

*Financial Statements*

**College of Micronesia-FSM**  
(A Component Unit of the Federated States of  
Micronesia National Government)

*Years ended September 30, 2024 and 2023  
with Report of Independent Auditors*



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College of Micronesia-FSM  
(A Component Unit of the Federated States of Micronesia National Government)

Financial Statements

Years ended September 30, 2024 and 2023

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## Report of Independent Auditors

The Board of Regents  
College of Micronesia-FSM

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of College of Micronesia-FSM (the College), a component unit of the Federated States of Micronesia National Government, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the College at September 30, 2024 and 2023, and the changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 January 29, 2026 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.

*Ernst + Young LLP*

January 29, 2026

College of Micronesia-FSM  
(A Component Unit of the Federated States of Micronesia National Government)

**Management's Discussion and Analysis**

Years ended September 30, 2024 and 2023

In the following sections, we provide a comprehensive overview and analysis of the College's financial activities for the fiscal years ended September 30, 2024 and 2023, with selected comparative information from prior years where relevant. This analysis aims to shed light on the institution's economic health and operational effectiveness. We strongly encourage readers to review this information in conjunction with the additional details presented in the College's basic financial statements, which provide crucial information on fiscal trends, revenue sources, and expenditure patterns, contributing to a fuller understanding of the College's financial position.

**Fiscal Year 2024 Overview**

**Local Appropriations:**

Government support declined in fiscal year 2024, resulting in the use of approximately \$1.0 million in cash and short-term investments. Below were allocated to the College:

\$2,366,403 for the operational expenses of the College  
\$965,736 for the operations of the FSM Fisheries and Maritime Institute  
\$878,978 SEG funding for the Teacher Corps, work-study, and scholarship programs offered by the College

In total, the government support to the College amounted to \$4,211,117. These amounts represent total budgetary government support appropriated for the fiscal year and are not amounts recognized as revenue in the audited financial statements, which are reported on an accrual basis in accordance with GAAP.

**Grant Funding Sources:**

**Pell Grant**

The College has been awarded a total of \$9,888,335 through the Pell Grant program for the current fiscal year. This funding amount marks a 6% increase from the allocation received in the previous year. This increase in financial support positively impacted the assistance available to students, particularly those from low-income backgrounds. Pell Grants play a vital role in helping these individuals access higher education by covering tuition costs and related expenses. As a result, the increase in funding helps many students to afford their education. The increase in Pell Grant funding reflects changes in student eligibility determinations, federal award levels, and the timing of awards and drawdowns, rather than enrollment growth.

**Coronavirus Aid Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSSA), and American Rescue Plan Act (ARP)**

Previously awarded Education Stabilization Funds totaling \$2,828,148 continued to support the construction of a new teaching clinic during fiscal year 2024, which aims to provide hands-on training and practical experience for students in health-related programs.

## Management's Discussion and Analysis, continued

These efforts collectively contributed to the College's commitment to supporting its students and maintaining educational standards during a challenging time.

### **TRIO Program**

The College has recently received a significant grant of \$1,075,971 from the TRIO Program, which the U.S. Department of Education administers. This funding is specifically designed to support students from disadvantaged backgrounds who face various obstacles in their pursuit of higher education.

The TRIO Program focuses on providing a range of resources to promote academic success and personal development. This includes access to individualized academic tutoring, mentorship programs, and specialized counseling services that address both educational and personal challenges. The program also offers workshops on essential skills, including study techniques, financial literacy, and career planning, ensuring that students are well-equipped to navigate their academic paths.

With this grant, the College aims to create a more supportive and inclusive educational environment where marginalized students can thrive. The initiative seeks to empower these individuals by providing them with the tools and guidance needed to overcome barriers and achieve their academic and career aspirations. By investing in the success of these students, the College hopes to foster a diverse and vibrant community that reflects the wide variety of backgrounds and experiences represented among its student body.

### **Economic Development Administration**

The College has successfully secured a substantial grant of \$258,799 from the Department of Commerce. This funding is specifically allocated for the construction of an advanced greenhouse facility designed to support a wide range of academic and research programs across various disciplines.

The state-of-the-art greenhouse will not only provide a controlled environment for plant growth but will also serve as an invaluable resource for hands-on learning experiences. Both students and faculty will have the opportunity to engage directly with cutting-edge agricultural technologies and sustainable practices, fostering an experiential learning environment that enhances their understanding of agricultural science and horticulture.

In addition to its educational benefits, the greenhouse will also play a crucial role in promoting sustainable practices. It will host workshops, community outreach programs, and research initiatives to advance knowledge in sustainable agriculture.

## Management's Discussion and Analysis, continued

Furthermore, the grant covered operational costs for the facility, ensuring it can be used effectively for a variety of educational purposes, including research projects, lab courses, and collaborations with local community organizations. This initiative aims to reinforce the College's commitment to sustainability and community engagement while providing students with the skills and knowledge essential for future careers in environmental science and agriculture.

### **National Institute of Standards and Technology**

The College has been awarded a significant grant of \$538,601 to enhance internet connectivity for its student body, with a particular focus on students attending state campuses. This funding is designed to tackle the specific challenges that students face when engaging in online classes, such as slow connection speeds and inconsistent access.

With this grant, the College upgraded its network infrastructure, providing faster and more reliable internet services across campus. This initiative aims to ensure that all students can access their online courses seamlessly, participate in virtual discussions without interruptions, and utilize digital resources effectively. By improving internet access, the College hopes to foster a more supportive and productive learning environment, ultimately enabling students to achieve their academic goals without the barriers posed by poor connectivity.

