COLLEGE OF MICRONESIA-FSM

(A COMPONENT UNIT OF THE
FEDERATED STATES OF MICRONESIA
NATIONAL GOVERNMENT)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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

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

www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Regents
College of Micronesia-FSM:

Report on the Financial Statements

We have audited the accompanying financial statements of College of Micronesia-FSM (the College), a component unit of the FSM National Government, which comprise the statements of net position as of September 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Deloitte.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College of Micronesia-FSM as of September 30, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 2, 2022 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control over financial reporting and compliance.

Deloitte + Touche LLP

September 2, 2022

Financial Statements Analysis

The College implemented the financial reporting standards for public colleges and universities in accordance with Government Accounting Standards Board (GASB) principles in fiscal year 2003. The funds are presented in consolidated financial statements as a whole, rather than on the fund basis used prior to fiscal year 2003. The adoption of the GASB principles provides financial reporting of the following three basic financial statements:

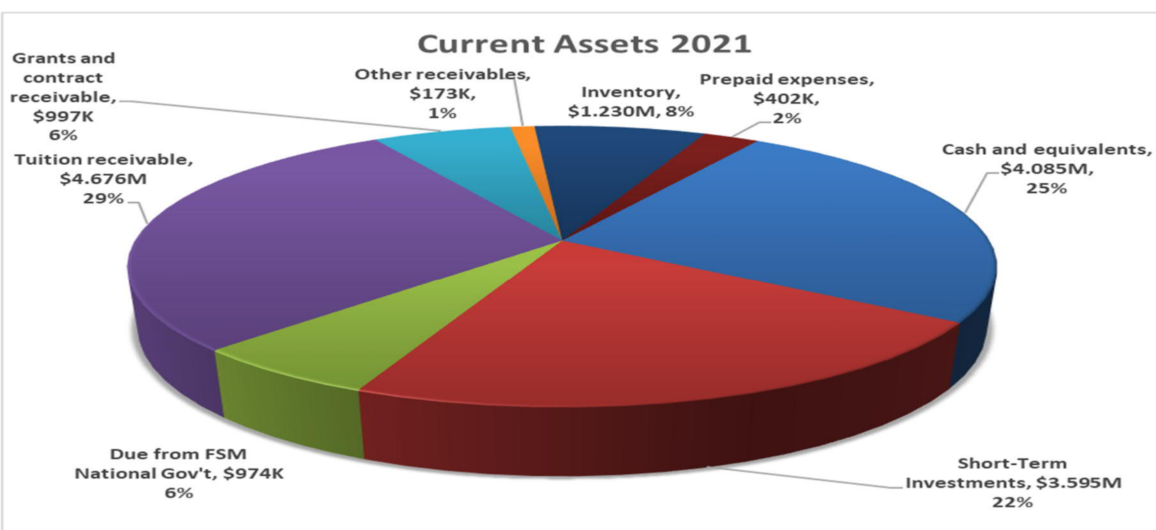
1. Statement of Net Position (SNP)

   The SNP presents what the College owns (assets), owes (liabilities) and the net position (the difference between total assets and total liabilities) at the end of the fiscal year. The net position is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

   A Comparative Statement of Net Position at September 30, 2021, 2020 and 2019 is summarized below:

	FY 2021 (In 000's)	FY 2020 (In 000's)	Difference (In 000's)	FY 2019 (In 000's)
Assets:				
Current assets	$ 16,133	$ 14,834	$ 1,299	$ 15,693
Noncurrent asset	16,395	14,888	1,507	14,361
Total assets	$ 32,528	$ 29,722	$ 2,806	$ 30,054
Liabilities:				
Current liabilities	$ 4,438	$ 4,408	$ 30	$ 4,503
Noncurrent liabilities	521	518	3	458
Total liabilities	4,959	4,926	33	4,961
Net position	27,569	24,796	2,773	25,093
Total liabilities and net position	$ 32,528	$ 29,722	$ 2,806	$ 30,054

   The comparison of the statement of net position for fiscal year 2021 with prior year indicates an increase in total assets by $2.806M or 9%.

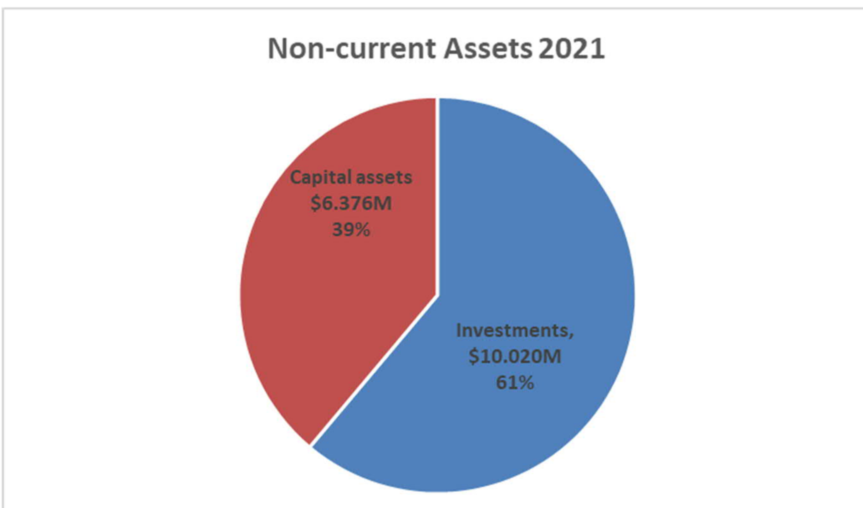


Current assets: The total current asset increased by $1.299M or 9%, from $14.834M in fiscal year 2020 to $16.133M in fiscal year 2021. Below is the composition of current assets for fiscal year 2021:

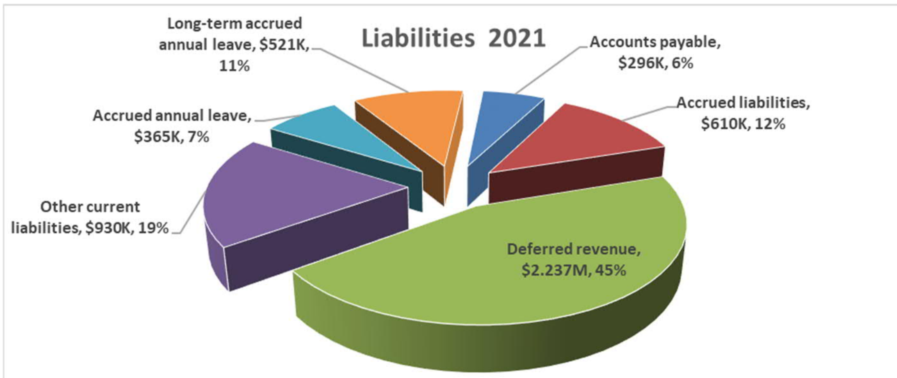
The net increased by $1.299M in current assets consists of the following changes:

- Decrease in cash and equivalents by $21K or -1%, from $4.106M to $4.085M;
- Increase in Due from FSM National government by $118K or 14%, from $856K to $974K;
- Increase in short-term investment by $251K or 8% from $3.345M to $3.595M;
- Increase in Tuition Receivable by $656K or 16%, from $4.020M to $4.676M;
- Increase in grants and contract receivable by $16K or 2%, from $981K to $997K;
- Decrease in other receivables by $8K or -5%, from $181K to $173K;
- Increase in inventories by $207K or 20%, from $1.023M to $1.230M;
- Increase in Prepaid expenses by $81K or 25%, from $322K to $402K;

Noncurrent assets: The total noncurrent assets increased by $1.507M or 10% from $14.888M in fiscal year 2020 to $16.395M in current fiscal year 2021. The increase in non-current assets is due to the increase in investments by $1.834M or 22% and decrease in capital assets by $327k or -5%. Below is the graph for the allocation of noncurrent assets:



Liabilities: The liabilities increased by $33K or 1%, from $4.926M to $4.959M. Current liabilities comprise 89% of the total liabilities and 11% are non – current from long – term accrued annual leave.



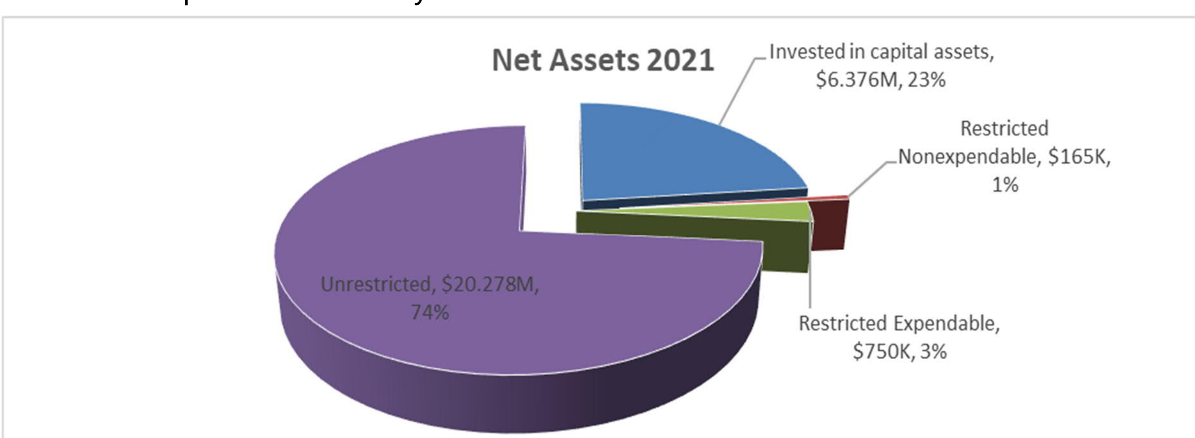
The net increase in liabilities consists of the following:

- Decrease in accounts payable by $206K or -41%, from $502K to $296K;
- Increase in accrued liabilities by $78K or 15%, from $532K to $610K;
- Decrease in current portion of accrued annual leave by $6K or -2%, from $372K to $365K;
- Increase in unearned revenue by a $74K or 3%, from $2.162M to $2.237M;
- Increase in other current liabilities by $90K or 11%, from $840K to $930K;

Net Position: Net position represents the residual interest in the College's assets after liabilities are deducted. The College's net position for fiscal year 2021 is $27.569M, which is higher by $2.773M or 11% compared to $24.796 Million in fiscal year 2020. Below is the breakdown of the College's net position categorized according to the reporting model of GASB:

	FY 2021 (In 000's)	FY 2020 (In 000's)	Difference (In 000's)	FY 2019 (In 000's)
Invested in capital assets	$ 6,376	$ 6,702	$ (327)	$ 7,105
Restricted:				
Nonexpendable	165	165	-	165
Expendable	750	750	-	750
Unrestricted	20,278	17,179	3,100	17,073
Total	$ 27,569	$ 24,796	$ 2,773	$ 25,093

The allocation of net position for fiscal year 2021 is illustrated below:

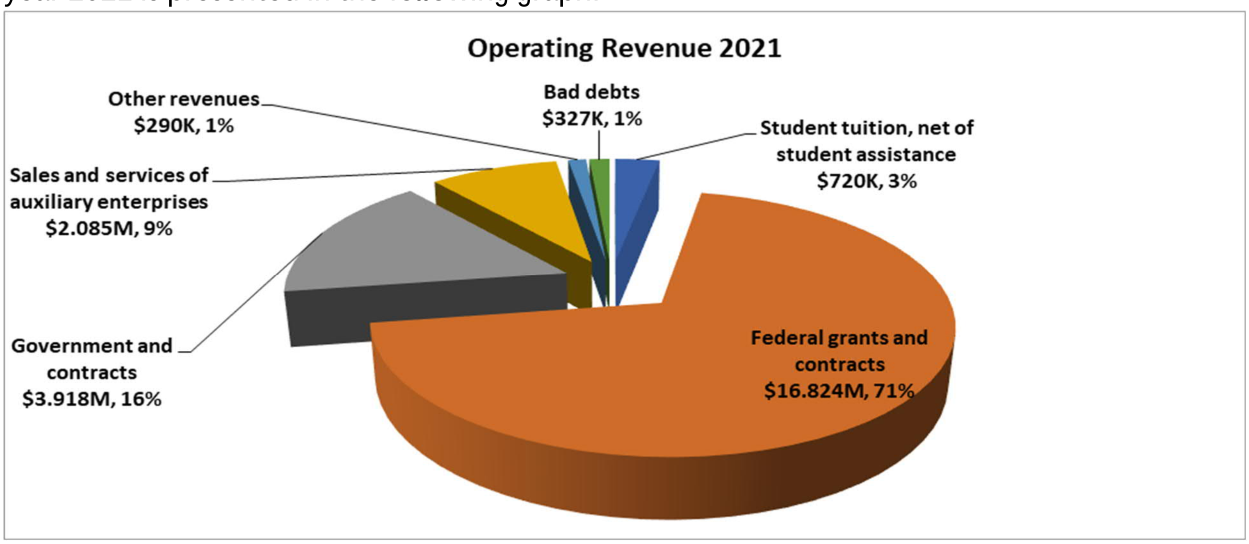


2. Statement of Revenues, Expenses and Changes in Net Position (SRECNP)

The SRECNP provides information on the College's financial performance for the current fiscal year in terms of revenues and expenses. It presents the operating revenues and expenses and the corresponding net operating results, as well as non-operating revenues and expenses and net change in net position. Below is the comparative summary of SRECNP for fiscal years ended September 30, 2021, 2020 and 2019:

	FY 2021 (In 000's)	FY 2020 (In 000's)	Difference (In 000's)	FY 2019 (In 000's)
Operating revenues, net	$ 23,510	$ 21,045	$ 2,466	$ 20,284
Operating expenses	22,832	22,342	490	21,088
Operating income (loss)	678	(1,298)	1,976	(804)
Non-operating revenue	2,095	1,001	1,094	575
Net increase (decrease) in net position	2,773	(297)	3,070	(228)
Net assets at beginning of year	24,796	25,093	(297)	25,322
Net assets at end of year	$ 27,569	$ 24,796	$ 2,773	$ 25,093

Operating revenues: The composition of the net operating revenues amounting to $23.510M for fiscal year 2021 is presented in the following graph:

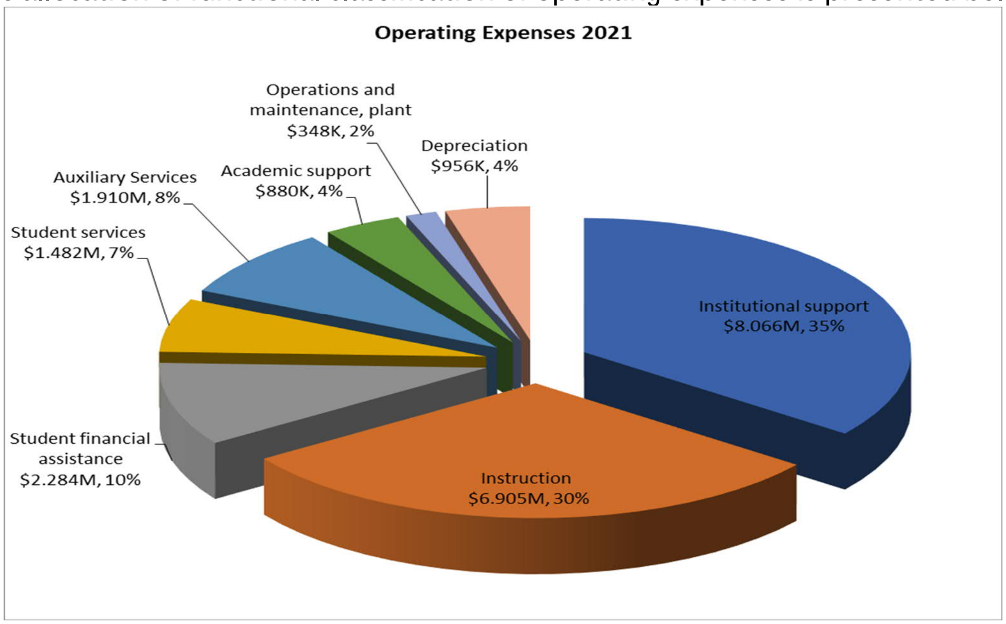


Below are the details of the changes for each classification of net operating revenues:

- Increase in other revenues by $42K or 17%, from $249K to $290K;
- Increase in sales and services of auxiliary enterprises by $18K or 1%, from $2.067M to $2.085M;
- Decrease in government and contracts by $374K or -9%, from $4.293M to $3.918M;
- Decrease in student tuition by $305K or -30%, from $1.025M to $720k;
- Increase in federal grants and contracts by $2.861M or 20%, from $13.963M to $16.824M; and
- Decrease in bad debts by $224K or -41%, from $551K to $327K.

Operating expenses: The College's operating expenses excluding bad debts for fiscal year 2021 increased by $490K or 2%, from $22.342M in 2020 to $22.832M in 2021. The operating expenses are presented in both functional and natural classifications.

The College's allocation of functional classification of operating expenses is presented below:



The increases and decreases of operating expenses based on their functional classifications are as follows:

<u>On Cash Items</u>

- Increase in institutional support by $1.484M or 23%, from $6.581M to $8.066M;
- Decrease in instruction by $187K or -3%, from $7.091M to $6.095M;
- Decrease in student financial assistance by $112k or -5%, from $2.396M to $2.284M;
- Decrease in student services by $156K or -10%, from $1.638M to $1.482M;
- Decrease in auxiliary enterprises by $646K or -25%, from $2.556M to $1.910M;
- Decrease in academic support by $41K or -4%, from $922K to $880K;
- Increase in operations and maintenance by $141K or 68%, from $207K to $348K;

<u>On Non-cash Items</u>

- Increase in depreciation by $7K or 1%, from $949K to $956K.

3. Statement of Cash Flows (SCF)

The SCF presents information about changes in the College's cash position using the direct method of reporting sources and uses of cash. The direct method reports all major cash inflows and outflows at gross amounts, differentiating these activities into cash flows arising from operating activities, capital and related financing, noncapital financing, and investing.

