MARSHALL ISLANDS VISITORS AUTHORITY

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Islands Visitors Authority:

We have audited the accompanying statement of net assets of the Marshall Islands Visitors Authority (MIVA), a component unit of the Republic of the Marshall Islands, as of September 30, 2009, and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of MIVA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of MIVA for the year ended September 30, 2008, were audited by other auditors whose report, dated December 29, 2009, expressed an unqualified opinion on those statements.

We conducted our audit 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 MIVA'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 audit provides a reasonable basis for our opinion.

In our opinion, the accompanying 2009 financial statements present fairly, in all material respects, the financial position of the Marshall Islands Visitors Authority as of September 30, 2009, and the results of its operations and its cash flows for the year 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 4 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 MIVA'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 January 24, 2011 on our consideration of MIVA'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

January 24, 2011

Member of
Deloitte Touche Tohmatsu

MARSHALL ISLANDS VISITORS AUTHORITY

Management's Discussion and Analysis
September 30, 2009 and 2008

This section of Marshall Islands Visitors Authority's (MIVA) annual financial report presents our discussion and analysis for MIVA's financial performance during the fiscal year that ended on September 30, 2009. Please read it in conjunction with the financial statements, which follow this section:

FINANCIAL HIGHLIGHTS

MIVA's net assets decreased by $12,528 or 6% from $221,945 in 2008 to $209,417 in 2009. Operating revenues decreased by $3,944 or 2% from $267,160 in 2008 to $263,216 in 2009.

Operating expenses decreased by $12,322 or 4% from $288,066 in 2008 to $275,744 in 2009.

FINANCIAL ANALYSIS OF MIVA

The Statement of Net Assets (page 5) and the Statement of Revenues, Expenses, and Changes in Net Assets (page 6) provide an indication of MIVA's financial condition. MIVA's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in the financial condition of the organization.

A summary of MIVA's net assets is presented below:

	2009	2008	2007
Current assets	$ 217,503	$ 237,723	$ 222,755
Capital assets	1,571	2,209	6,514
Total assets	$ 219,074	$ 239,932	$ 229,269
Current liabilities	$ 9,657	$ 17,987	$ 13,430
Invested in capital assets	1,571	2,209	6,514
Unrestricted	207,846	219,736	209,325
Total net assets	209,417	221,945	215,839
Total liabilities and net assets	$ 219,074	$ 239,932	$ 229,269

As indicated above, total assets decreased by $20,858 or 9% from $239,932 in 2008 to $219,074 in 2009. This is comprised of a decrease of $20,220 in current assets and a decrease of $638 in capital assets. The decrease in current assets was due to a decrease in federal grants receivable.

Total liabilities reflect a decrease of $8,330 or 46% from $17,987 in 2008 to $9,657 in 2009. No major liabilities exist as at the end of the fiscal year. This amount comprises mostly of the accrual of expenses paid after the fiscal year and employees' leave pay.

A summary of MIVA's Statement of Revenues, Expenses, and Change in Net Assets is presented below:

	2009	2008	2007
Operating revenues	$ 263,216	$ 294,172	$ 258,616
Operating expenses	275,744	288,066	280,908
Change in net assets	(12,528)	6,106	(22,292)
Net assets at beginning of year	221,945	215,839	238,131
Net assets at end of year	$ 219,074	$ 221,945	$ 215,839

The Statement of Revenues, Expenses, and Change in Net Assets identifies the various revenue and expense items that implicit the change in net assets. As indicated above, MIVA's total revenues decreased by $30,956 or 11% from $294,172 in 2008 to $263,216 in 2009. This decrease was mainly due to the decrease in funding from the U.S. Federal Government.

Below is a summary of the major components of operating revenues for MIVA in 2009 compared to 2008:

	2009	2008	2007
Nitijela appropriation	$ 248,500	$ 249,245	$ 251,232
Hotel room tax	8,364	8,691	6,236
Grants	-	27,012	-
Others	6,352	9,224	1,148
	$ 263,216	$ 294,172	$ 258,616

Total expenses decreased by $12,322 or 4% from $288,066 in 2008 to $275,744 in 2009. There was a decrease in some of expenditures, notably, Marketing Support.

Below is a list of the main contributors to the decrease in operating expenses for MIVA in 2009 compared to 2008:

	2009	2008	2007
Advertising	$ 13,150	$ 3,833	$ 15,329
Marketing Support	32,157	62,756	30,836
Media Trips	11,168	11,108	19,148
Promotional Materials	6,474	6,294	9,373
Trade Fair and Show Participation	32,925	32,877	26,450

The Discussion and Analysis for the year ended September 30, 2008, is set forth in MIVA's report on the audit of financial statements, which is dated December 29, 2009. That Discussion and Analysis explains the major factors impacting the 2008 financial statements and can be obtained from MIVA's Finance Manager via the contact information below.

