

Financial Statements

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

*Years ended September 30, 2025 and 2024
with Report of Independent Auditors*



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

Financial Statements

Years ended September 30, 2025 and 2024

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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 the 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, 2025 and 2024, 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, 2025 and 2024, 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 opinion.

Emphasis of a Matter

As discussed in Note 3 to the financial statements, the College adopted a new accounting standard which is Government Accounting Standards Board Statement 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 of 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 of 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 with 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 June 30, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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

June 30, 2026

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

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) provides an overview of the College of Micronesia-FSM's financial position and operating results for the fiscal year ended September 30, 2025, with comparative information for fiscal years 2024 and 2023 where appropriate. The discussion is intended to assist readers in understanding the College's financial performance, significant financial activities, and factors affecting its overall financial condition. This section should be read in conjunction with the accompanying audited financial statements and notes, which provide additional information regarding the College's financial activities.

Fiscal Year 2025 Overview

Local Appropriations:

Government support for operations increased during fiscal year 2025, reducing the College's reliance on institutional cash reserves used to support operations in fiscal year 2024. Congressional appropriations for fiscal year 2025 included:

- \$4,018,539 for the College's general operations;
- \$850,000 for the operations of the FSM Fisheries and Maritime Institute; and
- \$250,000 for the COM-FSM Public Health Initiative.

Total congressional appropriations for fiscal year 2025 amounted to \$5,118,539. These amounts represent budgetary appropriations authorized for the fiscal year and should not be interpreted as revenues reported in the accompanying audited financial statements. Revenue is recognized in the financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Grant funding Sources:

Pell Grant

The College received \$9,766,911 in Pell Grant funding during fiscal year 2025, representing a 2 percent decrease from the previous fiscal year. The decrease primarily reflects changes in student eligibility determinations, federal award levels, and the timing of awards and drawdowns rather than changes in student enrollment. Pell Grant funding continues to provide significant need-based financial assistance to eligible students and remains an important source of support for student access to higher education.

Federal Work Study (FWS)

The College received \$167,402 under the Federal Work-Study (FWS) Program during fiscal year 2025, representing a 1 percent increase from the previous fiscal year. The Federal Work-Study Program provides part-time employment opportunities for eligible students, allowing them to earn wages to help meet educational expenses while gaining valuable work experience.

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

Federal Supplemental Educational Opportunity Grant (FSEOG)

The College received \$225,412 under the Federal Supplemental Educational Opportunity Grant (FSEOG) Program during fiscal year 2025, representing a 1 percent increase from the previous fiscal year. The FSEOG Program provides need-based financial assistance to eligible undergraduate students with exceptional financial need and supplements other forms of federal student financial aid.

TRIO Program

The College received a TRIO Program grant totaling \$1,023,457 during fiscal year 2025 from the U.S. Department of Education. The grant supports student success initiatives for eligible students by providing academic advising, tutoring, mentoring, counseling, financial literacy, and other support services designed to improve student retention, persistence, and graduation outcomes.

Economic Development Administration

The College received a \$161,685 grant from the U.S. Department of Commerce's Economic Development Administration (EDA) during fiscal year 2025 to support the construction of a greenhouse facility at the National Campus. The greenhouse will enhance instructional, research, and workforce development activities in agriculture and related disciplines by providing facilities for applied learning and research.

National Institute of Standards and Technology

The College received a \$207,825 grant during fiscal year 2025 from the National Institute of Standards and Technology (NIST) to improve internet connectivity and network infrastructure at the College's state campuses. The project supports enhanced access to online instruction and digital learning resources by strengthening broadband connectivity and technology infrastructure for students and faculty.

Enrollment

The College continues to face challenges in maintaining and growing student enrollment and credit-hour production, both of which are important drivers of the College's long-term financial sustainability and resource planning. Student headcount enrollment reached a high of 5,290 students in 2022 before declining to 4,988 in 2023 and 4,379 in 2024. In 2025, enrollment stabilized at 4,362 students, representing a slight decrease of 0.4% from the prior year.