### **Enrollment**

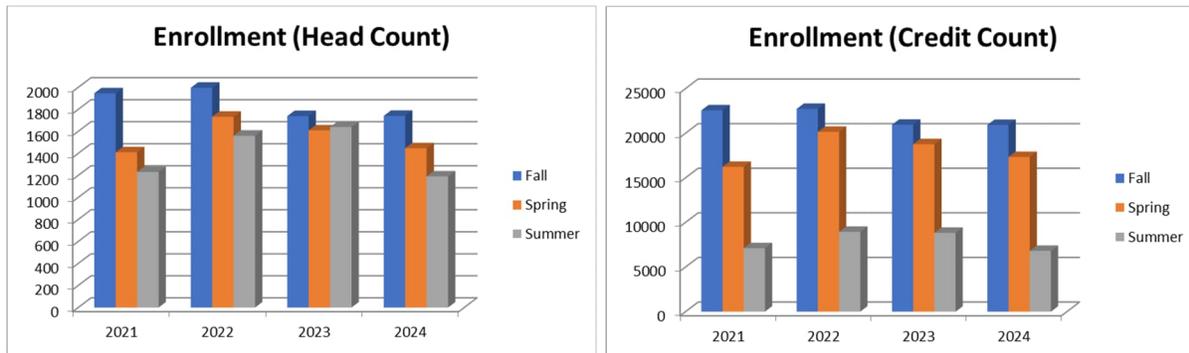
The College is currently facing significant challenges in maintaining its student enrollment, which is critical to its viability and funding. During the academic year 2024, the institution experienced a concerning decline in both overall enrollment and total credit hours. Specifically, the total number of enrolled students fell by 8.7%, indicating a substantial decrease in student participation across a range of college programs.

Furthermore, the reduction in student engagement is evidenced by a 6.9% decrease in the number of credit hours enrolled students take. This suggests that not only are fewer individuals choosing to enroll, but those who do enroll may also be opting to take fewer courses than before.

In response to this troubling trend, the College has implemented several proactive programs and initiatives aimed at reversing these declines and encouraging greater participation. These programs focus on enhancing student support services, improving academic offerings, and increasing outreach efforts to prospective students to boost enrollment and student retention. By taking these steps, the College hopes to foster a more engaging and supportive learning environment that will attract and retain students. Enrollment and credit-hour data discussed above are based on institutional enrollment records and are presented as management information rather than audited financial statement data.

College of Micronesia-FSM  
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Management’s Discussion and Analysis, continued



**Financial Statements Analysis**

The College prepares its financial statements in accordance with accounting standards established by the Governmental Accounting Standards Board (GASB) for public colleges and universities.

**1. Statements of Net Position (SNP)**

The Statements of Net Position (SNP) provide a comprehensive overview of the College’s financial standing at the end of the fiscal year. It details the college’s assets, which are the resources owned by the institution, including cash, buildings, equipment, and investments. Additionally, the SNP outlines the college's liabilities, including accounts payable, accrued payable, and other debts.

The difference between total assets and total liabilities represents the college's net position, which signifies the institution's overall equity. This figure is a crucial indicator of the college's financial stability and ability to fulfill its long-term commitments.

Furthermore, analyzing the change in net position from one fiscal year to the next allows stakeholders to assess whether the College's financial position has improved, indicating growth and effective management, or worsened, suggesting potential challenges or financial strain. This information is valuable for decision-making by the College administration, potential investors, and regulatory bodies.

College of Micronesia-FSM  
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Management's Discussion and Analysis, continued

A comparative Statements of Net Position as of September 30, 2024, 2023, and 2022 are summarized below:

	FY 2024 <u>(In 000's)</u>	FY 2023 <u>(In 000's)</u>	Difference <u>(In 000's)</u>	FY 2022 <u>(In 000's)</u>
<b>Assets:</b>				
Current assets	\$12,173	\$14,577	\$(2,404)	\$16,756
Noncurrent assets	<u>22,646</u>	<u>18,123</u>	<u>4,523</u>	<u>14,476</u>
Total assets	<u>34,819</u>	<u>32,700</u>	<u>2,119</u>	<u>31,232</u>
<b>Liabilities</b>				
Current liabilities	5,529	5,093	436	4,826
Noncurrent liabilities	<u>634</u>	<u>853</u>	<u>( 218)</u>	<u>538</u>
Total liabilities	<u>6,164</u>	<u>5,946</u>	\$ <u>582</u>	<u>5,364</u>
Net position	<u>\$28,655</u>	<u>\$26,754</u>	\$ <u>1,902</u>	<u>\$25,868</u>
Total liabilities and net position	<u>\$34,819</u>	<u>\$32,700</u>	\$ <u>2,119</u>	<u>\$31,232</u>

The statement of net position as of September 30, 2024 shows that net position increased by \$1.902 million, representing a 7.1% increase compared to the previous fiscal year. This increase suggests improved financial health and stability, indicating that the organization has effectively managed its resources and may be positioned for future growth.

Current assets declined by \$2.404 million, primarily due to the use of cash and short-term investments during fiscal year 2024. Consequently, this reduction necessitated the use of cash reserves intended for short-term investments.

	FY 2024 <u>(In 000's)</u>	FY 2023 <u>(In 000's)</u>	Difference <u>(In 000's)</u>	FY 2022 <u>(In 000's)</u>
Cash	\$ 2,082	\$ 4,360	\$(2,278)	\$ 3,886
Short-Term Investment	2,608	3,051	( 443)	2,764
Due from FSM National Government	707	1,230	( 523)	760
Tuition Receivable	3,633	3,480	153	4,586
Grants and Contracts Receivable	1,667	848	819	1,007
Other Receivables	74	258	( 184)	101
Inventories	1,164	917	247	1,228
Prepaid Expenses	<u>238</u>	<u>433</u>	<u>( 195)</u>	<u>2,424</u>
Total Current Assets	<u>\$12,173</u>	<u>\$14,577</u>	\$ <u>(2,404)</u>	<u>\$16,756</u>

**College of Micronesia-FSM**  
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**Management's Discussion and Analysis, continued**

Non-current assets increased by \$4.523 million, primarily due to higher investment balances and increased capital assets resulting from ongoing construction and infrastructure improvements. Investment gains contributed to the increase in net position but do not directly increase asset balances.