CAPITAL ASSETS

Net Capital Assets decreased by $638 as a result of an addition to office equipment and the disposal of fully depreciated computer equipment and a vehicle.

A summary of MIVA's current Investment in Capital Assets is presented below:

	2009	2008	2007
Image library, motor vehicles, and equipments	$ 70,955	$ 89,455	$ 93,090
Less accumulated depreciation	(69,384)	(87,246)	(86,576)
Net Capital Assets	$ 1,571	$ 2,209	$ 6,514

Please refer to note 3 to the accompanying financial statements for additional information concerning MIVA's capital assets.

ADDITIONAL FINANCIAL INFORMATION

This discussion and analysis is designed to provide MIVA's counterparts with an overview of MIVA's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request for additional information, please contact the Marshall Islands Visitors Authority, Finance Manager, at P.O. Box 5, Majuro, MH 96960.

MARSHALL ISLANDS VISITORS AUTHORITY

Statements of Net Assets

September 30, 2009 and 2008

ASSETS	2009	2008
Current assets:		
Cash	$ 191,879	$ 200,769
Receivables:		
Hotel taxes	9,267	8,591
Federal grants	15,006	27,012
Other current assets	1,351	1,351
Total current assets	217,503	237,723
Capital assets, net	1,571	2,209
	$ 219,074	$ 239,932
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ -	$ 8,668
Payable to affiliates	4,926	4,588
Other liabilities and accruals	4,731	4,731
Total liabilities	9,657	17,987
Commitments and contingencies		
Net assets:		
Invested in capital assets	1,571	2,209
Unrestricted	207,846	219,736
Total net assets	209,417	221,945
	$ 219,074	$ 239,932

See accompanying notes to financial statements.

MARSHALL ISLANDS VISITORS AUTHORITY

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

	2009	2008
Operating revenues:		
Nitijela appropriation	$ 248,500	$ 249,245
Hotel taxes	8,364	8,691
Other	6,352	9,224
Total operating revenues	263,216	267,160
Operating expenses:		
Salaries, wages and employee benefits	114,986	96,689
Overseas tourism related events	32,925	32,877
MIVA Japan Office	21,535	29,654
Rent	16,475	16,475
Advertising	13,150	3,833
Media trips	11,168	11,108
Communications	10,703	7,701
Tourism and environmental awareness	8,851	7,772
Housing	6,771	6,753
Promotional materials	6,474	6,294
Pacific Asia Travel Association meetings	5,820	4,779
Office supplies	4,943	2,366
Marketing support	4,802	3,818
Depreciation	1,633	5,890
RMI Tourism Masterplan	-	24,512
Miscellaneous	15,508	27,545
Total operating expenses	275,744	288,066
Operating loss	(12,528)	(20,906)
Non-operating revenues:		
Federal grants	-	27,012
Change in net assets	(12,528)	6,106
Net assets at beginning of year	221,945	215,839
Net assets at end of year	$ 209,417	$ 221,945

See accompanying notes to financial statements.

MARSHALL ISLANDS VISITORS AUTHORITY

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

	2009	2008
Cash flows from operating activities:		
Operating grants received	$ 248,500	$ 249,245
Other operating revenues	14,040	21,163
Cash payments to suppliers for goods and services	(167,793)	(180,799)
Cash payments to employees for services	(114,648)	(96,820)
Net cash used in operating activities	(19,901)	(7,211)
Cash flows from noncapital financing activities:		
Federal grants received	12,006	-
Cash flows from capital and related financing activities:		
Purchase of fixed assets	(995)	(1,585)
Cash flows from investing activities:		
Withdrawal from time certificate of deposit	-	21,588
Net change in cash	(8,890)	12,792
Cash at beginning of year	200,769	187,977
Cash at end of year	$ 191,879	$ 200,769
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (12,528)	$ (20,906)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,633	5,890
(Increase) decrease in assets:		
Receivables:		
Hotel taxes	(676)	2,600
Accrued interest	-	648
Increase (decrease) in liabilities:		
Accounts payable	(8,668)	4,548
Payable to affiliates	338	(131)
Other liabilities and accruals	-	140
Net cash used in operating activities	$ (19,901)	$ (7,211)

See accompanying notes to financial statements.