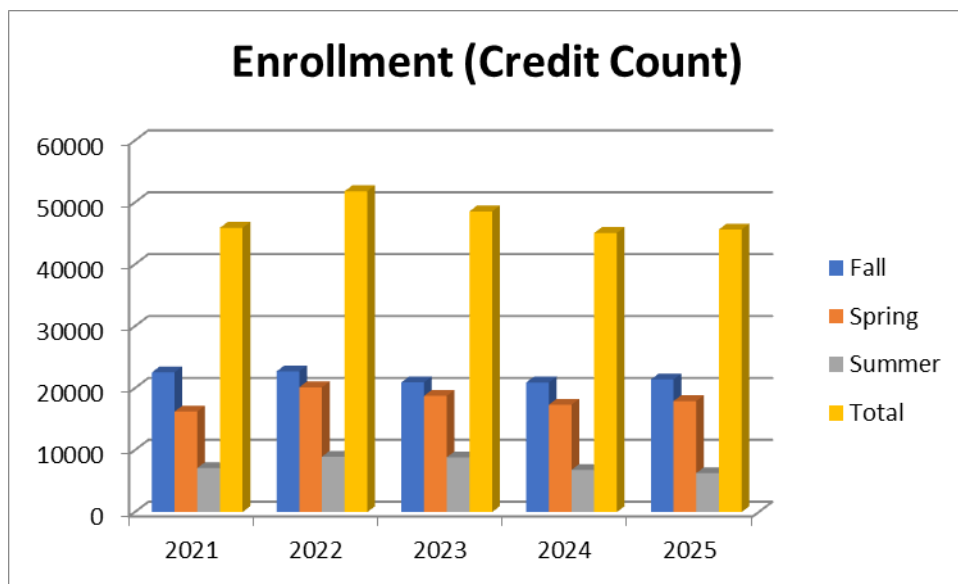
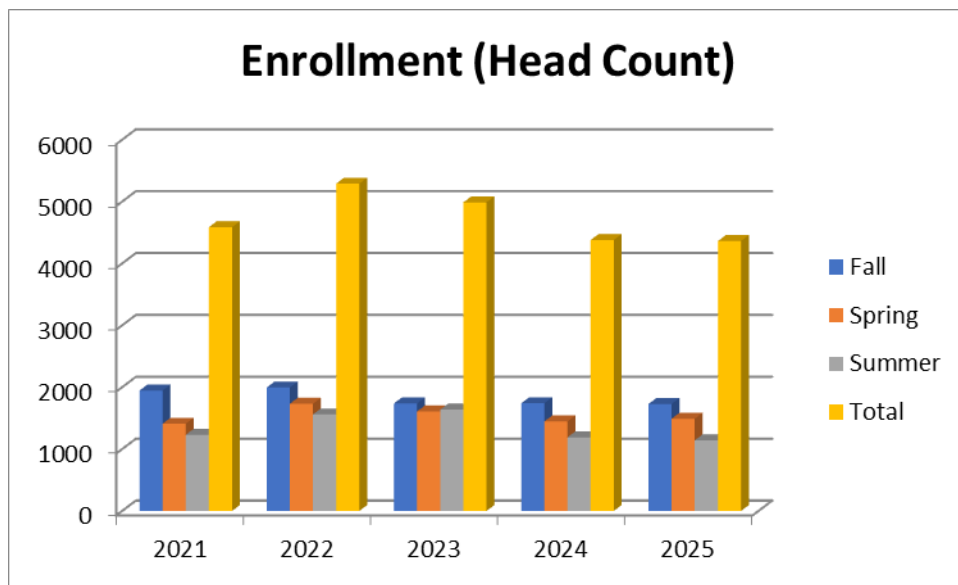
Similarly, total credit-hour enrollment peaked at 51,822 in 2022 and declined to 48,554.5 in 2023 and 45,072 in 2024. In 2025, credit-hour enrollment increased modestly to 45,635, representing a 1.2% increase over the prior year. While enrollment and credit-hour production remain below their 2022 peak levels, the 2025 results suggest that the rate of decline has slowed and may be stabilizing.

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

The College's Fall and Spring terms showed signs of improvement in 2025, while Summer enrollment continued to decline. These trends suggest that enrollment demand remained relatively stable during the primary academic terms, although Summer enrollment continues to present challenges.

In response to these enrollment trends, the College continues to implement initiatives designed to strengthen student recruitment, retention, and academic success. These efforts include enhancing student support services, expanding and improving academic programs, increasing outreach to prospective students, and implementing strategies to improve student persistence and completion.



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 principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) for public colleges and universities.

1. Statement of Net Position (SNP)

The Statement of Net Position presents the College's financial position at the end of the fiscal year by reporting its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. It provides information on the resources available to the College, its financial obligations, and the resulting net position, which serves as an important indicator of the College's overall financial condition.

Net position represents the residual interest in the College's assets after deducting liabilities. Changes in net position from year to year provide an important measure of whether the College's overall financial position has improved or deteriorated.