The SCF indicates a balance in cash and equivalents of $4.085M at the end of fiscal year 2021. The fiscal year - end balance is lower by $21K or -1% compared with fiscal year 2020 balance of $4.106M.

Below is the summary Statement of Cash Flows:

	FY 2021 (In 000's)	FY 2020 (In 000's)	Difference (In 000's)	FY 2019 (In 000's)
Provided by operating activities	$ 599	$ 1,010	$ (411)	$ (98)
Provided by noncapital financing activities	285	300	(15)	-
Used in capital and related financing activities	(630)	(547)	83	(394)
Used in investing activities	(275)	(3,142)	(2,867)	2,345
Net change in cash and cash equivalents	(21)	(2,379)	(2,358)	1,853
Cash and cash equivalents at beginning of year	4,106	6,485	(2,379)	4,632
Cash and cash equivalents at end of year	$ 4,085	$ 4,106	$ (21)	$ 6,485

Budget Information

The budget was developed by departments, campuses and offices, and approved by the Board of Regents. The budget of the College for fiscal year 2021 included the following:

1. $13.360M for the administration and management of the College wherein the sources of revenue are from tuition and fees of $9.440M, and $1.000M from the appropriation from FSM National Government from the Education Sector Grant of the Compact of Free Association II, $2.800M from the General Fund of FSM National Government, $120k from Dormitory and other fees;
2. $939K for the administration and management of the FSM – FMI at Yap State and 100% funded by FSM National Government;
3. $690k for work study, supplemental education opportunity grant and teacher corps programs funded by Compact of Free Association II through FSM National Government;
4. $120K for the operations of the Board of Regents of the College funded by FSM National Government; and
5. $360Kfor the operating expenditures of auxiliary enterprises funded from service charges.

Capital Assets and Long-term Debt Activity

At September 30, 2021, the College's net investment in capital assets was $6.376M, with gross amount of $20.094M for depreciable and non – depreciable assets net of accumulated depreciation. Depreciation for the current year amounted to $956K. See note 6 to the financial statements for additional information on capital asset activity.

The College's long-term obligation of $521K represents the long – term portion of the employee's accrued annual leave. The College provides accumulation of annual leave balance, wherein accumulated leave of not exceeding 240 hours shall be paid to the employee upon resignation/termination of employment. The College has no other long-term debt as of the end of fiscal year 2021.

FINANCIAL MANAGEMENT CONTACT

This financial report is designed to provide all interested users with a general overview of the College of Micronesia-FSM's finances. Inquiries concerning this report, if any, may be directed to the College of Micronesia-FSM, P.O. Box 159, Kolonia Pohnpei, FM 96941.

COLLEGE OF MICRONESIA-FSM
(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)

Statements of Net Position
September 30, 2021 and 2020

ASSETS	2021	2020
Current assets:		
Cash and cash equivalents	$ 4,085,434	$ 4,106,247
Time certificates of deposit	18	18
Investments	3,595,468	3,344,569
Due from FSM National Government, net	973,809	856,260
Tuition receivable, net	4,676,095	4,019,807
Grants and contracts receivable, net	997,251	981,462
Other receivables, net	172,782	181,175
Inventories, net	1,230,074	1,022,915
Prepaid expenses	402,101	321,504
Total current assets	16,133,032	14,833,957
Noncurrent assets:		
Investments	10,019,802	8,185,972
Capital assets:		
Nondepreciable capital assets	1,455,685	1,455,685
Capital assets, net of accumulated depreciation	4,919,906	5,246,638
Total noncurrent assets	16,395,393	14,888,295
Total assets	$ 32,528,425	$ 29,722,252
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	$ 296,079	$ 501,876
Accrued liabilities	610,498	532,149
Accrued annual leave, current portion	365,364	371,624
Unearned revenue	2,236,752	2,162,481
Other current liabilities	929,634	840,054
Total current liabilities	4,438,327	4,408,184
Noncurrent liabilities:		
Long-term portion of accrued annual leave	521,054	517,847
Total liabilities	4,959,381	4,926,031
Commitments and contingencies		
Net position:		
Net investment in capital assets	6,375,591	6,702,323
Restricted:		
Nonexpendable	165,000	165,000
Expendable	750,000	750,000
Unrestricted	20,278,453	17,178,898
Total net position	27,569,044	24,796,221
Total liabilities and net position	$ 32,528,425	$ 29,722,252

See accompanying notes to financial statements.

COLLEGE OF MICRONESIA-FSM
(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Student tuition and fees	$ 7,193,819	$ 7,303,669
Less: Scholarship discounts and allowances	(6,473,616)	(6,278,331)
	720,203	1,025,338
Federal grants and contracts	16,823,757	13,962,755
Government grants and contracts	3,918,337	4,292,609
Sales and services of auxiliary enterprises	2,084,546	2,066,737
Other revenues	290,466	248,502
Total operating revenues	23,837,309	21,595,941
Less bad debts	(327,095)	(551,441)
Net operating revenues	23,510,214	21,044,500
Operating expenses:		
Institutional support	8,065,529	6,581,453
Instruction	6,904,655	7,091,444
Student financial assistance	2,284,154	2,396,462
Auxiliary enterprises	1,910,406	2,555,993
Student services	1,482,433	1,638,474
Depreciation	956,338	949,251
Academic support	880,485	921,861
Operations and maintenance, plant	348,374	207,368
Total operating expenses	22,832,374	22,342,306
Operating income (loss)	677,840	(1,297,806)
Nonoperating revenues:		
Government contributions to the Endowment Fund	285,000	300,000
Net investment income	1,809,983	701,021
Total nonoperating revenues, net	2,094,983	1,001,021
Change in net position	2,772,823	(296,785)
Net position:		
Net position at beginning of year	24,796,221	25,093,006
Net position at end of year	$ 27,569,044	$ 24,796,221

See accompanying notes to financial statements.