	FY 2024 <u>(In 000's)</u>	FY 2023 <u>(In 000's)</u>	Difference <u>(In 000's)</u>	FY 2022 <u>(In 000's)</u>
Investment	\$13,419	\$10,910	\$2,509	\$8,555
Capital Assets	<u>9,227</u>	<u>7,213</u>	<u>2,014</u>	<u>5,921</u>
Total Non-current Assets	<u>\$22,646</u>	<u>\$18,123</u>	<u>\$4,523</u>	<u>\$14,476</u>

The current liabilities have increased by \$434 thousand, signifying a notable change in our short-term obligations. This increase can be attributed to a variety of factors, primarily the rise in operational expenditures toward the end of fiscal year 2024, including escalated purchases and unforeseen maintenance expenses. Furthermore, we have implemented strategic adjustments to our payment schedules, deferring certain obligations to the subsequent fiscal period. These developments reflect our commitment to effectively managing cash flow while addressing the dynamic demands of our operational environment.

	FY 2024 <u>(In 000's)</u>	FY 2023 <u>(In 000's)</u>	Difference <u>(In 000's)</u>	FY 2022 <u>(In 000's)</u>
Accounts Payable	\$1,334	\$1,529	\$(195)	\$ 534
Accrued Liabilities	1,493	895	597	1,554
Unearned Revenue	2,328	2,238	90	2,414
Lease Liability	73	109	( 36)	---
SBITA Liability	15	44	( 29)	---
Accrued Annual Leave	<u>285</u>	<u>278</u>	<u>7</u>	<u>324</u>
Total Current Liabilities	<u>\$5,528</u>	<u>\$5,093</u>	<u>\$ 434</u>	<u>\$4,826</u>

The non-current liabilities decreased by \$218 primarily due to the amortization of our lease contracts.

	FY 2024 <u>(In 000's)</u>	FY 2023 <u>(In 000's)</u>	Difference <u>(In 000's)</u>	FY 2022 <u>(In 000's)</u>
Lease Liability	\$162	\$349	\$(187)	\$ ---
SBITA Liability	---	14	( 14)	---
Accrued Annual Leave	<u>473</u>	<u>490</u>	<u>( 17)</u>	<u>538</u>
Total Non-current Liabilities	<u>\$635</u>	<u>\$853</u>	<u>\$(218)</u>	<u>\$538</u>

**College of Micronesia-FSM**  
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**Management’s Discussion and Analysis, continued**

The net financial position of the college for fiscal year 2024 increased by \$1.902 million compared to fiscal year 2023. This rise signifies a favorable trend, reflecting a robust net financial standing for the institution. Such an improvement is indicative of effective budgetary management and positions the college for further growth and investment in academic programs and resources.

	FY 2024 <u>(In 000’s)</u>	FY 2023 <u>(In 000’s)</u>	Difference <u>(In 000’s)</u>	FY 2022 <u>(In 000’s)</u>
Net investment in Capital Asset	\$ 8,977	\$ 6,698	\$2,279	\$ 5,921
Restricted Nonexpendable	165	165	---	165
Restricted Expendable	---	---	---	750
Unrestricted	<u>19,514</u>	<u>19,891</u>	<u>( 377)</u>	<u>19,032</u>
Total Net Position	<u>\$28,656</u>	<u>\$26,754</u>	<u>\$1,902</u>	<u>\$25,868</u>

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

The SRECNP provides an in-depth analysis of the College's financial performance for the current fiscal year, focusing on revenues and expenses incurred during this period. This comprehensive report delves into the sources of operating revenue, such as tuition fees, government grants, and donations, as well as the associated operating expenses, including faculty salaries, facility maintenance, and instructional materials. By examining these figures, the report presents the net operating results that indicate the College's efficiency in managing its core educational functions.

In addition to operating activities, the report includes a thorough breakdown of non-operating revenues and expenses. These elements encompass income sources, such as investments and endowment earnings, as well as expenditures that are not directly linked to the College’s primary mission but are essential for overall financial management. The net change in net position is also discussed, offering insights into the institution's economic health and sustainability.

**College of Micronesia-FSM**  
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**Management's Discussion and Analysis, continued**

Furthermore, the document features a comparative summary of the SRECNP for the fiscal years ended September 30, 2024, 2023, and 2022. This comparative analysis allows stakeholders such as College administrators, board members, and external partners to assess financial trends over the past two years, identify potential areas of growth or concern, and make data-driven decisions regarding the College's financial strategies for the future. By evaluating these trends, the College can better adapt to changing circumstances and enhance its long-term viability.

	FY 2024 <u>(In 000's)</u>	FY 2023 <u>(In 000's)</u>	Difference <u>(In 000's)</u>	FY 2022 <u>(In 000's)</u>
Operating revenues	\$ 3,082	\$ 4,853	\$(1,771)	\$ 3,575
Operating expenses	<u>25,548</u>	<u>29,737</u>	<u>4,189</u>	<u>33,509</u>
Operating income/(loss)	(22,466)	(24,884)	2,418	(29,934)
Non-operating revenue and federal capital grants	<u>24,368</u>	<u>25,770</u>	<u>(1,402)</u>	<u>28,233</u>
Change in net position	1,902	886	1,016	(1,701)
Net position at the beginning of year	<u>26,754</u>	<u>25,868</u>	<u>886</u>	<u>27,569</u>
Net position at end of year	<u>\$28,656</u>	<u>\$26,754</u>	<u>\$ 1,902</u>	<u>\$25,868</u>

The analysis of the statement of revenues, expenses, and changes in net position for fiscal year 2024 reveals a noteworthy increase in net position of \$1.902 million, representing a 7% growth from the prior fiscal year's net position balance. This positive change highlights the organization's improved financial performance and underscores the effective revenue-generation and expense-management strategies implemented during the year.

