4,192,609
Total Assets	$ 6,625,675	$ 6,572,259		$ 6,081,920
LIABILITIES:				
Current liabilities	$ 1,268,945	$ 706,221	80%	338,670
Long-term liabilities	-	1,818,443	(100)%	2,526,813
Total Liabilities	1,268,945	2,524,664		2,865,843
NET ASSETS:				
Invested in capital assets	110,652	152,279	(26)%	175,471
Unrestricted	5,246,078	3,895,316	35%	3,040,966
Total Net Assets	5,356,730	4,047,595		3,216,437
	$ 6,625,675	$ 6,572,259		$ 6,081,920
Revenue, Expenses and Changes in Net Assets:				
Operating Revenue	$ 2,196,671	$ 1,809,231	21%	$ 1,970,727
Operating Expenses	1,830,356	1,615,896	13%	1,486,825
Operating Income	366,315	193,335		483,902
Non-operating revenues	1,146,394	1,314,078	(13)%	1,227,224
Non-operating expenses	203,574	703,255	(71)%	523,744
	942,820	637,823		703,480
Changes in net assets	1,309,135	831,158	56%	1,187,382
Net assets at beginning of year	4,047,595	3,216,437	26%	2,029,055
Net assets at end of year	$ 5,356,730	$ 4,047,595		$ 3,216,437

Overall Analysis

In FY 2009, operating revenues earned were 8% less than that of FY 2008; however, for the current year, FY 2010, revenue generation increased by $387,440 (or 21%) compared to operating revenues for FY 2009. For FY 2010, license fees earned decreased by $200,834 (or 13%) compared to FY 2009. All other revenues generated increased for FY 2010 compared with FY 2009. Transshipment fees and observers fees revenue for FY 2010 increased by 95% and 4%, respectively, compared to FY 2009. Furthermore, MIMRA was able to collect fishing fines for violation as stated in the access agreement signed by both parties (vessel owner and MIMRA) amounting to $325,000. The collection of the fines significantly boosted overall revenue generated by MIMRA during the current year. For FY 2010, total fishing vessels (purse seiners, carriers and bunker vessels) that transshipped in the Marshall Islands amounted to four hundred (400) plus vessels, which is a 100% increase compared to two hundred (200) vessels for FY 2009.

For FY 2010, Korea did not register any vessels while Taiwan registered 16 vessels, which was the same number of vessels as FY 2009. Domestically, the Marshall Islands Fishing Company (MIFCO) registered three vessels in FY 2010 compared with only one vessel in FY 2009. No other significant changes occurred for other domestic based companies as there was no increase in their license rates specifically for the long lines of the Marshall Islands Fishing Venture, Inc. (MIFV). Overall, operating revenues for FY 2010 increased by 21% compared to FY 2009; however, were short by $614,000 compared with budgeted revenues of $2.811 million.

Although there was a 13% decrease in license fees, transshipment fees and other collections increased, as mentioned above, resulting in an overall improvement in revenue collections compared with FY 2009. Operating expenses for FY 2010 increased by $214,460 (or 13%) compared to FY 2009 which further increased by $129,071 (or 9%) compared to FY 2008. The more significant increase (dollar wise) in expenses for FY 2010 compared to FY 2009 were salaries and wages (by $82,055 or 10% due to new hires), contributions (by $66,584 due to the opening of the PNA office), rent (by $23,303 or 60% due to PNA office rent that MIMRA is paying), travel (by $26,468 or 50%), miscellaneous (by $21,811 or 60%), and boarding/observers fees (by $15,951 or 15%). The more significant decrease (dollar wise) in expenses for FY 2010 compared to FY 2009 was utilities, which is 15% lower compared to FY 2009. Overall, the effect of the above resulted in operating income for FY 2010 of $366,315, which was an increase of $172,980 (or 89%) compared to FY 2009.

MIMRA's financial condition as shown on the Changes in Net Assets shows an overall 56% increase compared to FY 2009, which is 95% higher compared to FY 2008.

Management's Discussion and Analysis for the year ended September 30, 2009 is set forth in MIMRA's report on the audit of financial statements, which is dated August 10, 2010. That Management Discussion and Analysis explains the major factors impacting the 2009 financial statements and can be obtained from MIMRA's Administrator via the contact information in page 7.