COLLEGE OF MICRONESIA-FSM
(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Grants and contracts	$ 20,423,387	$ 19,287,224
Auxiliary services	2,084,546	2,066,737
Other receipts	298,859	147,419
Payments to employees for salaries and benefits	(8,794,956)	(9,090,891)
Payments to suppliers and others	(13,413,298)	(11,400,069)
Net cash provided by operating activities	598,538	1,010,420
Cash flows from capital and related financing activities:		
Purchase of capital assets	(629,605)	(547,002)
Cash flows from noncapital and related financing activities:		
Government contributions to Endowment Fund	285,000	300,000
Cash flows from investing activities:		
Purchase of investments	(274,746)	(3,142,303)
Net change in cash and cash equivalents	(20,813)	(2,378,885)
Cash and cash equivalents at beginning of year	4,106,247	6,485,132
Cash and cash equivalents at end of year	$ 4,085,434	$ 4,106,247
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 677,840	$ (1,297,806)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	956,338	949,251
Bad debts	327,095	551,441
Provision for (recovery from) inventory obsolescence	(359)	249,571
Changes in assets and liabilities:		
Due from FSM National Government	(117,549)	972,860
Tuition receivable	(983,382)	(637,412)
Grants and contracts receivable	(15,789)	(719,654)
Due from the Foundation	-	700,000
Other receivables	8,393	(101,082)
Inventories	(206,800)	(148,232)
Prepaid expenses	(80,597)	526,329
Accounts payable	(180,119)	121,166
Accrued liabilities	75,295	(86,114)
Unearned revenue	77,810	(309,273)
Other current liabilities	60,362	239,375
Net cash provided by operating activities	$ 598,538	$ 1,010,420

See accompanying notes to financial statements.

(1) Organization

The College of Micronesia-FSM (COM-FSM or the College), formerly Community College of Micronesia or CCM, was one of the three component campuses of the College of Micronesia (COM) prior to April 1, 1993. The COM was established on March 29, 1977, by the treaty among the governments of the Republic of the Marshall Islands, the Federated States of Micronesia (FSM), and the Republic of Palau. The treaty ended on March 31, 1993, and the COM was restructured to render autonomy to each of the three nations.

CCM and the centers for continuing education (CE) in Pohnpei, Chuuk, Yap and Kosrae were merged to form COM-FSM, a FSM public corporation established by Public Law 7-79 on September 25, 1992, under the general management and control of a seven-member Board of Regents, appointed by the FSM President with the advice and consent of the FSM Congress. This law was subsequently amended to reduce the number of board members to five. The term of all board members is 3 years and is limited to 2 consecutive terms. However, a member may serve beyond the expiration date of his/her term until a successor has been appointed. The purpose of COM-FSM is to serve the varied post-secondary and adult educational needs of the FSM.

COM-FSM is considered a component unit of the FSM National Government for the following reasons: (1) the governing body, the Board of Regents, is appointed by the FSM President with the advice and consent of FSM Congress, and (2) COM-FSM has the potential to impose financial burdens on the FSM National Government.

(2) Basis of Presentation

A. Financial Statement Presentation. In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This was followed in November 1999 by GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the COM-FSM assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

Other GASB Statements are required to be implemented in conjunction with GASB Statements No. 34 and No. 35. Therefore, the FSM National Government and COM-FSM have also implemented 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.

B. Basis of Accounting. For financial statement purposes, COM-FSM is considered a special-purpose government engaged only in business-type activities. Accordingly, COM-FSM's financial statements have been prepared 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-college transactions have been eliminated. COM-FSM reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

(3) Summary of Significant Accounting Policies

A. Cash and Cash Equivalents and Time Certificate of Deposits. Cash and cash equivalents are defined as cash on hand, cash in bank and time certificates of deposit with initial maturities of three months or less. Time certificates of deposit with initial maturities of more than three months are separately presented.

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 or held by the pledging financial institution but not in the depositor-government's name. The College does not have a deposit policy for custodial credit risk.

At September 30, 2021 and 2020, COM-FSM has recorded cash and cash equivalents and time certificates of deposit of $4,085,452 and $4,106,265, respectively, with corresponding bank balances of $4,570,204 and $4,969,843, respectively. Of these amounts, $500,000 in 2021 and 2020 are insured by the Federal Deposit Insurance Corporation (FDIC). The remaining balances are not insured or collateralized by securities held by a trustee in the name of the financial institution.

Management elected not to require insurance or collateralization on the remaining balances based on confidence in the financial health of the banking institutions.

No losses as a result of this practice were incurred during the years ended September 30, 2021 and 2020.

B. Investments. Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

C. Accounts Receivable. Accounts receivable tuition and fees, net of an allowance for uncollectible accounts as of September 30, 2021, follows:

	National Campus	State Campuses	Totals
Accounts receivable, gross	$ 6,319,263	$ 3,530,759	$ 9,850,022
Allowance for uncollectible accounts	(3,480,146)	(1,693,781)	(5,173,927)
Accounts receivable, net	$ 2,839,117	$ 1,836,978	$ 4,676,095

Accounts receivable tuition and fees, net of an allowance for uncollectible accounts as of September 30, 2020, follows:

	National Campus	State Campuses	Totals
Accounts receivable, gross	$ 5,578,975	$ 3,287,664	$ 8,866,639
Allowance for uncollectible accounts	(3,254,716)	(1,592,116)	(4,846,832)
Accounts receivable, net	$ 2,324,259	$ 1,695,548	$ 4,019,807

(3) Summary of Significant Accounting Policies, Continued

C. Accounts Receivable, Continued

The allowance for uncollectible accounts is established through a provision charged to expense. Accounts are charged against the allowance when management believes that the collection of the balance is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing balances that may be uncollectible, based on evaluations of collectability and prior loss experience.

Other receivables are net of an allowance for doubtful accounts of $264,999 as of September 30, 2021 and 2020.

D. Inventory. Inventory is stated at the lower of cost (first-in, first-out) or market (net realizable value). At September 30, 2021 and 2020, inventory is net of an allowance for obsolescence of $308,441 and $308,800, respectively.

E. Prepaid Expenses. Payments made to vendors for goods and services that will benefit periods beyond September 30, 2021 and 2020, are recorded as prepaid expenses. Prepaid expenses represent prepayments for office supplies, textbooks and computers.