A Comparative Statements of Net Position on September 30, 2025, 2024, and 2023 is summarized below:

	FY 2025	FY 2024 <i>(Restated)</i>	Difference	FY 2023
	<u>(In 000's)</u>	<u>(In 000's)</u>	<u>(In 000's)</u>	<u>(In 000's)</u>
Assets:				
Current assets	\$10,463	\$12,173	\$(1,710)	\$14,577
Noncurrent assets	<u>24,291</u>	<u>22,646</u>	<u>1,645</u>	<u>18,123</u>
Total assets	<u>34,754</u>	<u>34,819</u>	(<u>65</u>)	<u>32,700</u>
Liabilities				
Current liabilities	4,862	5,529	(667)	5,093
Noncurrent liabilities	<u>1,290</u>	<u>1,369</u>	(<u>79</u>)	<u>853</u>
Total liabilities	<u>6,152</u>	<u>6,898</u>	(<u>746</u>)	<u>5,946</u>
Net position	<u>28,602</u>	<u>27,921</u>	<u>681</u>	<u>26,754</u>
Total liabilities and net position	<u>\$34,754</u>	<u>\$34,819</u>	\$(<u>65</u>)	<u>\$32,700</u>

The Statement of Net Position reflects an increase in net position of \$681 thousand, or approximately 2 percent, during fiscal year 2025. The increase indicates that the College's assets continued to exceed its liabilities and reflects positive financial results during the year.

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

The adoption of GASB Statement No. 101, *Compensated Absences* requires retrospective application. As a result, the FY2024 financial statements have been restated to reflect the changes in the accounting principles as mandated by the new standard.

Current assets decreased by \$1.711 million during fiscal year 2025. The decrease was primarily attributable to reductions in tuition receivables, grants and contracts receivable, amounts due from the FSM National Government, inventory, and prepaid expenses, partially offset by an increase in cash and other receivables. These changes reflect the collection of outstanding receivables, the recognition of prepaid expenditures, and normal operating activities during the fiscal year.

	FY 2025 (In 000's)	FY 2024 (In 000's)	Difference (In 000's)	FY 2023 (In 000's)
Cash	\$ 2,455	\$ 2,082	\$ 373	\$ 4,360
Short-Term Investment	2,588	2,608	(20)	3,051
Due from FSM National Government	324	707	(383)	1,230
Tuition Receivable	3,073	3,633	(560)	3,480
Grants and Contracts Receivable	956	1,667	(711)	848
Other Receivables	197	74	123	258
Inventories	843	1,164	(321)	917
Prepaid Expenses	<u>27</u>	<u>238</u>	<u>(211)</u>	<u>433</u>
Total Current Assets	<u>\$10,463</u>	<u>\$12,173</u>	<u>\$(1,710)</u>	<u>\$14,577</u>

Non-current assets increased by \$1.645 million during fiscal year 2025. The increase was primarily attributable to a \$1.054 million increase in investments and a \$591 thousand increase in capital assets. The increase in capital assets reflects continued investment in the College's facilities and infrastructure, while the growth in investments contributed to the overall increase in non-current assets.

	FY 2025 (In 000's)	FY 2024 (In 000's)	Difference (In 000's)	FY 2023 (In 000's)
Investment	\$14,473	\$13,419	\$1,054	\$10,910
Capital Assets	<u>9,818</u>	<u>9,227</u>	<u>591</u>	<u>7,213</u>
Total Non-current Assets	<u>\$24,291</u>	<u>\$22,646</u>	<u>\$1,645</u>	<u>\$18,123</u>

Current liabilities decreased by \$667 thousand during fiscal year 2025. The decrease was primarily attributable to reductions in accrued liabilities of \$629 thousand and unearned revenue of \$182 thousand. These decreases were partially offset by increases in accounts payable and current lease liabilities. Overall, current liabilities declined from \$5.529 million in fiscal year 2024 to \$4.862 million in fiscal year 2025.

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Management's Discussion and Analysis, continued

	FY 2025	FY 2024 <i>(Restated)</i>	Difference	FY 2023
	<u>(In 000's)</u>	<u>(In 000's)</u>	<u>(In 000's)</u>	<u>(In 000's)</u>
Accounts Payable	\$1,411	\$1,334	\$ 77	\$1,529
Accrued Liabilities	864	1,493	(629)	895
Unearned Revenue	2,146	2,328	(182)	2,238
Lease Liability	165	73	92	109
SBITA Liability	---	15	(15)	44
Accrued Annual and Sick Leave	<u>276</u>	<u>286</u>	<u>(10)</u>	<u>278</u>
Total Current Liabilities	<u>\$4,862</u>	<u>\$5,529</u>	<u>\$(667)</u>	<u>\$5,093</u>

Non-current liabilities decreased by \$80 thousand during fiscal year 2025. The decrease was primarily due to a \$138 thousand reduction in non-current lease liabilities as lease obligations continued to be amortized. This decrease was partially offset by a \$58 thousand increase in accrued annual leave resulting from employee leave balances recognized at year-end.