### **3. Statements of Cash Flows (SCF)**

The Statement of Cash Flows (SCF) provides a comprehensive overview of changes in the College's cash position using the direct method. This method clearly summarizes all significant cash inflows and outflows at their gross amounts, allowing for a detailed analysis of the College's financial activities. The cash flows are categorized into four distinct activities:

**Operating Activities** – Transactions include cash received from tuition and fees, grants, and other operating revenues, as well as cash payments for operating expenses such as salaries, utilities, and supplies.

**Noncapital Financing Activities** - These transactions involve cash flows related to noncapital financing sources, such as federal grants, student loans and appropriations from government entities not explicitly designated for capital expenditures.

**Capital and Related Financing Activities** - This section addresses cash flows associated with acquiring, constructing, or improving long-term assets. It may also include cash payments for interest on capital-related debts.

**College of Micronesia-FSM**  
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**Management's Discussion and Analysis, continued**

Investing Activities - This refers to cash transactions involving financial investments, such as purchasing or selling securities or real estate.

For the fiscal year ended September 30, 2024, the SCF shows that the College had a cash and cash equivalents balance of \$2.082 million. This represents a decrease of \$2.278 million, or 52%, compared to the previous fiscal year's balance of \$4.36 million. The sudden reduction in the college's cash position is due to a decrease in government support during the year.

Below is the summary Statements of Cash Flows:

	FY 2024 <u>(In 000's)</u>	FY 2023 <u>(In 000's)</u>	Difference <u>(In 000's)</u>	FY 2022 <u>(In 000's)</u>
Used in operating activities	\$( 20,956)	\$( 20,473)	\$( 483)	\$(30,404)
Provided by non-capital and financing activities	18,279	22,104	( 3,825)	30,478
Gov. contribution to the Endowment Fund	---	500	( 500)	500
Other contribution to the Endowment Fund	---	230	( 230)	---
Used in capital and financing activities	( 505)	( 605)	100	( 529)
Cash flow from investing activities	<u>904</u>	<u>( 1,282)</u>	<u>2,186</u>	<u>( 244)</u>
Net change in cash and equivalents	( 2,278)	474	( 2,752)	( 199)
Cash and cash equivalents at the beginning of year	<u>4,360</u>	<u>3,886</u>	<u>474</u>	<u>4,085</u>
Cash and cash equivalents at end of year	<u>\$ 2,082</u>	<u>\$ 4,360</u>	<u>\$( 2,278)</u>	<u>\$ 3,886</u>

**Capital Assets and Long-term Debt Activity**

Capital Assets

The net value of the college's capital assets, after accounting for depreciation, increased significantly to \$9.227 million in fiscal year 2024, up from \$7.213 million in fiscal year 2023 and \$5.921 million in fiscal year 2022. This notable growth in capital assets is primarily due to the ongoing construction of the Teaching Clinic at the National Campus, which is designed to enhance educational and healthcare training opportunities for students. The new facility is anticipated to provide state-of-the-art resources and technology, thereby fostering an improved learning environment and better preparing students for their future careers in the healthcare sector.

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Management's Discussion and Analysis, continued

Long-term debt

For the fiscal year 2024, the organization's long-term debt stands at \$634,970, underscoring substantial financial commitments. In contrast, the long-term debts for the fiscal years 2023 and 2022 were recorded at \$852,932 and \$538,151, respectively. This notable decrease in overall debt is primarily due to a significant reduction in lease liabilities associated with the Chuuk Campus, as well as a decline in liabilities linked to long-term annual leave. Such improvements reflect prudent financial management and strategic decision-making aimed at enhancing the organization's fiscal health.

College of Micronesia-FSM  
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Statements of Net Position

	September 30,	
	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 2,081,790	\$ 4,359,972
Investments	2,607,623	3,051,379
Due from FSM National Government, net of allowance for doubtful accounts of \$1,049,637 and \$999,569, respectively	707,482	1,229,768
Tuition receivable, net of allowance for doubtful accounts of \$6,475,124 and \$5,781,463, respectively	3,633,430	3,479,972
Grants and contracts receivable, net of allowance for doubtful accounts of \$408,407 and \$553,829, respectively	1,667,152	848,089
Other receivables, net of allowance for doubtful accounts of \$547,332 and \$338,976, respectively	74,043	257,802
Inventories, net of allowance for obsolescence of \$557,115 and \$551,106, respectively	1,164,356	916,589
Prepaid expenses	<u>237,584</u>	<u>433,363</u>
Total current assets	<u>12,173,460</u>	<u>14,576,934</u>
Investments	13,418,592	10,909,450
Capital assets:		
Subscription-based information technology assets, net	21,429	58,125
Lease assets, net	202,899	451,943
Nondepreciable capital assets	5,543,461	2,720,923
Depreciable capital assets, net	<u>3,459,502</u>	<u>3,982,503</u>
Total assets	<u>\$34,819,343</u>	<u>\$32,699,878</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,334,406	1,529,421
Accrued liabilities	1,492,803	894,865
Current portion of lease liability	73,168	108,467
Current portion of subscription-based information technology liability	14,781	43,594
Current portion of accrued annual leave	285,407	278,084
Unearned revenue	<u>2,328,064</u>	<u>2,238,325</u>
Total current liabilities	5,528,629	5,092,756

See accompanying notes.