Fund Analysis

As at September 30, 2010, MIMRA's combined fund (Savings and Current Account) amounted to $2,626,335, which was an increase of $953,073 compared to September 30, 2009. The reason for the increase is due to the fishing violation fine collected by MIMRA of $325,000, as discussed above, and the prepayment of $690,519 for FY 2011 license fees by Taiwan Deep Sea Tuna Boat Owners, MIFCO and MIFV, and which is presented as deferred revenue in MIMRA's financial statements. Interest earned in FY 2010 increased by almost $15,000 compared to FY 2009. No transfer out to RepMar was incurred during FY 2010; however, MIMRA made an endowment fund contribution of $200,000 to the Micronesia Conservation Trust.

Budget Variances

Actual operating revenues for FY 2010 compared to the final budget for FY 2010 is unfavorable by as much as $1,802,000 (*budget revenue includes that of Japan bilateral, FSM arrangement and U.S. Treaty which has total collections of $2,196,687 during the year*). However, since MIMRA acts as an agent of RepMar for the purpose of collecting and remitting income received from sovereign nations in accordance with various international fishing rights treaties, these collections are not considered revenues of MIMRA and thus are not included in MIMRA's financial statements, the unfavorable amount is only around $614,000. Other collections like transshipment fees, grants, observer fees, and fishing fines improve the overall financial condition of MIMRA compared with FY 2009. Actual operating expenses of $1.830 million compared to the FY 2010 budget of $1.941 million is favorable by 6%.

Capital Assets

At September 30, 2010, MIMRA has a net investment in capital assets of $110,652. Although total capital asset additions amounted to $32,020, the net effect was an overall decrease in capital assets due to FY 2010 depreciation expense of $54,073 as well as the disposal of certain capital assets with a net book value of $19,574. The decrease is equivalent to 27% compared to the previous year and is not a good indicator. Thus, MIMRA management will need to look at it carefully. (See table below).

MIMRA Capital Assets

	2010	2009	2008
Buildings and improvements	$ 176,367	$ 176,367	$ 176,367
Equipment improvements	16,210	90,330	86,070
Vehicles	146,595	146,595	146,595
Equipment	250,036	220,216	206,354
Furniture and fixtures	25,828	25,828	24,654
Motor boats	90,617	90,617	63,316
	705,653	749,953	703,356
Less: Accumulated Depreciation	595,001	597,674	527,885
NET	$ 110,652	$ 152,279	$ 175,471

FY 2010 major capital asset additions include:

1. Equipment (computers/aircon/etc)	$ 14,103
2. Equipment improvement	2,200
3. Motor boat and improvements	15,717
TOTAL	$ 32,020