	FY 2025	FY 2024 <i>(Restated)</i>	Difference	FY 2023
	<u>(In 000's)</u>	<u>(In 000's)</u>	<u>(In 000's)</u>	<u>(In 000's)</u>
Lease Liability	\$ 24	\$ 162	\$(138)	\$349
SBITA Liability	---	---	---	14
Accrued Annual and Sick Leave	<u>1,266</u>	<u>1,207</u>	<u>59</u>	<u>490</u>
Total Non-current Liabilities	<u>\$1,290</u>	<u>\$1,369</u>	<u>\$(79)</u>	<u>\$853</u>

Net position increased by \$681 thousand during fiscal year 2025, representing a 2 percent increase over the previous fiscal year. The increase reflects that the College's assets continued to exceed its liabilities at year-end. Net investment in capital assets increased by \$651 thousand, while unrestricted net position remained relatively stable compared with the previous fiscal year.

	FY 2025	FY 2024 <i>(Restated)</i>	Difference	FY 2023
	<u>(In 000's)</u>	<u>(In 000's)</u>	<u>(In 000's)</u>	<u>(In 000's)</u>
Net investment in Capital Asset	\$ 9,628	\$ 8,977	\$651	\$ 6,698
Restricted Nonexpendable	165	165	---	165
Unrestricted	<u>18,809</u>	<u>18,779</u>	<u>30</u>	<u>19,891</u>
Total Net Position	<u>\$28,602</u>	<u>\$27,921</u>	<u>\$681</u>	<u>\$26,754</u>

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

Management's Discussion and Analysis, continued

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the College's operating and non-operating revenues and expenses for the fiscal year and reports the resulting change in net position. The statement provides information on the financial results of the College's operations and the extent to which operating expenses are supported by operating revenues and non-operating funding sources.

A comparative summary of the Statement of Revenues, Expenses, and Changes in Net Position for fiscal years 2025, 2024, and 2023 is presented below to illustrate changes in the College's financial performance over the three-year period.

	FY 2025	FY 2024 <i>(Restated)</i>	Difference	FY 2023
	<u>(In 000's)</u>	<u>(In 000's)</u>	<u>(In 000's)</u>	<u>(In 000's)</u>
Operating revenues	\$ 3,478	\$ 3,082	\$ 396	\$ 4,853
Operating expenses	<u>25,298</u>	<u>25,522</u>	(224)	<u>29,737</u>
Operating loss	(21,820)	(22,440)	620	(24,884)
Non-operating revenue and grants	<u>22,501</u>	<u>24,368</u>	(1,867)	<u>25,770</u>
Change in net position	681	1,928	(1,247)	886
Net position at the beginning of year	<u>27,921</u>	<u>25,993</u>	<u>1,928</u>	<u>25,868</u>
Net position at end of year	<u>\$28,602</u>	<u>\$27,921</u>	<u>\$ 681</u>	<u>\$26,754</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of \$681 thousand during fiscal year 2025, representing a 2 percent increase over the previous fiscal year. Operating revenues increased by \$396 thousand, while operating expenses decreased by \$224 thousand, resulting in an improvement of approximately \$620 thousand in the operating loss compared with fiscal year 2024. Non-operating revenues continued to provide the primary source of financial support for the College and contributed to the positive change in net position during the year.

3. Capital Assets and Long-term Debt Activity

Capital Assets

The College's net capital assets increased to \$9.818 million at September 30, 2025, compared with \$9.227 million in fiscal year 2024 and \$7.213 million in fiscal year 2023. The increase reflects continued investment in the College's facilities and infrastructure, including the completion of the Teaching Clinic at the National Campus. The Teaching Clinic expands the College's instructional facilities and supports academic and clinical training programs. Net investment in capital assets also increased from \$8.977 million in fiscal year 2024 to \$9.628 million in fiscal year 2025, reflecting the College's continued investment in long-term capital improvements.

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

Long-term Debt

Total long-term liabilities decreased to \$1.290 million in fiscal year 2025 from \$1.370 million in fiscal year 2024, following a significant increase from \$853 thousand in fiscal year 2023. The decrease during fiscal year 2025 was primarily attributable to the continued amortization of lease liabilities, partially offset by an increase in accrued annual and sick leave. Accrued annual and sick leave increased from \$1.208 million in fiscal year 2024 to \$1.265 million in fiscal year 2025 and continues to represent the largest component of the College's long-term liabilities.