College of Micronesia-FSM  
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Statements of Net Position, continued

	September 30,	
	<u>2024</u>	<u>2023</u>
Non-current liabilities:		
Lease liability, net of current portion	162,118	348,796
Subscription-based information technology liability, net of current portion	---	14,531
Accrued annual leave, net of current portion	<u>472,852</u>	<u>489,605</u>
Total liabilities	<u>6,163,599</u>	<u>5,945,688</u>
<b>Net position:</b>		
Net investment in capital assets	8,977,222	6,698,106
Restricted – nonexpendable	165,000	165,000
Unrestricted	<u>19,513,522</u>	<u>19,891,084</u>
Total net position	<u>28,655,744</u>	<u>26,754,190</u>
Total liabilities and net position	<u>\$34,819,343</u>	<u>\$32,699,878</u>

*See accompanying notes.*

College of Micronesia-FSM  
(A Component Unit of the Federated States of Micronesia National Government)

Statements of Revenues, Expenses and Changes in Net Position

	Years ended September 30,	
	<u>2024</u>	<u>2023</u>
Operating revenues:		
Student tuition and fees	\$ 7,790,128	\$ 8,081,331
Less scholarship discounts and allowances	( 5,822,227)	( 5,575,131)
	1,967,901	2,506,200
Sales and services of auxiliary enterprises	1,604,296	1,714,888
Other revenues	<u>300,103</u>	<u>378,286</u>
Total operating revenues	3,872,300	4,599,374
(Less) add bad debts (expense) recovery	( 790,309)	<u>254,056</u>
Net operating revenues	<u>3,081,991</u>	<u>4,853,430</u>
Operating expenses:		
Institutional support	8,943,346	12,958,068
Instruction	7,588,945	7,647,804
Student financial assistance	4,089,306	3,752,841
Auxiliary enterprises	1,656,280	2,081,122
Student services	1,614,508	1,428,545
Depreciation	1,027,911	1,092,502
Academic support	609,134	632,178
Operations and maintenance, plant	<u>18,856</u>	<u>144,524</u>
Total operating expenses	<u>25,548,286</u>	<u>29,737,584</u>
Operating loss	(22,466,295)	(24,884,154)
Nonoperating revenue:		
Federal grants and contracts	15,660,244	18,104,996
Government grants and contracts	2,915,671	4,310,340
Government contributions to the Endowment Fund	---	500,000
Other contributions to Endowment Fund	---	230,042
Net investment gain	<u>2,969,395</u>	<u>1,359,654</u>
Total nonoperating revenues, net	<u>21,545,310</u>	<u>24,505,032</u>
Loss before capital grants	( 920,985)	( 379,122)
Federal capital grants	<u>2,822,538</u>	<u>1,265,238</u>
Change in net position	1,901,553	886,116
Net position at beginning of year	<u>26,754,190</u>	<u>25,868,074</u>
Net position at end of year	<u>\$28,655,744</u>	<u>\$26,754,190</u>

*See accompanying notes.*

College of Micronesia-FSM  
(A Component Unit of the Federated States of Micronesia National Government)

Statements of Cash Flows

	Years ended September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Student tuition and fees	\$ 1,113,873	\$ 3,690,312
Sales and services of auxiliary services	1,604,296	1,714,888
Other revenues	483,862	221,480
Payments to suppliers and others	( 9,669,146)	(12,330,003)
Payments to employees for salaries and benefits	(10,399,999)	(10,017,265)
Payments to students	<u>( 4,089,306)</u>	<u>( 3,752,841)</u>
Net cash used in operating activities	<u>(20,956,420)</u>	<u>(20,473,429)</u>
Cash flows from noncapital and related financing activities:		
Federal grants and contracts	15,660,244	18,104,996
Government grants and contracts	2,618,894	3,999,416
Government contributions to Endowment Fund	---	500,000
Other contributions to Endowment Fund	<u>---</u>	<u>230,042</u>
Net cash provided by noncapital and related financing activities	<u>18,279,138</u>	<u>22,834,454</u>
Cash flow from capital and related financing activities:		
Federal grants and contracts	2,822,538	1,265,238
Purchase of capital assets	<u>( 3,327,448)</u>	<u>( 1,869,674)</u>
Net cash used in capital and related financing activities	<u>( 504,910)</u>	<u>( 604,436)</u>
Cash flow from investing activities:		
Net sale (purchase) of investments	<u>904,010</u>	<u>( 1,282,215)</u>
Net change in cash	<u>( 2,278,182)</u>	<u>474,374</u>
Cash at beginning of year	<u>4,359,972</u>	<u>3,885,598</u>
Cash at end of year	<u>\$ 2,081,790</u>	<u>\$ 4,359,972</u>

*See accompanying notes.*

College of Micronesia-FSM  
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Statements of Cash Flows, continued

	Years ended September 30,	
	<u>2024</u>	<u>2023</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$(22,466,295)	\$(24,884,154)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,027,911	1,092,502
Bad debts expense (recovery)	790,309	( 254,056)
Provision for inventory obsolescence	---	79,540
Noncash expense	20,419	---
Changes in assets and liabilities:		
Tuition receivable	( 943,767)	1,359,889
Other receivables	183,759	( 156,806)
Inventories	( 247,767)	231,969
Prepaid expenses	195,779	1,991,319
Accounts payable	( 195,015)	995,397
Accrued liabilities	588,508	( 753,252)
Unearned revenue	<u>89,739</u>	<u>( 175,777)</u>
Net cash used in operating activities	<u>\$(20,956,420)</u>	<u>\$(20,473,429)</u>

*See accompanying notes.*

College of Micronesia-FSM  
(A Component Unit of the Federated States of Micronesia National Government)

Notes to Financial Statements

Years ended September 30, 2024 and 2023

**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, an 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**

*Financial Statement Presentation*

The financial statement presentation is required to provide 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.

*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. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

College of Micronesia-FSM  
(A Component Unit of the Federated States of Micronesia National Government)

Notes to Financial Statements, continued

**3. Summary of Significant Accounting Policies**

- A. *Cash.* Cash are defined as cash on hand and cash in bank.