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

Long-Term Debt

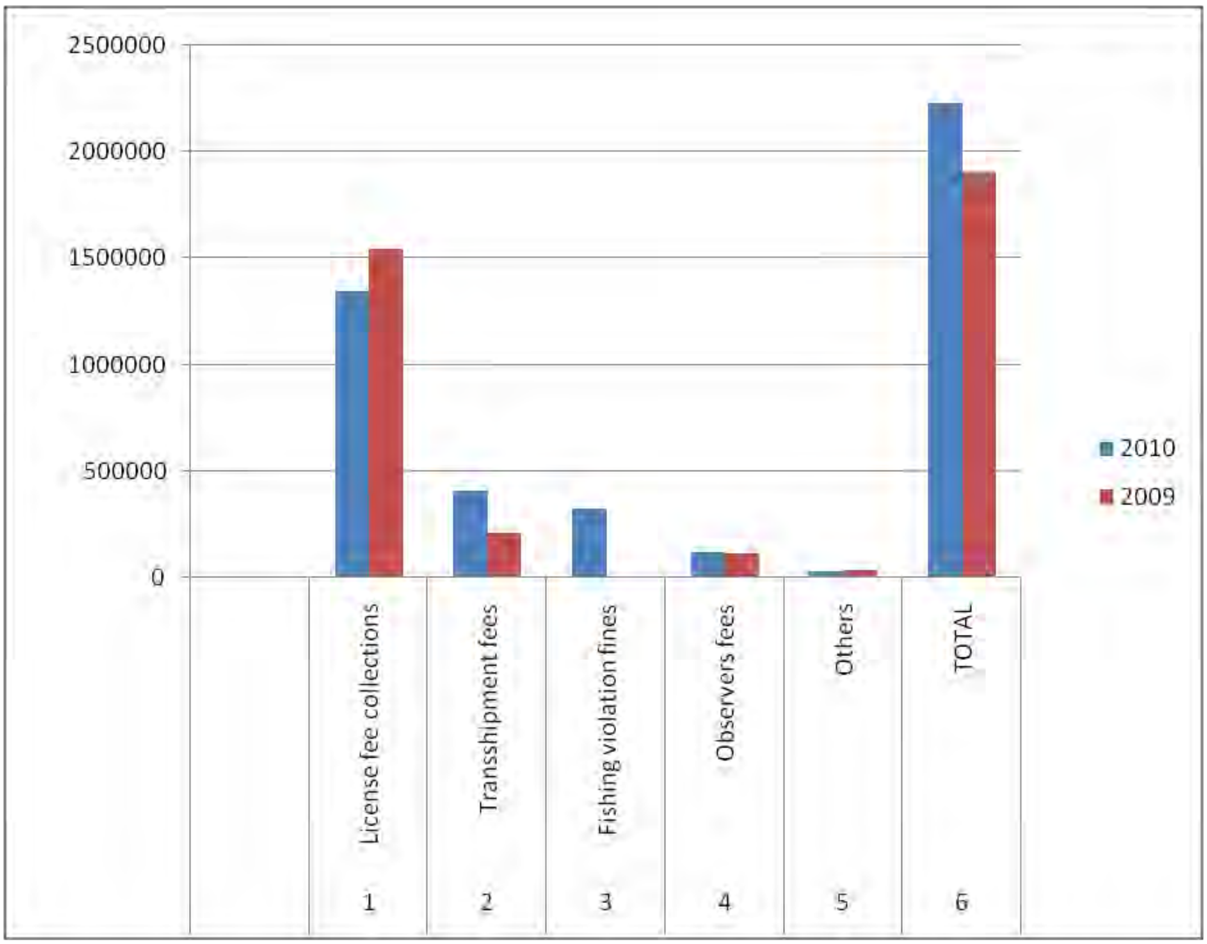
No long-term debt is presented in the financial statements for FY 2010 as MIMRA received a distribution of $1,941,087 from the MIFCO joint venture. Of this amount, $1,818,443 was applied to the outstanding principal amount on the joint venture working capital loan with $46,929 applied to interest. The remaining amount of $75,715 is due from MIFCO. For additional information concerning long-term debt, please see note 7 to the financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Management's Discussion and Analysis
September 30, 2010