College of Micronesia-FSM
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Statements of Net Position

	September 30, <u>2025</u>	September 30, <u>2024</u> <i>(Restated)</i>
Assets		
Current assets:		
Cash	\$ 2,454,671	\$ 2,081,790
Investments	2,587,632	2,607,623
Due from FSM National Government, net	324,052	707,482
Tuition receivable, net	3,073,073	3,633,430
Grants and contracts receivable, net	956,158	1,667,152
Other receivables, net of allowance for doubtful accounts of \$670,603 and \$547,332, respectively	196,705	74,043
Inventories, net of allowance for obsolescence of \$557,115	842,672	1,164,356
Prepaid expenses	<u>27,761</u>	<u>237,584</u>
Total current assets	<u>10,462,724</u>	<u>12,173,460</u>
Investments	14,472,860	13,418,592
Capital assets:		
Subscription-based information technology assets, net	---	21,429
Lease assets, net	183,895	202,899
Nondepreciable capital assets	1,455,685	5,543,461
Depreciable capital assets, net	<u>8,178,379</u>	<u>3,459,502</u>
Total assets	<u>\$34,753,543</u>	<u>\$34,819,343</u>
Liabilities		
Current liabilities:		
Accounts payable	1,410,845	1,334,406
Accrued liabilities	864,153	1,492,803
Current portion of lease liability	164,979	73,168
Current portion of subscription-based information technology liability	---	14,781
Current portion of accrued annual and sick leave	276,148	285,407
Unearned revenue	<u>2,145,958</u>	<u>2,328,064</u>
Total current liabilities	4,862,083	5,528,629

See accompanying notes.

College of Micronesia-FSM
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Statements of Net Position, continued

	September 30, <u>2025</u>	September 30, <u>2024</u> <i>(Restated)</i>
Non-current liabilities:		
Lease liability, net of current portion	24,484	162,118
Accrued annual and sick leave, net of current portion	<u>1,265,024</u>	<u>1,207,794</u>
Total liabilities	<u>6,151,591</u>	<u>6,898,541</u>
Net position:		
Net investment in capital assets	9,628,496	8,977,222
Restricted – nonexpendable	165,000	165,000
Unrestricted	<u>18,808,456</u>	<u>18,778,580</u>
Total net position	<u>28,601,952</u>	<u>27,920,802</u>
Total liabilities and net position	<u>\$34,753,543</u>	<u>\$34,819,343</u>

See accompanying notes.

College of Micronesia-FSM
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Statements of Revenues, Expenses and Changes in Net Position

	Years ended	
	September 30,	
	<u>2025</u>	<u>2024</u>
		<i>(Restated)</i>
Operating revenues:		
Student tuition and fees	\$ 7,977,225	\$ 7,790,128
Less scholarship discounts and allowances	(5,017,828)	(5,822,227)
	2,959,397	1,967,901
Sales and services of auxiliary enterprises	1,577,633	1,604,296
Other revenues	<u>460,480</u>	<u>300,103</u>
Total operating revenues	4,997,510	3,872,300
Less bad debts expense	(1,519,218)	(790,309)
Net operating revenues	<u>3,478,292</u>	<u>3,081,991</u>
Operating expenses:		
Institutional support	7,814,674	8,917,034
Instruction	7,703,177	7,588,945
Student financial assistance	4,749,384	4,089,306
Student services	1,642,173	1,614,508
Auxiliary enterprises	1,488,850	1,656,280
Depreciation	1,243,949	1,027,911
Academic support	638,044	609,134
Operations and maintenance, plant	<u>17,268</u>	<u>18,856</u>
Total operating expenses	<u>25,297,519</u>	<u>25,521,974</u>
Operating loss	<u>(21,819,227)</u>	<u>(22,439,983)</u>
Nonoperating revenue:		
Federal grants and contracts	17,534,820	15,660,244
Government grants and contracts	2,251,906	2,915,671
Net investment gain	<u>1,114,960</u>	<u>2,969,395</u>
Total nonoperating revenues, net	<u>20,901,686</u>	<u>21,545,310</u>
Loss before capital grants	(917,541)	(894,673)
Federal capital grants	<u>1,598,691</u>	<u>2,822,538</u>
Change in net position	681,150	1,927,865
Net position at beginning of year, as previously reported	---	26,754,190
Restatement due to adoption of GASBS 101	<u>---</u>	<u>(761,253)</u>
Net position at beginning of year, as restated	<u>27,920,802</u>	<u>25,992,937</u>
Net position at end of year	<u>\$28,601,952</u>	<u>\$27,920,802</u>

See accompanying notes.