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.

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

- 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.*

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.

- D. *Inventories.* Inventories are stated at the lower of cost (first-in, first-out) or market (net realizable value).

- E. *Prepaid Expenses.* Payments made to vendors for goods and services that will benefit periods beyond year end 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.

College of Micronesia-FSM  
(A Component Unit of the Federated States of Micronesia National Government)

Notes to Financial Statements, continued

**3. Summary of Significant Accounting Policies, continued**

- G. *Deferred Outflows of Resources.* In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. 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.
- 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.
- J. *Long-term Portion of Accrued Annual Leave.* This includes estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.
- K. *Deferred Inflows of Resources.* In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (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.

College of Micronesia-FSM  
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Notes to Financial Statements, continued

**3. Summary of Significant Accounting Policies, continued**

L. *Net Position*, continued

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.

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, and (2) sales and services of auxiliary enterprises.

Nonoperating – Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other sources and uses, such as (1) most federal, state and local grants and contracts and federal appropriations, and (2) 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 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.

College of Micronesia-FSM  
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Notes to Financial Statements, continued

**3. Summary of Significant Accounting Policies, continued**

- 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 9.
- 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.
- Q. *New Accounting Standards*

During the year ended September 30, 2024, COM-FSM implemented the following pronouncements:

- GASB Statement No. 99, *Omnibus 2022*, which modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures. It also provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which results in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information is provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements results in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

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

Notes to Financial Statements, continued

**3. Summary of Significant Accounting Policies, continued**

Q. *New Accounting Standards, continued*

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

College of Micronesia-FSM  
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Notes to Financial Statements, continued

**3. Summary of Significant Accounting Policies, continued**

*Q. New Accounting Standards, continued*

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

**4. Deposits and Investments**

*Deposits*

As of September 30, 2024 and 2023, COM-FSM has recorded cash and time certificates of deposit of \$2,501,867 and \$4,759,264, respectively, and the corresponding bank balances are \$3,269,479 and \$5,120,447, respectively. As of September 30, 2024 and 2023, \$2,769,479 and \$4,620,447, respectively, were not insured or collateralized with securities held by a trustee in the name of the financial institution. No losses as a result of this practice were incurred during the years ended September 30, 2024 and 2023.

*Investments*

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

College of Micronesia-FSM  
(A Component Unit of the Federated States of Micronesia National Government)

Notes to Financial Statements, continued

**4. Deposits and Investments, continued**

*Investments, continued*

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 a component of restricted nonexpendable net position in the accompanying Statements of Net Position.

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 years ended September 30, 2024 and 2023.

As of September 30, 2024 and 2023, total investments are as follows:

	<u>2024</u>	<u>2023</u>
Domestic fixed income	\$ 4,184,467	\$ 3,913,655
Other investments:		
Equity securities	9,282,437	7,890,189
Exchange traded funds	1,264,543	1,077,395
Certificates of deposit	420,077	399,292
Mutual funds	697,980	587,073
Alternative investments	<u>176,711</u>	<u>93,225</u>
	<u>11,841,748</u>	<u>10,047,174</u>
	<u>\$16,026,215</u>	<u>\$13,960,829</u>

College of Micronesia-FSM  
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Notes to Financial Statements, continued

**4. Deposits and Investments, continued**

*Investments, continued*

As of September 30, 2024, the College's fixed income securities had the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5 Years	5 - 10 Years	Greater than 10 Years
U.S. Treasury Securities	\$ 2,283,627	\$ ---	\$ 1,385,773	\$ 533,660	\$ 364,194
Corporate Bonds	1,859,348	39,465	700,917	980,194	138,771
Asset-Backed Securities (ABS), Mortgage-Backed Securities (MBS), Collateralized Mortgage Obligations (CMOs)	41,493	---	---	---	41,493
	<u>\$ 4,184,468</u>	<u>\$ 39,465</u>	<u>\$ 2,086,690</u>	<u>\$ 1,513,854</u>	<u>\$ 544,458</u>

As of September 30, 2023, the College's fixed income securities had the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1- 5 Years	5 - 10 Years	Greater than 10 Years
U.S. Treasury Securities	\$ 2,059,588	\$ 90,513	\$ 1,375,605	\$ 332,910	\$ 260,559
Corporate Bonds	1,805,484	63,641	739,560	828,788	173,494
Asset-Backed Securities (ABS), Mortgage-Backed Securities (MBS), Collateralized Mortgage Obligations (CMOs)	48,583	---	---	---	48,583
	<u>\$ 3,913,655</u>	<u>\$ 154,154</u>	<u>\$ 2,115,165</u>	<u>\$ 1,161,698</u>	<u>\$ 434,053</u>

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

College of Micronesia-FSM  
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Notes to Financial Statements, continued

**4. Deposits and Investments, continued**

*Investments, continued*

The College's exposure to credit risk at September 30, 2024 and 2023, are as follows:

<u>Moody's Rating</u>	<u>2024</u>	<u>2023</u>
AAA	\$2,256,439	\$2,116,215
AA	24,049	118,110
A	824,460	890,333
BAA	941,509	740,414
Not rated	<u>138,010</u>	<u>48,583</u>
	<u>\$4,184,467</u>	<u>\$3,913,655</u>

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, 2024 and 2023.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. Entities are required to disclose 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, 2024 and 2023.

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.