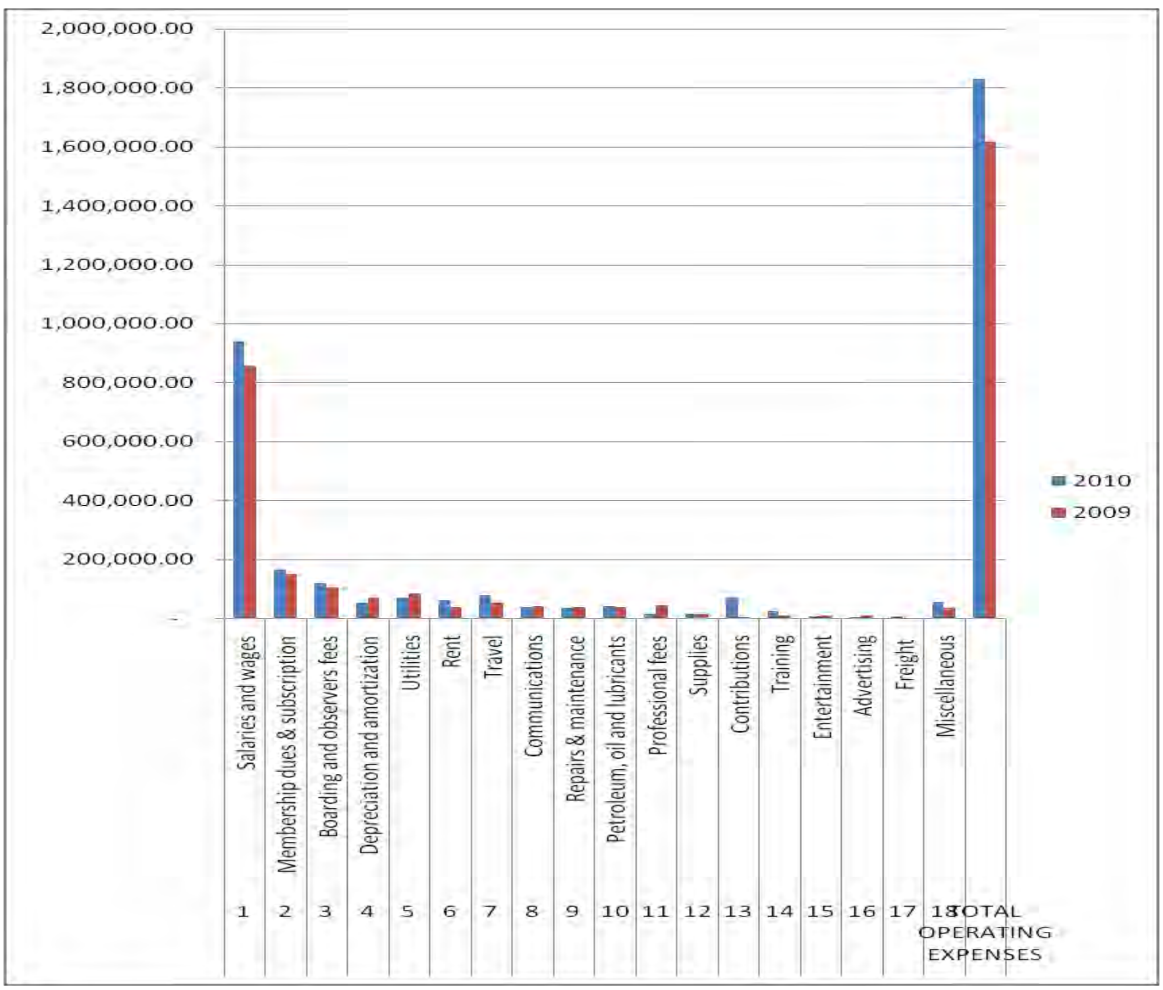
COMPARATIVE REVENUE 2010-2009

	2010	2009	2008
Licensing and registration fees	$ 1,344,866	$ 1,545,700	$ 1,778,586
Transshipment fees	411,000	210,800	153,600
Fishing violation fines	325,000	-	-
Observers fees	120,868	115,968	129,777
Other	30,449	35,004	25,725
TOTAL	$ 2,232,183	$ 1,907,472	$ 2,087,688
Overall change in 2010 compared to 2009	$ 324,711	17%	



COMPARATIVE OPERATING EXPENSES (2010-2009)

	2010	2009	2008
Salaries and wages	$ 940,040	857,985	860,469
Membership dues and subscription	167,093	151,590	118,877
Boarding and observers fees	122,160	106,209	83,937
Travel	79,384	52,916	42,050
Utilities	72,784	85,346	103,041
Contributions	71,724	5,140	4,255
Rent	62,198	38,895	-
Depreciation and amortization	54,073	69,789	74,877
Petroleum, oil and lubricants	42,910	39,476	36,554
Communications	39,791	40,422	38,567
Repairs and maintenance	37,164	38,625	32,669
Training	25,037	10,693	9,938
Supplies	18,042	15,172	18,162
Professional fees	17,000	46,042	-
Entertainment	8,626	9,116	4,102
Freight	8,237	1,498	3,489
Advertising	6,133	10,833	1,325
Miscellaneous	57,960	36,149	54,513
TOTAL OPERATING EXPENSES	$ 1,830,356	$ 1,615,896	$ 1,486,825
Overall change in expenses (FY2010 versus FY 2009)	$ 214,460	13%	



Economic Factors and Next year Budgets and Rates

Budget has not been formulated for FY 2011; however, a 10% to 15% increase in operating expenses is anticipated due to continued high prices in the Marshall Islands, which is comparable to the FY 2010 budget that provided for a 14% increase. Travel expenses, both international and domestic, will depend on how such will be funded. Some domestic travel is covered by grants that were approved and released to MIMRA in previous years. For international travel, internal agreement by management for such shall be limited to externally funded travel unless, in certain cases, where MIMRA shall match travel expense and, in other cases, where it is necessary that MIMRA must fund the travel.

The continuing up and down prices of oil in the world market also affected the Marshall Islands. Marshall Islands still has the highest fuel prices in Micronesia by at least 30% of the pump prices, but is lower compared to prior year prices that reached as high as $7 per gallon. Thus, commodities in the islands continue to have high prices compared to that in the previous years. MIMRA's cost savings and conservation measures, adopted in FY 2010, will continue to be adopted in the formulation for the FY 2011 budget. Salaries and wages will have to be provided for a 10% increase in the budget due to regularization of some employees. It will also be provided for new hires which are in the planning for FY 2011.