College of Micronesia-FSM
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Statements of Cash Flows

	Years ended September 30,	
	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Student tuition and fees	\$ 1,818,430	\$ 1,113,873
Sales and services of auxiliary services	1,577,633	1,604,296
Other revenues	174,058	483,862
Payments to suppliers and others	(8,423,062)	(9,669,146)
Payments to employees for salaries and benefits	(10,710,268)	(10,399,999)
Payments to students	(4,749,384)	(4,089,306)
Net cash used in operating activities	<u>(20,312,593)</u>	<u>(20,956,420)</u>
Cash flows from noncapital and related financing activities:		
Federal grants and contracts	17,534,820	15,660,244
Government grants and contracts	<u>3,346,330</u>	<u>2,618,894</u>
Net cash provided by noncapital and related financing activities	<u>20,881,150</u>	<u>18,279,138</u>
Cash flow from capital and related financing activities:		
Federal grants and contracts	1,598,691	2,822,538
Purchase of capital assets	<u>(1,875,050)</u>	<u>(3,327,448)</u>
Net cash used in capital and related financing activities	<u>(276,359)</u>	<u>(504,910)</u>
Cash flow from investing activities:		
Net sale of investments	<u>80,683</u>	<u>904,010</u>
Net change in cash	372,881	(2,278,182)
Cash at beginning of year	<u>2,081,790</u>	<u>4,359,972</u>
Cash at end of year	<u>\$ 2,454,671</u>	<u>\$ 2,081,790</u>

See accompanying notes.

College of Micronesia-FSM
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Statements of Cash Flows, continued

	Years ended September 30,	
	<u>2025</u>	<u>2024</u> <i>(Restated)</i>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$(21,819,227)	\$(22,439,983)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,243,949	1,027,911
Bad debts expense	1,519,218	790,309
Noncash revenue	(183,931)	(5,893)
Changes in assets and liabilities:		
Tuition receivable	(958,861)	(943,767)
Other receivables	(122,662)	183,759
Inventories	321,684	(247,767)
Prepaid expenses	209,823	195,779
Accounts payable	76,439	(195,015)
Accrued liabilities	(416,919)	588,508
Unearned revenue	<u>(182,106)</u>	<u>89,739</u>
Net cash used in operating activities	<u>\$(20,312,593)</u>	<u>\$(20,956,420)</u>

See accompanying notes.

College of Micronesia-FSM
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Notes to Financial Statements

Years ended September 30, 2025 and 2024

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. *Accrued Annual and Sick Leave.* 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 cost of annual leave based on employees' salary rates at the end of the fiscal year (September 30). It is the policy of COM-FSM to record the cost of sick leave based on estimated future use using LIFO (last in, first out) flow assumption which was determined using the usage history of former employees.
- J. *Long-term Portion of Accrued Annual and Sick 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
(A Component Unit of the Federated States of Micronesia National Government)

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

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, 2025, COM-FSM implemented the following pronouncements:

- 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. The adoption of the Statement requires restrospective application. As a result, the financial statements for the prior period have been restated to reflect the changes in the accounting principles as mandated by the Statement.

The following table summarizes the effects of the restatement on the previously reported financial statements:

	9/30/2024 Previously Reported	Restatement Adjustment	9/30/2024 Restated Amount
<i>Statement of Net Position</i>			
Net position at beginning of year	\$26,754,190	\$(761,253)	\$25,992,937
Net position at end of year	28,655,744	(734,942)	27,920,802
<i>Statement of Revenues, Expenses and Changes in Net Position</i>			
Change in net position	1,901,553	26,311	1,927,864

Notes to Financial Statements, continued

3. Summary of Significant Accounting Policies, continued

Q. *New Accounting Standards, continued*

The adjustments made due to the retrospective adoption do not affect cash flows from operating, investing, or financing activities.

- 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 the 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.

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

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.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 105 will be effective for fiscal year ending September 30, 2027.

College of Micronesia-FSM
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Notes to Financial Statements, continued

4. Deposits and Investments

Deposits

As of September 30, 2025 and 2024, COM-FSM has recorded cash and time certificates of deposit of \$2,905,704 and \$2,501,867, respectively, and the corresponding bank balances are \$3,046,671 and \$3,269,479, respectively. As of September 30, 2025 and 2024, \$2,116,651 and \$2,769,479, 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, 2025 and 2024.

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 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, 2025 and 2024.

As of September 30, 2025 and 2024, total investments are as follows:

	<u>2025</u>	<u>2024</u>
Domestic fixed income	\$ 4,286,180	\$ 4,184,467
Other investments:		
Equity securities	9,731,099	9,282,437
Exchange traded funds	1,347,391	1,264,543
Certificates of deposit	451,033	420,077
Mutual funds	803,838	697,980
Alternative investments	<u>440,951</u>	<u>176,711</u>
	<u>12,774,312</u>	<u>11,841,748</u>
	<u>\$17,060,492</u>	<u>\$16,026,215</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, 2025, 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	\$ 2,626,998	\$ ---	\$ 1,721,127	\$ 541,246	\$ 364,625
Corporate Bonds	1,659,182	---	786,087	736,839	136,256
	<u>\$ 4,286,180</u>	<u>\$ ---</u>	<u>\$ 2,507,214</u>	<u>\$ 1,278,085</u>	<u>\$ 500,881</u>