College of Micronesia-FSM  
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Notes to Financial Statements, continued

**4. Deposits and Investments, continued**

*Investments, continued*

The College has the following recurring fair value measurements as of September 30, 2024 and 2023:

	Fair Value Measurements Using			
	September 30, 2024	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:				
Equity securities	\$ 9,282,437	\$ 9,282,437	\$ ---	\$ ---
Exchange traded funds	1,264,543	1,264,543	---	---
Mutual funds	697,980	697,980	---	---
Domestic fixed income	4,184,467	---	4,184,467	---
Alternative investments	<u>176,711</u>	<u>---</u>	<u>---</u>	<u>176,711</u>
Total investments by fair value level	\$15,606,138	<u>\$11,244,960</u>	<u>\$4,184,467</u>	<u>\$176,711</u>

Investment measured at cost:	
Certificates of deposit	<u>420,077</u>
	<u>\$16,026,215</u>

	Fair Value Measurements Using			
	September 30, 2023	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:				
Equity securities	\$ 7,890,189	\$7,890,189	\$ ---	\$ ---
Exchange traded funds	1,077,395	1,077,395	---	---
Mutual funds	587,073	587,973	---	---
Domestic fixed income	3,913,655	---	3,913,655	---
Alternative investments	<u>93,225</u>	<u>---</u>	<u>---</u>	<u>93,255</u>
Total investments by fair value level	\$13,561,537	<u>\$9,647,882</u>	<u>\$3,913,655</u>	<u>\$93,255</u>

Investment measured at cost:	
Certificates of deposit	<u>399,292</u>
	<u>\$13,960,829</u>

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Notes to Financial Statements, continued

**5. Receivables**

Accounts receivable tuition and fees per campus, net of an allowance for uncollectible accounts, as of September 30, 2024, follows:

	<u>National Campus</u>	<u>State Campuses</u>	<u>Totals</u>
Accounts receivable, gross	\$6,729,937	\$3,378,617	\$10,108,554
Allowance for uncollectible accounts	(4,682,397)	(1,792,728)	( 6,475,124)
Accounts receivable, net	<u>\$2,047,541</u>	<u>\$1,585,889</u>	<u>\$ 3,633,430</u>

Accounts receivable tuition and fees per campus, net of an allowance for uncollectible accounts, as of September 30, 2023, follows:

	<u>National Campus</u>	<u>State Campuses</u>	<u>Totals</u>
Accounts receivable, gross	\$6,016,893	\$3,244,542	\$9,261,435
Allowance for uncollectible accounts	(3,988,736)	(1,792,727)	(5,781,463)
Accounts receivable, net	<u>\$2,028,157</u>	<u>\$1,451,815</u>	<u>\$3,479,972</u>

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 grants as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Due from U.S. Department of Education	\$1,105,113	\$ 264,472
Due from COM-Land Grant	290,891	200,499
Due from University of Guam	121,998	120,233
Due from University of Hawaii	22,124	22,124
CARIPAC	15,100	41,209
Due from other grantor agencies	<u>520,333</u>	<u>753,381</u>
	2,075,559	1,401,918
Less allowance for doubtful accounts	( 408,407)	( 553,829)
	<u>\$1,667,152</u>	<u>\$ 848,089</u>

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Notes to Financial Statements, continued

**6. Capital Assets**

Capital assets at September 30, 2024 consist of the following:

	Balance October 1, <u>2023</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2024</u>
Depreciable capital assets:				
Buildings	\$14,458,770	\$ ---	\$ ---	\$14,458,770
Furniture and equipment	5,501,029	358,418	---	5,859,447
Vehicles/boats	<u>1,048,328</u>	<u>145,108</u>	<u>---</u>	<u>1,193,436</u>
	21,008,127	503,526	---	21,511,653
Less accumulated depreciation	<u>(17,025,624)</u>	<u>(1,026,527)</u>	<u>---</u>	<u>(18,052,151)</u>
	3,982,503	( 523,001)	---	3,459,502
Lease assets				
Lease assets	557,464	---	---	557,464
Less accumulated amortization	<u>( 105,521)</u>	<u>( 249,044)</u>	<u>---</u>	<u>( 354,565)</u>
	451,943	( 249,044)	---	202,899
Subscription- based IT asset:				
Subscription-based IT asset	169,789	---	---	169,789
Less accumulated amortization	<u>( 111,664)</u>	<u>( 36,696)</u>	<u>---</u>	<u>( 148,360)</u>
	58,125	(36,696)	---	21,429
Nondepreciable capital assets:				
Construction in progress	1,265,238	2,822,538	---	4,087,776
Land	<u>1,455,685</u>	<u>---</u>	<u>---</u>	<u>1,455,685</u>
	<u>2,720,923</u>	<u>2,822,538</u>	<u>---</u>	<u>5,543,461</u>
Capital assets, net	<u>\$ 7,213,494</u>	<u>\$2,013,797</u>	<u>\$ ---</u>	<u>\$ 9,227,291</u>

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Notes to Financial Statements, continued

**6. Capital Assets, continued**

Capital assets at September 30, 2023 consist of the following:

	Balance October 1, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2023</u>
Depreciable assets:				
Buildings	\$14,458,770	\$ ---	\$ ---	\$14,458,770
Furniture and equipment	5,080,649	465,477	( 45,097)	5,501,029
Vehicles/boats	<u>922,471</u>	<u>152,356</u>	<u>( 26,499)</u>	<u>1,048,328</u>
	20,461,890	617,833	( 71,596)	21,008,127
Less accumulated depreciation	<u>(15,996,641)</u>	<u>(1,093,883)</u>	<u>64,900</u>	<u>(17,025,624)</u>
	4,465,249	( 476,050)	( 6,696)	3,982,503
Lease assets				
Lease assets	---	557,464	---	557,464
Less accumulated amortization	<u>---</u>	<u>( 105,521)</u>	<u>---</u>	<u>( 105,521)</u>
	---	451,943	---	451,943
Subscription- based IT Asset:				
Subscription-based IT asset	---	169,789	---	169,789
Less accumulated amortization	<u>---</u>	<u>( 111,664)</u>	<u>---</u>	<u>( 111,664)</u>
	---	58,125	---	58,125
Non-depreciable assets:				
Construction in progress	---	1,265,238	---	1,265,238
Land	<u>1,455,685</u>	<u>---</u>	<u>---</u>	<u>1,455,685</u>
	<u>1,455,685</u>	<u>1,265,238</u>	<u>---</u>	<u>2,720,923</u>
Capital assets, net	<u>\$ 5,920,934</u>	<u>\$1,299,256</u>	<u>\$ ( 6,696)</u>	<u>\$ 7,213,494</u>