Though climate change is still on the global agenda, it is not the only aspect that affects revenue collections of MIMRA. The non-signing of access agreements by Korea continues to affect MIMRA's revenues. A series of negotiations that have occurred during the past few months is not positive; thus, continued negotiations will be scheduled before the end of the calendar year. Compared to the first six months of FY 2010, FY 2011 license fee collections have decreased by 3% or $18,000.

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 Assets
September 30, 2010 and 2009

ASSETS	2010	2009
Current assets:		
Cash	$ 806,193	$ 191,324
Time certificates of deposit	1,820,142	1,481,938
Receivables:		
Affiliates	428,860	428,860
Trade	257,411	118,523
Accrued interest	20,319	21,245
Due from joint venture	75,715	-
Other	864,418	712,545
	1,646,723	1,281,173
Less allowance for doubtful accounts	(1,153,525)	(1,118,013)
	493,198	163,160
Total current assets	3,119,533	1,836,422
Improvements and equipment, net	110,652	152,279
Investment in joint venture	3,395,490	4,583,558
	$ 6,625,675	$ 6,572,259
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 253,180	$ 186,457
Payable to affiliates	228,059	320,245
Interest payable	-	49,694
Deferred revenue	690,519	61,708
Other liabilities and accruals	97,187	88,117
Total current liabilities	1,268,945	706,221
Long-term payable to joint venture partner	-	1,818,443
Total liabilities	1,268,945	2,524,664
Net assets:		
Invested in capital assets	110,652	152,279
Unrestricted	5,246,078	3,895,316
Total net assets	5,356,730	4,047,595
	$ 6,625,675	$ 6,572,259

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Licensing and registration fees	$ 1,344,866	$ 1,545,700
Transshipment fees	411,000	210,800
Fishing violation fines	325,000	-
Observers fees	120,868	115,968
Other	30,449	35,004
	2,232,183	1,907,472
Less allowance for uncollectible accounts	(35,512)	(98,241)
Total operating revenues	2,196,671	1,809,231
Operating expenses:		
Salaries and wages	940,040	857,985
Membership dues and subscriptions	167,093	151,590
Boarding and observer fees	122,160	106,209
Travel	79,384	52,916
Utilities	72,784	85,346
Contributions	71,724	5,140
Rent	62,198	38,895
Depreciation and amortization	54,073	69,789
Petroleum, oil and lubricants	42,910	39,476
Communications	39,791	40,422
Repairs and maintenance	37,164	38,625
Training	25,037	10,693
Supplies	18,042	15,172
Professional fees	17,000	46,042
Entertainment	8,626	9,116
Freight	8,237	1,498
Advertising	6,133	10,833
Miscellaneous	57,960	36,149
Total operating expenses	1,830,356	1,615,896
Operating income	366,315	193,335
Nonoperating revenues (expenses), net:		
Equity in earnings of joint venture	753,019	1,171,277
Grants	321,057	112,079
Interest income	72,318	57,722
Endowment fund contribution	(200,000)	-
Other	(3,574)	-
Transfer out to RepMar	-	(635,572)
Interest expense	-	(67,683)
Total nonoperating revenues, net	942,820	637,823
Change in net assets	1,309,135	831,158
Net assets at beginning of year	4,047,595	3,216,437
Net assets at end of year	$ 5,356,730	$ 4,047,595

See accompanying notes to financial statements.