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	1,859,347	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>\$ 4,184,467</u>	<u>\$ 39,465</u>	<u>\$ 2,086,690</u>	<u>\$ 1,513,854</u>	<u>\$ 544,458</u>

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, 2025 and 2024, are as follows:

Moody's Rating	2025	2024
AAA	\$2,696,002	\$2,256,439
AA	61,334	24,049
A	667,168	824,460
BAA	861,676	941,509
Not rated	---	138,010
	<u>\$4,286,180</u>	<u>\$4,184,467</u>

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

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, 2025 and 2024.

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, 2025 and 2024.

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.

The College has the following recurring fair value measurements as of September 30, 2025 and 2024:

	Fair Value Measurements Using			
	September 30, 2025	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	\$ 9,731,099	\$ 9,731,099	\$ ---	\$ ---
Exchange traded funds	1,347,391	1,347,391	---	---
Mutual funds	803,838	803,838	---	---
Domestic fixed income	<u>4,286,180</u>	<u>---</u>	<u>4,286,180</u>	<u>---</u>
Total investments by fair value level	\$16,168,508	\$ <u>11,882,328</u>	\$ <u>4,286,180</u>	\$ <u>---</u>
Investment measured at cost or net asset value per share or per fund:				
Certificates of deposit	451,033			
Alternative investments	<u>440,951</u>			
	<u>\$17,060,492</u>			

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

	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	<u>4,184,467</u>	<u>---</u>	<u>4,184,467</u>	<u>---</u>
Total investments by fair value level	\$15,429,427	<u>\$11,244,960</u>	<u>\$4,184,467</u>	<u>\$ ---</u>
Investment measured at cost or net asset value per share or per fund:				
Certificates of deposit	420,077			
Alternative investments	<u>176,711</u>			
		<u>\$16,026,215</u>		

5. Receivables

Accounts receivable tuition and fees per campus, net of an allowance for uncollectible accounts, as of September 30, 2025, follows:

	National <u>Campus</u>	State <u>Campuses</u>	<u>Totals</u>
Accounts receivable, gross	\$6,956,197	\$3,744,027	\$10,700,224
Allowance for uncollectible accounts	(5,392,057)	(2,235,094)	(7,627,151)
Accounts receivable, net	<u>\$1,564,140</u>	<u>\$1,508,933</u>	<u>\$ 3,073,073</u>

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

	National <u>Campus</u>	State <u>Campuses</u>	<u>Totals</u>
Accounts receivable, gross	\$6,729,937	\$3,378,617	\$10,108,554
Allowance for uncollectible accounts	(4,682,396)	(1,792,728)	(6,475,124)
Accounts receivable, net	<u>\$2,047,541</u>	<u>\$1,585,889</u>	<u>\$ 3,633,430</u>

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

Notes to Financial Statements, continued

5. Receivables, continued

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 comprised the following grants as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Due from U.S. Department of Education	\$ 210,392	\$1,105,113
Due from COM-Land Grant	669,112	290,891
Due from University of Guam	121,998	121,998
Due from University of Hawaii	---	22,124
CARIPAC	89,394	15,100
Due from other grantor agencies	<u>186,243</u>	<u>520,333</u>
	1,277,139	2,075,559
Less allowance for doubtful accounts	<u>(320,981)</u>	<u>(408,407)</u>
	<u>\$ 956,158</u>	<u>\$1,667,152</u>

6. Capital Assets

Capital assets at September 30, 2025 consist of the following:

	Balance October 1, <u>2024</u>	<u>Additions</u>	<u>Transfer</u>	Balance September 30, <u>2025</u>
Depreciable capital assets:				
Buildings	\$14,458,770	\$ ---	\$5,686,467	\$20,145,237
Furniture and equipment	5,859,447	216,100	---	6,075,547
Vehicles/boats	<u>1,193,436</u>	<u>18,071</u>	<u>---</u>	<u>1,211,507</u>
	21,511,653	234,171	\$5,686,467	27,432,291
Less accumulated depreciation	<u>(18,052,151)</u>	<u>(1,201,761)</u>	<u>---</u>	<u>(19,253,912)</u>
	<u>3,459,502</u>	<u>(967,590)</u>	<u>5,686,467</u>	<u>8,178,379</u>
Lease assets				
Lease assets	557,464	---	---	557,464
Less accumulated amortization	<u>(354,565)</u>	<u>(19,004)</u>	<u>---</u>	<u>(373,569)</u>
	<u>202,899</u>	<u>(19,004)</u>	<u>---</u>	<u>183,895</u>
Subscription- based IT asset:				
Subscription-based IT asset	169,789	---	---	169,789
Less accumulated amortization	<u>(148,360)</u>	<u>(21,429)</u>	<u>---</u>	<u>(169,789)</u>
	21,429	(21,429)	---	---
Nondepreciable capital assets:				
Construction in progress	4,087,776	1,598,691	(5,686,467)	---
Land	<u>1,455,685</u>	<u>---</u>	<u>---</u>	<u>1,455,685</u>
	<u>5,543,461</u>	<u>1,598,691</u>	<u>(5,686,467)</u>	<u>1,455,685</u>
Capital assets, net	<u>\$ 9,227,291</u>	<u>\$ 590,668</u>	<u>\$ ---</u>	<u>\$ 9,817,959</u>