(1) Organization

The Marshall Islands Visitors Authority (MIVA), a component unit of the Republic of the Marshall Islands (RepMar), was established pursuant to the MIVA Act 1997 (Public Law No. 1997-43) and began operations as a statutory corporation on October 1, 1997 upon receiving its first operational budget. The objectives of MIVA are to develop and promote the natural, scenic, cultural, historical and recreational attractions of the Republic of the Marshall Islands. MIVA is funded through operational appropriations from the Nitijela (the RepMar Legislature).

MIVA is regarded as having a two-level structure comprising an eight-member Board of Directors responsible for setting policy, strategy and financial guidelines for the operation of MIVA and a Secretariat responsible for the day-to-day operations of the organization.

MIVA's financial statements are incorporated into the financial statements of RepMar as a discretely presented component unit.

(2) Summary of Significant Accounting Policies

The accounting policies of MIVA 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. MIVA 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,* establish financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB Statement 34, retained earnings are 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. MIVA considers Nitijela appropriations and operational grants and costs that are directly related to MIVA operations to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating.

Cash and Time Certificates of Deposit

Custodial credit risk is the risk that in the event of a bank failure, MIVA’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. MIVA 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 and time certificates of deposit with initial maturity of ninety days or less. Time certificates of deposit with initial maturities exceeding ninety days are separately classified. As of September 30, 2009 and 2008, the carrying amount of cash and time certificates of deposit were \$191,879 and \$200,769, respectively, and the corresponding bank balances were \$197,097 and \$201,495, respectively, which are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2009 and 2008, bank deposits in the amount of \$197,097 and \$100,000, respectively, were FDIC insured. Accordingly, there deposits are exposed to custodial credit risk. MIVA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Receivables

All receivables are uncollateralized and are due from customers, both governmental agencies and hotelier businesses, located within the Republic of the Marshall Islands.

(2) Summary of Significant Accounting Policies, Continued

Capital Assets

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

Motor vehicles	4 years
Image library	3 years
Computer equipment	3 years
Media equipment	3 years
Other equipment	5 years

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, 2009 and 2008, there is no accumulated vacation leave liability.

Federal Grant Revenues

MIVA received a Federal grant award from the U.S. Department of the Interior passed-through from RepMar, which is recognized when all eligibility requirements, including time requirements, have been met.

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. MIVA is specifically exempt from this tax.

New Accounting Standards

During fiscal year 2009, MIVA 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.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- 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.

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

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

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 MIVA.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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 MIVA.

Risk Management

MIVA 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. MIVA 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 past three years.

(3) Capital Assets

Capital asset activity for the years ended September 30, 2009 and 2008 was as follows:

	October 1, 2008	Additions	Retirements	September 30, 2009
Motor vehicles	$ 39,990	$ -	$ (19,495)	$ 20,495
Image library	29,896	-	-	29,896
Computer equipment	9,143	-	-	9,143
Media equipment	4,405	-	-	4,405
Other equipment	1,354	995	-	2,349
Network hardware services	4,667	-	-	4,667
	89,455	995	(19,495)	70,955
Less accumulated depreciation	(87,246)	(1,633)	19,495	(69,384)
	$ 2,209	$ (638)	$ -	$ 1,571

	October 1, 2007	Additions	Retirements	September 30, 2008
Motor vehicles	$ 39,990	$ -	$ -	$ 39,990
Image library	29,896	-	-	29,896
Computer equipment	9,176	1,585	(1,618)	9,143
Media equipment	4,405	-	-	4,405
Other equipment	4,956	-	(3,602)	1,354
Network hardware services	4,667	-	-	4,667
	93,090	1,585	(5,220)	89,455
Less accumulated depreciation	(86,576)	(5,890)	5,220	(87,246)
	$ 6,514	$ (4,305)	$ -	$ 2,209

(4) Related Party Transactions

MIVA is a component unit of RepMar and is thus affiliated with all RepMar-owned and affiliated entities. MIVA 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, 2009 and 2008 is as follows:

	2009	
	Expenses	Payables
Marshall Islands Social Security Administration	$ 8,811	$ 4,176
Marshall Islands National Telecommunications Authority	10,703	-
Marshalls Energy Company, Inc.	16,475	-
RepMar	-	750
	$ 35,989	$ 4,926

	2008	
	Expenses	Payables
Marshall Islands Social Security Administration	$ 3,250	$ 3,889
Marshall Islands National Telecommunications Authority	7,701	-
Marshalls Energy Company, Inc.	16,475	-
RepMar	-	699
	$ 27,426	$ 4,588

During the years ended September 30, 2009 and 2008, the operations of MIVA were funded by appropriations from RepMar in the amounts of $248,500 and $249,245, respectively.

MIVA has entered into an office lease agreement with the Marshalls Energy Company, Inc. for a term of three years commencing October 1, 2008. Annual rent expense amounts to $16,475.