MARSHALL ISLANDS MARINE RESOURCES AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash received from customers	$ 2,551,792	$ 1,855,338
Cash payments to suppliers for goods and services	(861,744)	(631,011)
Cash payments to employees for services	(930,932)	(847,037)
Net cash provided by operating activities	759,116	377,290
Cash flows from noncapital financing activities:		
Operating grants received	339,498	130,520
Payments to Micronesia Conservation Trust endowment fund	(200,000)	-
Payments made to RepMar	-	(385,572)
Net cash provided by (used for) noncapital financing activities	139,498	(255,052)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(32,020)	(46,597)
Proceeds from sale of fixed assets	16,000	-
Net cash used for capital and related financing activities	(16,020)	(46,597)
Cash flows from investing activities:		
Net additions to time certificates of deposit	(350,000)	(350,000)
Interest received on time certificates of deposit	82,275	89,626
Net cash used in investing activities	(267,725)	(260,374)
Net change in cash	614,869	(184,733)
Cash at beginning of year	191,324	376,057
Cash at end of year	$ 806,193	$ 191,324
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 366,315	$ 193,335
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	54,073	69,789
Bad debts	35,512	98,241
Decrease (increase) in assets:		
Receivables:		
Affiliates	-	80,704
Trade	(138,888)	(31,043)
Other	(151,873)	(138,595)
Other assets	-	1,474
Increase (decrease) in liabilities:		
Accounts payable	66,723	55,177
Payable to affiliates	(92,186)	514
Deferred revenue	610,370	36,800
Other liabilities and accruals	9,070	10,894
Net cash provided by operating activities	$ 759,116	$ 377,290
Summary of noncash financing activities:		
Income from equity share:		
Decrease (increase) in investment in joint venture	$ 1,188,068	$ (390,949)
Increase in receivable from joint venture	(75,715)	-
Decrease in interest payable	(49,694)	(4,275)
Decrease in long-term payable to joint venture partner	(1,818,443)	(708,370)
Interest income (expense)	2,765	(67,683)
Equity in net earnings of joint venture	753,019	1,171,277
	$ -	$ -

See accompanying notes to financial statements.

(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

The accounting policies of MIMRA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. MIMRA has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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 asset categories:

- Invested in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.

- Unrestricted; net assets that are not subject to externally imposed stipulations. Unrestricted net assets 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.

(2) Summary of Significant Accounting Policies, Continued

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 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.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statements of net assets. Proprietary fund operating statements present increases and decreases in net total assets. 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) licensing, transshipment, and other fees, and (2) most local and other grants. 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 assets 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, 2010 and 2009, the carrying amount of cash and time certificates of deposit were $2,626,335 and $1,673,262, respectively, and the corresponding bank balances were $2,635,485 and $1,685,729, respectively. Of the bank balances, $538,603 and $82,265, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of $2,096,882 and $1,603,464, respectively, were maintained in a non-FDIC insured financial institution. As of September 30, 2010 and 2009, bank deposits in the amount of $250,000 and $82,215, respectively, 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 collectibility of these accounts and prior collection experience. The allowance is established through a provision for losses on accounts receivable charged to expense.

(2) Summary of Significant Accounting Policies, Continued

Investments

Investment in joint venture is accounted for under the equity method of accounting. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. Under the equity method, the investor recognizes its proportionate share in the results of operations of the investee. Dividends received are treated as a reduction of the carrying value of the investments.

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. The estimated useful lives of these assets are as follows:

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

Deferred Revenue

Deferred revenue includes amounts received for fishing licenses prior to the end of the fiscal year but related to the subsequent accounting period.

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.

Revenue Recognition

Fees in respect of services are recognized as the right to consideration accrues through the provision of the service to the customer. Licensing fees are recognized as revenue when services are rendered based on the licensing period they pertain to.

Non-operating revenues and expenses primarily consist of investment earnings, contributions to RepMar, interest on long-term debt, and grant funds received.

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, 2010 and 2009, the accumulated vacation leave liability totals $51,376 and $45,625, respectively, and is included within the statements of net assets as other liabilities and accruals.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During fiscal year 2010, MIMRA implemented the following pronouncements:

- GASB 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.

- GASB 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.

- GASB 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.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

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

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 does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MIMRA.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. 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 2009 financial statements to conform with the 2010 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 is to be $2,940,000 and $3,060,000, respectively, which represents a 49% and 51% interest, respectively, of the vessel's value of $6,000,000. The parties agreed that MIMRA's contribution to working capital will be provided by KFC and shall be classified as a liability due to the joint venture with interest of 3%. 100% of MIMRA's profit share will be used to retire this liability for the first two years of operations; thereafter, it will be 50% of MIMRA's profit share. 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, 2010 and 2009, for investees accounted for using the equity method of accounting for investments, are as follows:

	2010	2009
Assets	$ 11,816,625	$ 19,886,019
Liabilities	$ 4,577,195	$ 11,457,210
Net earnings	$ 1,239,430	$ 2,428,809

During the years ended September 30, 2010 and 2009, MIMRA received distributions from the joint venture in the amounts of $1,941,087 and $780,328, respectively, (see note 6).