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Notes to Financial Statements, continued

6. Capital Assets, continued

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>

7. Non-Current Liabilities

A summary of changes in non-current liabilities for the years ended September 30, 2025 and 2024 follows:

	Outstanding October 1, <u>2024</u>	<u>Increase</u>	<u>Decrease</u>	Outstanding September 30, <u>2025</u>	Amount due within one year	Amount due beyond one year
Lease liability	\$ 235,286	\$ ---	\$ 45,823	\$ 189,463	\$ 164,979	\$ 24,484
Subscription-based IT liability	14,781	---	14,781	---	---	---
Accrued annual and sick leave	<u>1,493,201</u>	<u>47,971</u>	<u>---</u>	<u>1,541,172</u>	<u>276,148</u>	<u>1,265,024</u>
	<u>\$ 1,743,268</u>	<u>\$ 47,971</u>	<u>\$ 60,604</u>	<u>\$ 1,730,635</u>	<u>\$ 441,127</u>	<u>\$ 1,289,508</u>
	Outstanding October 1, <u>2023</u>	<u>Increase</u>	<u>Decrease</u>	Outstanding September 30, <u>2024</u>	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 and sick leave	<u>1,448,941</u>	<u>44,260</u>	<u>---</u>	<u>1,493,201</u>	<u>285,407</u>	<u>1,207,794</u>
	<u>\$ 1,964,329</u>	<u>\$ 44,260</u>	<u>\$ 265,321</u>	<u>\$ 1,743,268</u>	<u>\$ 373,356</u>	<u>\$ 1,369,912</u>

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Notes to Financial Statements, continued

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, 2025 and 2024, receivables from the FSM National Government amounted to \$324,052 and \$707,482, net of \$731,809 and \$1,049,637 allowance for doubtful accounts, respectively. The FSM National Government appropriated \$4,018,539 and \$3,964,714 for the years ended September 30, 2025 and 2024, 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.

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, 2025 and 2024, the College incurred an expense of \$184,950 and \$186,799, 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, 2025 and 2024, Plan assets totaled \$7,753,057 and \$6,973,077, 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 years ended September 30, 2025 and 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>2025</u>		<u>2024</u>	
			<u>Revenue (Expense)</u>	<u>Receivable (payable)</u>	<u>Revenue (Expense)</u>	<u>Receivable (payable)</u>
Pohnpei Utility Corporation	Pohnpei	Utilities	\$ (347,434)	\$ (102,931)	\$ (452,861)	\$ (34,914)
FSM Telecommunications Corporation	Pohnpei	Utilities	(78,110)	(12,489)	(73,001)	(5,852)
FSM Social Security Administration	Pohnpei	Contributions	(442,344)	(139,562)	(549,367)	(148,567)
Pohnpei State Finance Office	Pohnpei	Withholding Taxes	---	(124,278)	---	(315,116)
Chuuk State Finance Office	Chuuk	Withholding Taxes	---	(20,221)	---	(47,922)
Kosrae State Finance Office	Kosrae	Withholding Taxes	---	(14,363)	---	(28,644)
Yap State Finance Office	Yap	Withholding Taxes	---	(25,592)	---	(48,258)
FSM Telecommunications Corporation	Pohnpei	Internet	(357,453)	(31,600)	(378,135)	25,060
Chuuk Public Utility	Chuuk	Utilities	(56,941)	---	(71,140)	(5,284)
Kosrae Utility Authority	Kosrae	Utilities	(21,607)	(16,158)	(49,941)	4,799
Yap State Public Service Corporation	Yap	Utilities	(61,958)	(22,363)	(74,623)	(10,642)
			<u>\$ (1,365,847)</u>	<u>\$ (509,557)</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>
2026	\$164,979	\$25,462	\$190,441
2027	<u>24,484</u>	<u>10,171</u>	<u>34,655</u>
	<u>\$189,463</u>	<u>\$35,633</u>	<u>\$225,096</u>