F. Capital Assets and Depreciation. All buildings and equipment transferred to COM-FSM were recorded at management's estimate of fair market value at the date of transfer. Subsequent additions have been recorded at cost and/or realizable value, as estimated and provided by COM-FSM. Depreciation is calculated using the straight-line method over estimated useful lives of three to thirty years. COM-FSM has adopted a capitalization policy of $500. Purchases less than this threshold are expensed.

Certain real property and buildings being used by COM-FSM were contributed to COM-FSM by the FSM National Government. No user fee or allowance has been computed or charged to COM-FSM by the FSM National Government. Therefore, such costs have not been recorded as in-kind contributions or expenses.

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

H. Unearned Revenue. Unearned revenue includes amounts received for tuition and fees and certain grants prior to the end of the fiscal year but relating to the subsequent accounting period. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

I. Compensated Absences. COM-FSM recognizes as a liability all vested vacation leave benefits accrued by its employees at the time such leave is earned. It is the policy of COM-FSM to record the cost of sick leave when leave is actually taken and an expense is actually incurred. Accordingly, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

(3) Summary of Significant Accounting Policies, Continued

J. Noncurrent Liabilities. Noncurrent liabilities include estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

The change in accrued compensated absences during fiscal years 2021 and 2020 is as follows:

Balance, October 1, 2020	Addition	Reduction	Balance, September 30, 2021	Current
$ 889,471	$ -	$(3,053)	$ 886,418	$ 365,364
October 1, 2019	Addition	Reduction	September 30, 2020	Current
$ 793,102	$ 96,369	$ -	$ 889,471	$ 371,624

K. Deferred Inflows of Resources. In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (addition of net position) until then. The College has no items that qualify for reporting in this category.

L. Net Position. COM-FSM's net position is classified as follows:

Net Investment in Capital Assets – This represents COM-FSM's net investment in capital assets, reduced by outstanding debt obligations related to those capital assets.

Restricted Net Position – Nonexpendable – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted Net Position – Expendable – Expendable restricted net position consists of endowment and similar type funds subject to donors or other outside sources imposed stipulations that can be fulfilled by actions of the COM-FSM pursuant to those stipulations or that expire with the passage of time.

Unrestricted Net Position – Unrestricted net position represents resources derived from student tuition and fees, governmental appropriations and contracts, sales and services of educational departments and auxiliary enterprises and grants and contributions not subject to donors or other outside sources imposed stipulations. These resources are used for transactions relating to the educational and general operations of the COM-FSM, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources are to also be used for auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

(3) Summary of Significant Accounting Policies, Continued

M. Classification of Revenues and Expenses. COM-FSM has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

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

Nonoperating – Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other sources and uses that are defined as nonoperating revenues and expenses 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 investment income.

N. 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 Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by COM-FSM, 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 COM-FSM's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, COM-FSM has recorded a scholarship discount and allowance.

COM-FSM also adopts tuition waiver and reduction as approved by the Board policy. COM-FSM allows waiver of tuition and auditing fees up to six (6) credit hours each academic semester for full-time regular employees. Dependents of regular employees of the College, age twenty-two or younger at the time of registration for any courses, are eligible for a 50% tuition reduction for COM-FSM courses. Total of these reductions for 2021 and 2020 was $170,161 and $153,833, respectively.

O. Risk Management. COM-FSM purchases insurance to cover its risk of losses due to fire, lightning, and other risks normal to operating an institution of higher learning. Refer also to note 8.

P. 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.

(3) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards

In 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postponed the effective dates of GASB Statement Nos. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

During the year ended September 30, 2021, COM-FSM implemented the following pronouncements:

- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
- GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ending September 30, 2022.

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

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

(3) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefits. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

(3) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards, Continued

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

R. Reclassifications

Certain balances in the prior year Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows have been reclassified to conform to the current year presentation.

(4) Investments

The COM-FSM maintains an internally-restricted fund specifically for endowment contributions, fundraisings and investments.

In January 1994, COM-FSM received an endowment contribution in the amount of $150,000 from FSM Telecommunications Corporation. The principal is to be maintained inviolate and in perpetuity. The contribution, in addition to a subsequent contribution, is classified as restricted nonexpendable net position in the accompanying Statements of Net Position.

In November 1995, notification was received from the U.S. Department Education that COM-FSM had been selected for a grant under the Endowment Challenge Grant Program authorized by Title III of the Higher Education Act of 1965, as amended. Non-government funds raised for this endowment fund were matched by the U.S. Department of Education on a two-to-one basis.

The Secretary of Education awarded an amount to COM-FSM equal to two times the amount of the funds raised. The College of Micronesia-FSM raised $250,000 and the U.S. Department of Education awarded $500,000, bringing the total of this endowment fund to $750,000. The Endowment Challenge grant covers a period of twenty years which concluded on September 30, 2017. The grant fund is classified as restricted expendable net position in the accompanying Statements of Net Position pursuant to expiration of grantor's imposed stipulation with the passage of time.

(4) Investments, Continued

The College has engaged in specific fundraising for the purpose of increasing net position invested with the above endowment funds. Therefore, the College is of the opinion that such investments and related investment income are appropriately classified as unrestricted net position due to absence of external imposed stipulations.

In December 1997, COM-FSM adopted an investment policy, which guides current investment decisions. The policy provides that investment earnings may not be obligated until the principal has aggregated to a market value of $20 million. The investment consultant revised the investment policy on March 2017 to incorporate the amendments adopted by the Board during the March 2017 meeting. No revisions were made for the year ended September 30, 2021.