**College of Micronesia-FSM**  
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**Notes to Financial Statements, continued**

**7. Non-Current Liabilities**

A summary of changes in non-current liabilities for the years ended September 30, 2024 and 2023 follows:

	Outstanding October 1, 2023	Increase	Decrease	Outstanding September 30, 2024	Amount due within one year	Amount due beyond one year
Lease liability	\$ 457,263	\$ ---	\$ 221,977	\$ 235,286	\$ 73,168	\$ 162,118
Subscription-based IT liability	58,125	---	43,344	14,781	14,781	---
Accrued annual leave	<u>767,689</u>	<u>---</u>	<u>9,430</u>	<u>758,259</u>	<u>285,407</u>	<u>472,852</u>
	<u>\$ 1,283,077</u>	<u>\$ ---</u>	<u>\$ 274,751</u>	<u>\$ 1,008,326</u>	<u>\$ 373,356</u>	<u>\$ 634,970</u>

	Outstanding October 1, 2022	Increase	Decrease	Outstanding September 30, 2023	Amount due within one year	Amount due beyond one year
Lease liability	\$ ---	\$ 557,464	\$ 100,201	\$ 457,263	\$ 108,467	\$ 348,796
Subscription-based IT liability	---	169,789	111,664	58,125	43,594	14,531
Accrued annual leave	<u>861,837</u>	<u>---</u>	<u>94,148</u>	<u>767,689</u>	<u>278,084</u>	<u>489,605</u>
	<u>\$ 861,837</u>	<u>\$ 727,253</u>	<u>\$ 306,013</u>	<u>\$ 1,283,077</u>	<u>\$ 430,145</u>	<u>\$ 852,932</u>

**8. FSM National Government Transactions**

COM-FSM receives annual appropriations from the FSM National Government for its operational needs, student financial assistance and other programs. At September 30, 2024 and 2023, receivables from the FSM National Government amounted to \$707,482 and \$1,229,768, net of \$999,569 and \$787,187 allowance for doubtful accounts, respectively. The FSM National Government appropriated \$3,964,714 and \$5,453,711 for the years ended September 30, 2024 and 2023, respectively.

**9. 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.

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Notes to Financial Statements, continued

**9. Contingencies, continued**

*Accreditation*

The College is accredited by the Accrediting Commission for Community and Junior Colleges (ACCJC), Western Association of Schools and Colleges Senior College and University Commission (WSCUC). Accreditation was reaffirmed in an Action Letter issued on June 15, 2023. The College will submit its next Midterm Report in March 2027 and the next comprehensive review will occur in Fall 2029.

**10. Retirement Plan**

The College sponsors the College of Micronesia - FSM Retirement Savings Plan (the Plan), a deferred compensation plan. 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, 2024 and 2023, the College incurred an expense of \$186,799 and \$143,646, respectively for matching contributions.

Although the Plan does not accumulate assets in a trust where Plan assets are legally protected from the creditors of the College and the pension plan administrator, the College has concluded that the activities of the Plan are not fiduciary activities of the College as the participants have the right to direct the exchange and the right to direct the employment of the Plan assets. At September 30, 2024 and 2023, Plan assets totaled \$6,973,077 and \$5,733,901, respectively.

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Notes to Financial Statements, continued

**11. Related Party Transactions**

The College engages in transactions with related parties. As of and for the year ended September 30, 2024, the name and location of the related parties, and the nature and amount of transactions between the College and the related parties are presented as follows.

<u>Related Party</u>	<u>Location</u>	<u>Nature</u>	<u>Revenue (Expense)</u>	<u>Receivable (payable)</u>
Pohnpei Utility Corporation	Pohnpei	Utilities	\$ ( 452,861 )	\$ ( 34,914 )
FSM Telecommunications Corporation	Pohnpei	Utilities	( 73,001 )	( 5,852 )
FSM Social Security Administration	Pohnpei	Contributions	( 549,367 )	( 148,567 )
Pohnpei State Finance Office	Pohnpei	Withholding Taxes	---	( 315,116 )
Chuuk State Finance Office	Chuuk	Withholding Taxes	---	( 47,922 )
Kosrae State Finance Office	Kosrae	Withholding Taxes	---	( 28,644 )
Yap State Finance Office	Yap	Withholding Taxes	---	( 48,258 )
FSM Telecommunications Corporation	Pohnpei	Internet	( 378,135 )	25,060
Chuuk Public Utility	Chuuk	Utilities	( 71,140 )	( 5,284 )
Kosrae Utility Authority	Kosrae	Utilities	( 49,941 )	4,799
Yap State Public Service Corporation	Yap	Utilities	( <u>74,623</u> )	( <u>10,642</u> )
			\$ ( <u>1,649,068</u> )	\$ ( <u>615,340</u> )

**12. Leases**

The College leases land and building with terms ranging from three to five years. The agreements were determined to be leases and the related assets are recorded as right-to-use lease asset in the accompanying statements of net position. The related lease liability is payable in annual or monthly installments of principal and interest at the rate of 7.00%. The future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$124,492	\$16,298	\$140,790
2026	96,019	17,832	113,851
2027	<u>14,775</u>	<u>8,457</u>	<u>23,232</u>
	<u>\$235,286</u>	<u>\$42,587</u>	<u>\$277,873</u>