(5) Improvements and Equipment

Capital assets activity during the years ended September 30, 2010 and 2009 is as follows:

	2010			
	October 1, 2009	Additions	Disposal	September 30, 2010
Building improvements	$ 176,367	$ -	$ -	$ 176,367
Equipment	220,216	29,820	-	250,036
Equipment improvements	90,330	2,200	(76,320)	16,210
Vehicles	146,595	-	-	146,595
Furniture and fixtures	25,828	-	-	25,828
Motor boats	90,617	-	-	90,617
	749,953	32,020	(76,320)	705,653
Less accumulated depreciation	(597,674)	(54,073)	56,746	(595,001)
	$ 152,279	$ (22,053)	$ (19,574)	$ 110,652

	2009			
	October 1, 2008	Additions	Retirements	September 30, 2009
Building improvements	$ 176,367	$ -	$ -	$ 176,367
Equipment	206,354	13,862	-	220,216
Equipment improvements	86,070	4,260	-	90,330
Vehicles	146,595	-	-	146,595
Furniture and fixtures	24,654	1,174	-	25,828
Motor boats	63,316	27,301	-	90,617
	703,356	46,597	-	749,953
Less accumulated depreciation	(527,885)	(69,789)	-	(597,674)
	$ 175,471	$ (23,192)	$ -	$ 152,279

(6) 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 the Marshall Islands Social Security Administration (MISSA).

On September 20, 2000, the Cabinet of RepMar approved the disbursement of funds from MIMRA, totaling $300,000, to MISSA and approved the subsequent reimbursement to MIMRA from RepMar's General Fund. The promissory note issued by RepMar states that payment is due on September 20, 2001 and that 16% and 24%, interest and penalty, respectively, shall apply in the event of nonpayment on the due date. As of September 30, 2010 and 2009, MIMRA has not been reimbursed for this amount. As a result, $123,288 of interest and penalties has been accrued at September 30, 2010 and 2009 and $423,288 has been included in the allowance for doubtful accounts at September 30, 2010 and 2009.

(6) 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, 2010 and 2009 is as follows:

	2010		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 105,630	$ 4,692	$ -
Marshall Islands National Telecommunications Authority	37,785	3,132	-
Marshalls Energy Company, Inc.	67,940	5,246	-
RepMar	-	204,662	423,288
Others	12,906	10,327	5,572
	$ 224,261	$ 228,059	$ 428,860

	2009		
	Expenses	Payables	Receivables
Marshall Islands Social Security Administration	$ 79,169	$ 44,611	$ -
Marshall Islands National Telecommunications Authority	40,795	3,374	-
Marshalls Energy Company, Inc.	89,222	7,319	-
RepMar	-	250,000	423,288
Others	12,700	14,941	5,572
	$ 221,886	$ 320,245	$ 428,860

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, 2010 and 2009, MIMRA collected $2,196,687 and $1,114,428, respectively, under these various treaties, of which $196,687 and $250,000, respectively, remained outstanding and payable as of September 30, 2010 and 2009. In addition, MIMRA provided cash contributions to RepMar's General Fund of $0 and $385,572, respectively, during the years ended September 30, 2010 and 2009.

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.

(7) Payable for Working Capital

The long-term payable to joint venture consists of unpaid contributions for working capital of MIFCO provided by KFC to be reimbursed by MIMRA.

Repayment of the debt will be made solely from MIMRA's equity earnings from MIFCO and will not involve a claim on any other MIMRA asset. Therefore, management considers the debt to be long-term in nature and given the inability to predict the MIFCO earnings stream, it is not possible to predict the amount of future annual debt service. Therefore, no such estimate is provided herein.

During the years ended September 30, 2010 and 2009, MIMRA received dividends from MIFCO in the amounts of $1,941,087 and $780,328, respectively, which were applied against the working capital loan and related interest payable. Of these amounts, $46,929 and $71,958, respectively, represented payments for interest with the remaining amounts of $1,818,443 and $708,370, respectively, applied against the working capital loan. At September 30, 2010, the working capital loan was paid in full with a residual amount of $75,715 due from MIFCO.

The change in the liability during the years ended September 30, 2010 and 2009, is as follows:

2010			
Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010
$ 1,818,443	$ -	$ (1,818,443)	$ -

2009			
Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009
$ 2,526,813	$ -	$ (708,370)	$ 1,818,443

(8) 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.

(8) Commitments, Continued

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

Year ending September 30,	
2011	$ 22,957
2012	20,833
2013	20,833
2014	20,833
2015	20,833
2016-2020	95,278
2021-2025	60,960
2026-2030	9,314
Thereafter	6,519
	$ 278,360