The composition of endowment investments as of September 30, 2021 and 2020, by funding source, is as follows:

	2021	2020
Funding Source		
FSM Telecommunications Corporation (FSMTC)	$ 165,000	$ 165,000
U.S. Department of Education and local match (Challenge)	750,000	750,000
Fundraisings and investment income	9,104,802	7,270,972
	$ 10,019,802	$ 8,185,972

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

As of September 30, 2021 and 2020, total investments at fair value are as follows:

	2021	2020
Fixed income securities:		
Domestic fixed income	$ 3,964,338	$ 4,162,210
International fixed income	-	443,463
	3,964,338	4,605,673
Other investments:		
Common equities	8,070,764	6,529,481
Alternatives	840,314	42,619
Exchange traded funds	434,659	114,284
Money market funds	305,195	238,484
	9,650,932	6,924,868
	$ 13,615,270	$ 11,530,541

(4) Investments, Continued

As of September 30, 2021, the College's fixed income securities had the following maturities:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	5-10	more than 10
Corporate bonds	$ 1,850,192	$ 26,382	$ 579,692	$ 1,077,609	$ 166,509
Government bonds	2,114,146	-	1,474,854	490,948	148,344
	$ 3,964,338	$ 26,382	$ 2,054,546	$ 1,568,557	$ 314,853

As of September 30, 2020, the College's fixed income securities had the following maturities:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	5-10	more than 10
Corporate bonds	$ 1,824,573	$ -	$ 601,304	$ 1,012,275	$ 210,994
International bonds	443,463	-	-	-	443,463
Government bonds	2,337,637	108,195	1,304,269	713,853	211,320
	$ 4,605,673	$ 108,195	$ 1,905,573	$ 1,726,128	$ 865,777

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The College's exposure to credit risk at September 30, 2021, was as follows:

Moody's Rating	Domestic	Total
AAA/AAA	$ 2,053,220	$ 2,053,220
AAA/AA+	63,753	63,753
AA2/AA-	28,212	28,212
A1/A+	105,053	105,053
A1/AA	49,453	49,453
A1/BBB+	97,323	97,323
A2/A+	26,382	26,382
A2/A-	211,310	211,310
A2/BBB+	97,204	97,204
A3/A+	52,056	52,056
A3/A-	219,571	219,571
A3/BBB+	54,983	54,983
BAA1/BBB+	239,775	239,775
BAA1/BBB	55,335	55,335
BAA2/BBB+	151,544	151,544
BAA2/BBB	349,413	349,413
BAA3/BBB	55,810	55,810
Not rated	53,941	53,941
Total	$ 3,964,338	$ 3,964,338

(4) Investments, Continued

The College's exposure to credit risk at September 30, 2020, was as follows:

Moody's Rating	Domestic	International	Total
AAA/AAA	$ 2,339,809	$ -	$ 2,339,809
AA3/A+	20,937	-	20,937
A1/A+	108,408	-	108,408
A2/A	53,640	-	53,640
A2/A-	231,077	-	231,077
A2/AA-	51,309	-	51,309
A3/A+	27,684	-	27,684
A2/BBB+	79,873	-	79,873
A3/A-	167,535	-	167,535
A3/BBB+	134,210	-	134,210
BAA1/BBB+	300,449	-	300,449
BAA1/BBB	62,978	-	62,978
BAA2/A	20,858	-	20,858
BAA2/BBB+	43,648	-	43,648
BAA2/BBB	350,150	-	350,150
BAA3/BBB	85,906	-	85,906
BAA3/BBB+	28,390	-	28,390
Not rated	55,349	443,463	498,812
Total	$ 4,162,210	$ 443,463	$ 4,605,673

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The College's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in the College's name by the College's custodial financial institutions at September 30, 2021 and 2020.

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. There was no concentration of credit risk for investments as of September 30, 2021 and 2020.

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.

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

(4) Investments, Continued

The College has the following recurring fair value measurements as of September 30, 2021 and 2020:

		Fair Value Measurements Using		
	September 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Fixed income securities	$ 3,964,338	$ -	$ 3,964,338	$ -
Equity securities	8,911,078	8,911,078	-	-
Exchange traded funds	434,659	434,659	-	-
Total investments by fair value level	$ 13,310,075	$ 9,345,737	$ 3,964,338	$ -
Investments measured at amortized cost:				
Money market funds	305,195			
	305,195			
	$ 13,615,270			

		Fair Value Measurements Using		
	September 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Fixed income securities	$ 4,605,673	$ -	$ 4,605,673	$ -
Equity securities	6,572,100	6,572,100	-	-
Exchange traded funds	114,284	114,284	-	-
Total investments by fair value level	11,292,057	$ 6,686,384	$4,605,673	$ -
Investments measured at amortized cost:				
Money market funds	238,484			
	238,484			
	$ 11,530,541			

(5) Due from Grantor Agencies

COM-FSM administers student financial aid (SFA) for the U.S. Department of Education. SFA funds relate to Pell Grants, Talent Search Program, Upward Bound Program, and Student Support Services (TRIO program), Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). COM-FSM also administers Land Grant Programs on behalf of COM Land Grant College. Grants and contracts receivable – U.S. Government comprised the following uncollected grants as of September 30, 2021 and 2020:

(5) Due from Grantor Agencies, Continued

	2021	2020
Due from U.S. Department of Education	$ 153,797	$ 231,282
Due from COM-Land Grant	273,952	185,064
Due from University of Guam	120,233	120,233
Due from University of Hawaii	22,124	22,124
CARIPAC	165,738	165,738
Due from other grantor agencies	793,112	736,959
	1,528,956	1,461,400
Less allowance for doubtful accounts	(531,705)	(479,938)
	$ 997,251	$ 981,462

(6) Capital Assets

Capital assets at September 30, 2021 and 2020 consist of the following:

	Balance October 1, 2020	Additions	Retirements	Balance September 30, 2021
Depreciable assets:				
Buildings	$ 14,458,770	$ -	$ -	$ 14,458,770
Furniture and equipment	4,225,315	493,110	(7,986)	4,710,439
Vehicles/boats	788,436	136,496	-	924,932
	19,472,521	629,606	(7,986)	20,094,141
Less accumulated depreciation	(14,225,883)	(956,338)	7,986	(15,174,235)
	5,246,638	(326,732)	-	4,919,906
Non-depreciable assets:				
Land	1,455,685	-	-	1,455,685
Capital assets, net	$ 6,702,323	$ (326,732)	$ -	$ 6,375,591

	Balance October 1, 2019	Additions	Retirements	Balance September 30, 2020
Depreciable assets:				
Buildings	$ 14,458,770	$ -	$ -	$ 14,458,770
Furniture and equipment	3,863,430	399,468	(37,583)	4,225,315
Vehicles/boats	706,456	147,534	(65,554)	788,436
	19,028,656	547,002	(103,137)	19,472,521
Less accumulated depreciation	(13,379,769)	(949,251)	103,137	(14,225,883)
	5,648,887	(402,249)	-	5,246,638
Non-depreciable assets:				
Land	1,455,685	-	-	1,455,685
Capital assets, net	$ 7,104,572	$ (402,249)	$ -	$ 6,702,323

(7) Related Party Transactions

COM-FSM receives annual appropriations from the FSM National Government for its operational needs, student financial assistance and other programs. At September 30, 2021 and 2020, receivables from the FSM National Government amounted to $973,809 and $856,260, respectively, net of $787,187 allowance for doubtful accounts. The College recognized $3,918,337 and $4,292,609 in appropriations for the years ended September 30, 2021 and 2020, respectively.

(8) Contingencies

Insurance

COM-FSM purchases commercial insurance to cover its potential risks from fire and property damage on some of its buildings and contents ($19,961,382 of coverage) and vehicles (up to $300,000 of coverage per vehicle per accident). Additionally, COM-FSM purchases fidelity insurance coverage for selected employees (total coverage of $510,000) and workmen's compensation insurance (coverage of up to $100,000 per employee). COM-FSM also purchases student personal insurance ($5,000 per student). There have been no settlements in excess of insurance coverage during the past three years.

Federal Grants

The College participates in a number of federally assisted grant programs and other various U.S. Department of Education grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. No questioned costs relating to fiscal year 2021 have been set forth in the College's Single Audit Report for the year ended September 30, 2021. The ultimate disposition of any questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

Accreditation

The College is accredited by the Accrediting Commission for Community and Junior Colleges (ACCJC), Western Association of Schools and Colleges (WASC). Accreditation was reaffirmed in an Action Letter issued on January 26, 2018. The College submitted its Midterm Report in March 2020 and the next comprehensive review will occur in Spring 2023.

Litigation

COM-FSM is periodically a defendant in legal actions inherent to the nature of its operations. COM-FSM management is of the opinion that resolution of any matters existing as of September 30, 2021 and 2020 will not have a material effect on the accompanying financial statements.

(9) Retirement Plan

The College has a retirement plan, administered by a private corporation. All employees with at least one year of service are eligible for the plan. Employee contributions can be made up to 100% of earnings with a 50% match by the College up to 3% of employee compensation. The College's President, Vice - President for Administrative Services and Comptroller are the designated plan administrators. During the years ended September 30, 2021, 2020 and 2019, the College incurred an expense of $139,062, $156,735 and $153,804, respectively, for matching contributions. As of September 30, 2021, 2020 and 2019, plan assets were $6,340,509, $5,341,805 and $4,761,025, respectively. Management is of the opinion that the retirement plan assets do not constitute assets of the College.

(10) Leases

The College leases land and building with terms ranging from three to five years. The future minimum lease payments are as follows:

Year Ending September 30,	Total
2022	$ 116,515
2023	134,790
2024	104,790
2025	104,790
2026	104,790
Thereafter	104,790
	$ 670,465

(11) Functional Classifications with Natural Classifications

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

	2021									
	Salaries	Benefits	Services	Travel	Supplies	Insurance, Utilities and Rent	Depreciation	Student Assistance	Miscellaneous	Total
1 Institutional Support	$ 2,181,262	$ 393,161	$ 151,327	$ 10,682	$ 354,357	$ 673,942	$ -	$ 2,463,635	$ 1,837,163	$ 8,065,529
2 Instruction	4,240,320	835,196	49,729	24,719	296,236	1,465	-	600,201	856,789	6,904,655
3 Student Financial Assistance	-	-	-	-	-	-	-	2,284,154		2,284,154
4 Student services	1,004,254	190,724	1,600	107,643	69,686				108,526	1,482,433
5 Depreciation	-	-	-	-	-	-	956,338	-		956,338
6 Auxiliary Enterprises	154,360	36,169	(1,575)	3,313	353,892	1,969	-	-	1,362,278	1,910,406
7 Academic support	314,914	73,543	-	440	13,652	-	-	-	477,936	880,485
8 Operations and Maintenance	4,107	1,338	7,800	-	1,358	78,520	-	-	255,251	348,374
	$ 7,899,217	1,530,131	$ 208,881	$ 146,797	$ 1,089,181	$ 755,896	$ 956,338	$ 5,347,990	$ 4,897,943	$22,832,374

(11) Functional Classifications with Natural Classifications, Continued

	2020									
	Salaries	Benefits	Services	Travel	Supplies	Insurance, Utilities and Rent	Depreciation	Student Assistance	Miscellaneous	Total
1 Institutional Support	$ 2,234,894	$ 434,057	$ 93,417	$ 106,156	$ 325,443	$ 628,312	$ -	$ 1,839,072	$ 920,102	$ 6,581,453
2 Instruction	4,144,699	867,555	33,387	79,950	229,470	-	-	641,959	1,094,424	7,091,444
3 Student Financial Assistance	-	-	-	-	-	-	-	2,396,462		2,396,462
4 Student services	1,148,879	191,600	2,724	63,372	58,447				173,452	1,638,474
5 Depreciation	-	-	-	-	-	-	949,251	-		949,251
6 Auxiliary Enterprises	177,395	37,945	1,350	15,275	359,507	-	-	-	1,964,521	2,555,993
7 Academic support	338,904	77,124	-	16,804	27,141	269,148	-	-	192,740	921,861
8 Operations and Maintenance	8,711	1,970	7,800	-	-	85,944	-	-	102,943	207,368
	$ 8,053,482	1,610,251	$ 138,678	$ 281,557	$ 1,000,008	$ 983,404	$ 949,251	$ 4,877,493	$ 4,448,182	$22,342,306

(12) Subsequent Events

Management has considered subsequent events through September 2, 2022, upon which the financial statements were available to be issued. There were no material subsequent events that would require recognition or disclosure in the financial statements for the year-ended September 30, 2021.