Financial Statements

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

Year ended September 30, 2022
with Report of Independent Auditors

Building a better working world

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

Financial Statements

Year ended September 30, 2022

Contents

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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 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 year ended September 30, 2022, and the related notes to the financial statements which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of College of Micronesia-FSM as of September 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2024 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

May 10, 2024

Financial Statements Analysis

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

1. Statement of Net Position (SNP)

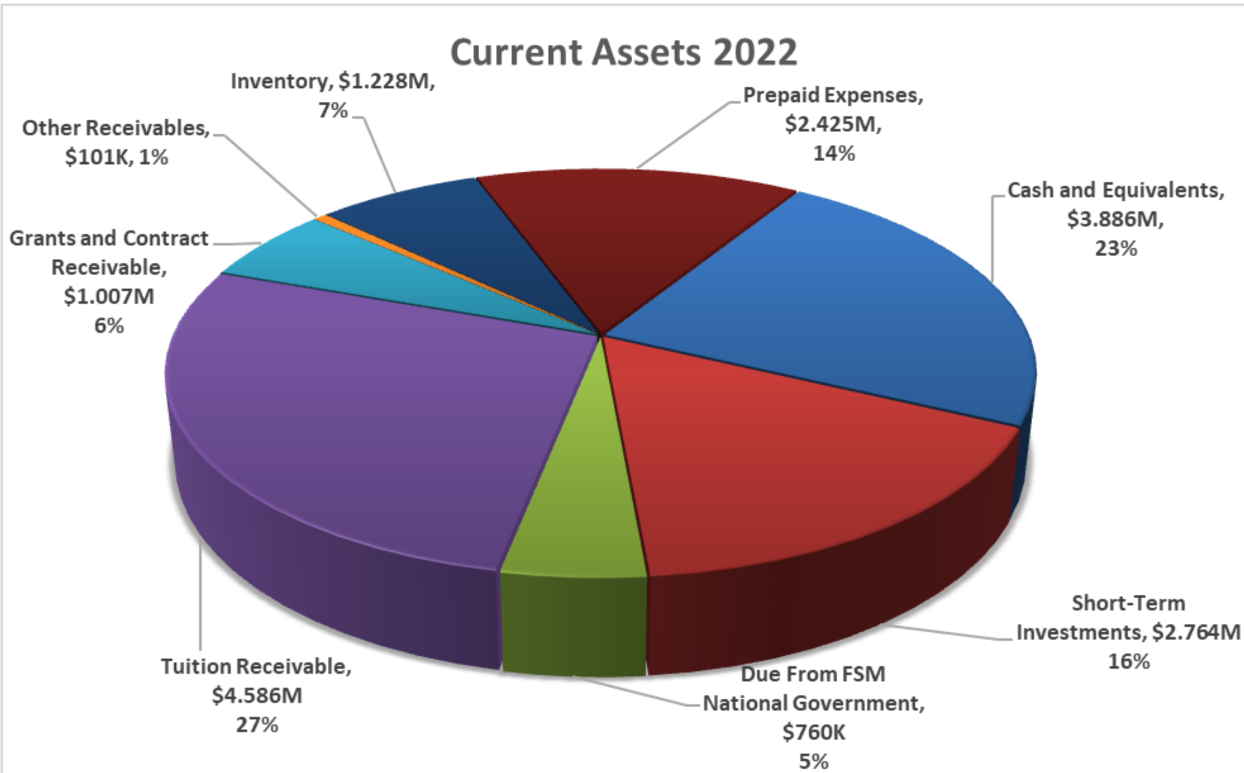
The SNP presents what the College owns (assets), owes (liabilities) and the net assets (the difference between total assets and total liabilities) at the end of the fiscal year. The net asset is one indicator of the current financial condition of the College, while the change in net assets is an indicator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

A Comparative Statement of Net Assets at September 30, 2022, 2021 and 2020 is summarized below:

	FY 2022 (In 000's)	FY 2021 (In 000's)	Difference (In 000's)	FY 2020 (In 000's)
Assets:				
Current assets	$16,756	$16,133	$ 623	$14,834
Noncurrent asset	14,476	16,395	(1,919)	14,888
Total assets	31,232	32,528	(1,296)	29,722
Liabilities:				
Current liabilities	$ 4,826	$ 4,438	$ 388	$ 4,408
Noncurrent liabilities	538	521	17	518
Total liabilities	5,364	4,959	405	4,926
Net position	25,868	27,569	(1,701)	24,796
Total liabilities and net position	$31,232	$32,528	$(1,296)	$29,722

The comparison of the statement of net assets for fiscal year 2022 with prior year indicates a decrease in net assets by $1.296M or 4%

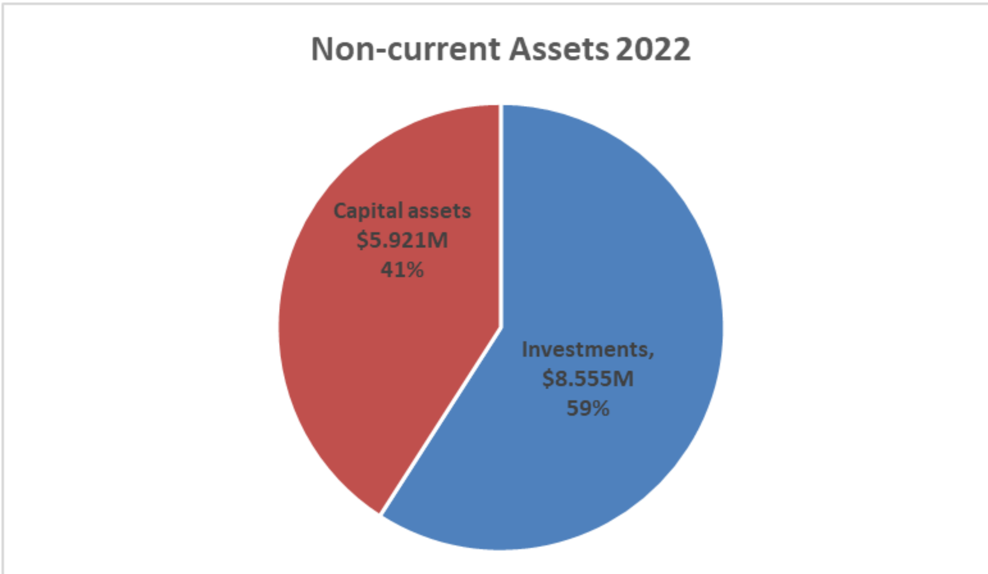
Current assets: The total current asset increased by $623K or 4%, from $16.133M in fiscal year 2021 to $16.756 M in fiscal year 2022. Below is the composition of current assets for fiscal year 2022:



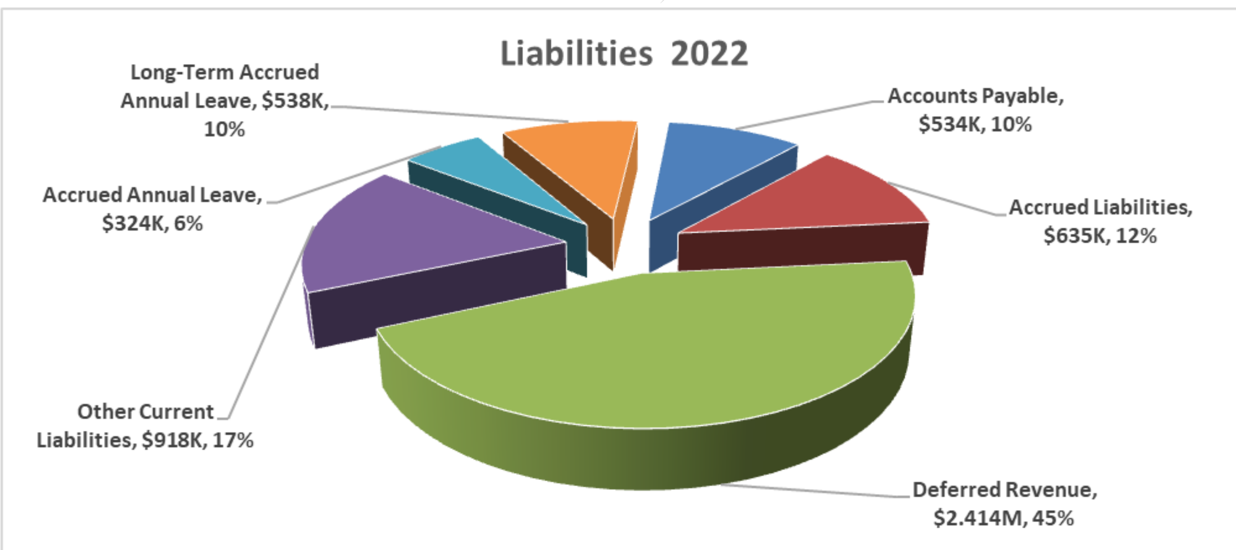
The net increase by $623K in current assets consists of the following changes:

- Decrease in cash and equivalents by $199K or -5%, from $4.085 M to $3.886 M;
- Decrease in Due from FSM National government by $214K or -22%, from $974K to $760K;
- Decrease in short-term investment by $831K or -23% from $3.595M to $2.764M;
- Decrease in Tuition Receivable by $90K or -2%, from $4.676 M to $4.586 M;
- Increase in Grants and Contracts receivable by $10K or 1%, from $997K to $1.007M;
- Decrease in other receivables by $72K or -42%, from $173K to $101K;
- Decrease in inventories by $2K or -0%, from $1.230M to $1.228M;
- Increase in Prepaid expenses by $2.023M or 503%, from $402K to $2.425M;

Noncurrent assets: The total noncurrent assets decreased by $1.919M or -12% from $16.395M in fiscal year 2021 to $14.476M in current fiscal year 2022. The decrease in non-current assets is due to the decrease in investments by $1.465M or -15% and decrease in capital assets by $455k or -7%. Below is the graph for the allocation of noncurrent assets:



Liabilities: The liabilities increased by $405K or 8%, from $4.959M to $5.364M. Current liabilities comprise 90% of the total liabilities and 10% are non – current from long – term accrued annual leave. The allocation of liabilities is presented in the following graph:



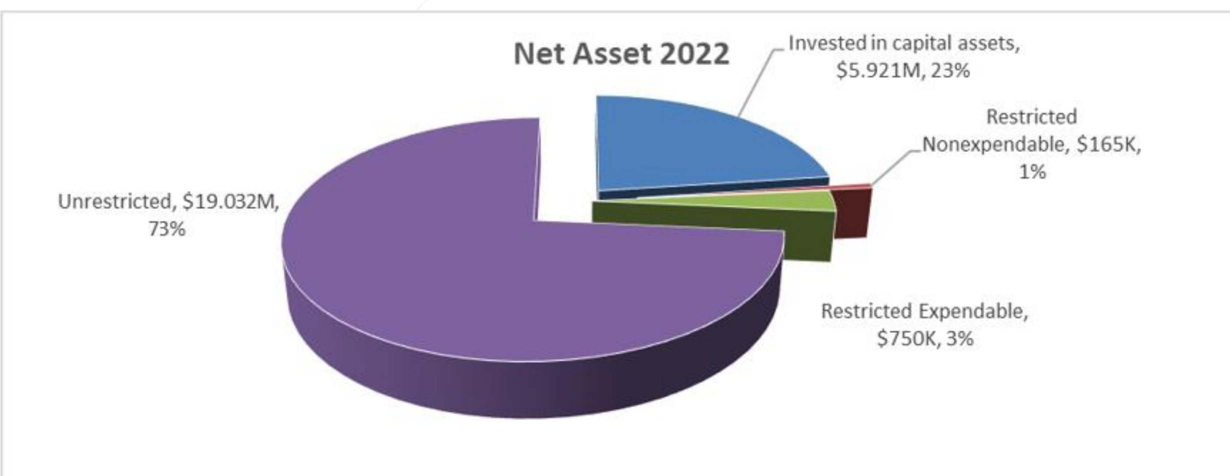
The net increase in liabilities consists of the following:

- Increase in accounts payable by $407K or 138%, from $296K to $703K;
- Increase in accrued liabilities by $25K or 4%, from $610K to $636K;
- Decrease in accrued annual leave by $42K or -11%, from $365K to $324K;
- Increase in unearned revenue by a $177K or 8%, from $2.237M to $2.414M;
- Decrease in other current liabilities by $181K or 19%, from $930K to $749K;
- Increase in long-term accrued annual leave $17K or 3% from $521K to $538K

Net Position: Net position represents the residual interest in the College's assets after liabilities are deducted. The College's net position for fiscal year 2022 is $25.868M, which is lower by $1.701M or -6% compared to $27.569M in fiscal year 2021. Below is the breakdown of the College's net position categorized according to the reporting model of GASB:

	FY 2022 (In 000's)	FY 2021 (In 000's)	Difference (In 000's)	FY 2020 (In 000's)
Invested in capital assets	$ 5,921	$ 6,376	$(455)	$ 6,702
Restricted:				
Nonexpendable	165	165	---	165
Expendable	750	750	---	750
Unrestricted	19,032	20,278	(1,246)	17,179
Total	$25,868	$27,569	$(1,701)	$24,796

The allocation of net position for fiscal year 2022 is illustrated below:

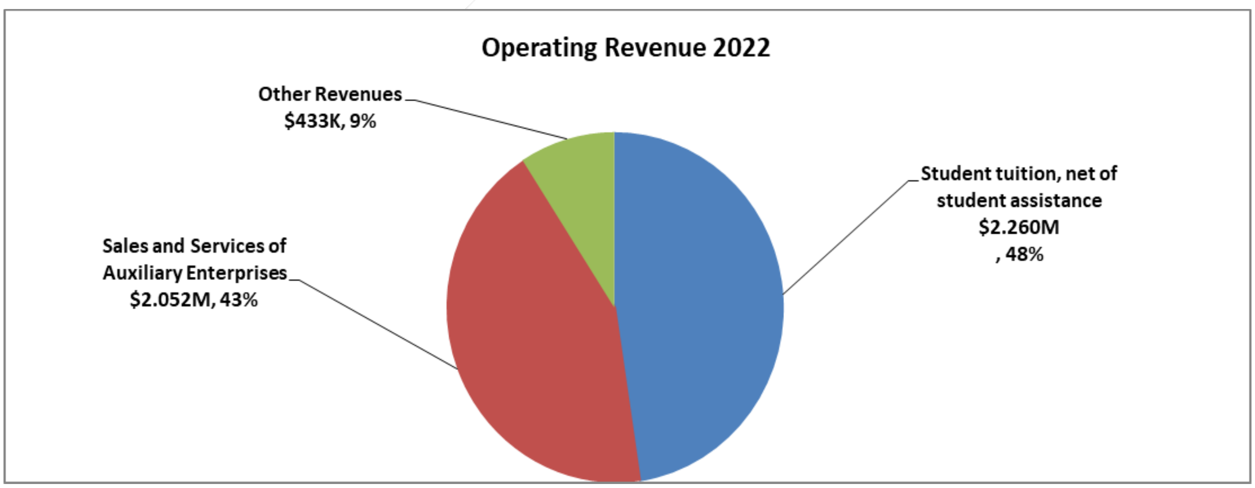


2. Statement of Revenues, Expenses and Changes in Net Position (SRECNP)

The SRECNP provides information on the College's financial performance for the current fiscal year in terms of revenues and expenses. It presents the operating revenues and expenses and the corresponding net operating results, as well as non-operating revenues and expenses and net change in net assets. Below is the comparative summary of SRECNA for fiscal years ended September 30, 2022, and 2021:

	FY 2022 (In 000's)	FY 2021 (In 000's)	Difference (In 000's)
Operating revenues	$ 3,575	$ 2,768	$ 807
Operating expenses	32,508	22,832	9,676
Operating income/(loss)	(28,933)	(20,064)	(8,869)
Non-operating revenue	27,232	22,837	4,395
Net increase (decrease) in net assets	(1,701)	2,773	(4,474)
Net assets at beginning of year	27,569	24,796	(2,773)
Net assets at end of year	$25,868	$27,569	$(1,701)

Operating revenues: The composition of the operating revenues amounting to $4.845M for fiscal year 2022 is presented in the following graph:

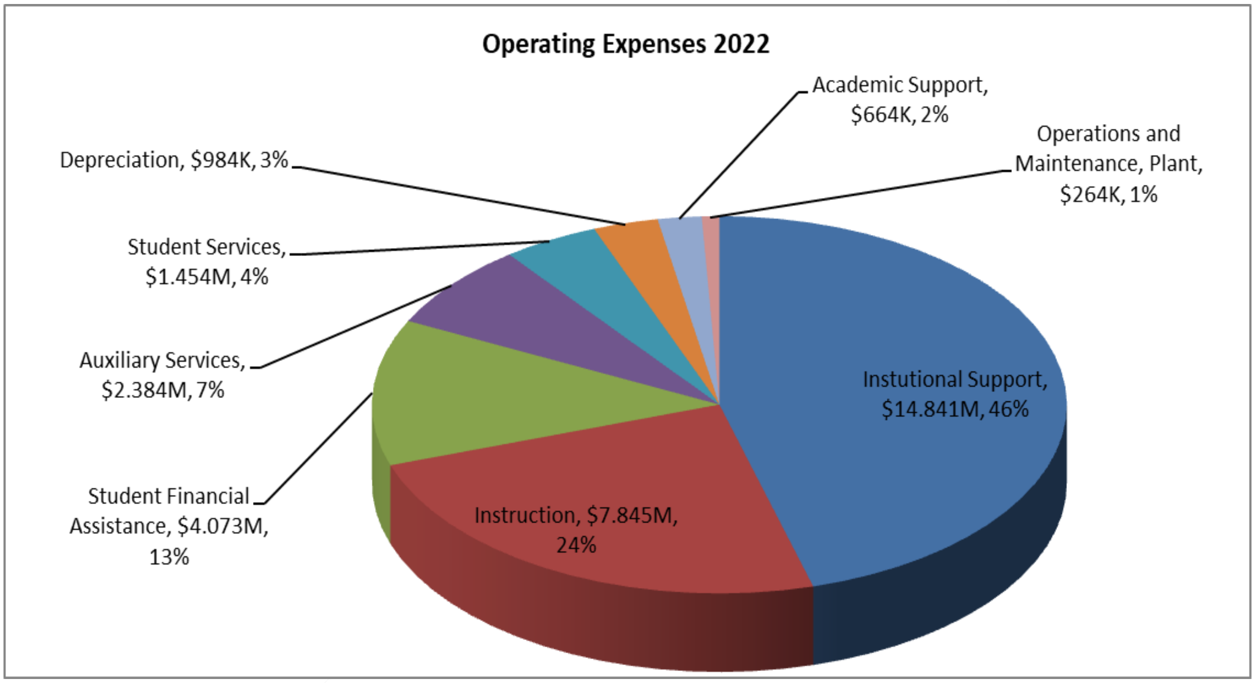


Below are the details of the changes for each classification of operating revenues:

- Increase in Student tuition by $1.540M or 214%, from $720K to $2.260M;
- Decrease in sales and services of auxiliary enterprises by $32K or -2%, from $2.085M to $2.052M;
- Increase in other revenues by $142K or 49%, from $290K to $433K;

Operating expenses: The College's operating expenses for fiscal year 2022 increased by $9.676M or 42%, from $22.832M in 2021 to $32.509M in 2022.

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



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

On Cash Items

- Increase in institutional support by $6.775M or 84%, from $8.066M to $14.841M;
- Increase in instruction by $941K or 14%, from $6.905M to $7.845M;
- Increase in student financial assistance by $1.789M or 78%, from $2.284M to $4.073M;
- Decrease in student services by $28K or -2%, from $1.482M to $1.454M;
- Increase in auxiliary enterprises by $473K or 25%, from $1.910M to $2.84M;
- Decrease in academic support by $216K or -25%, from $880K to $664K;
- Decrease in operations and maintenance by $84K or -24%, from $348K to $264K;

On Non-cash Items

- Increase in the provision of bad debts by $843K or 258%, from $327K to $1.170M;
- Increase in depreciation by $27K or 3%, from $956K to $984K.

Capital Assets and Long-term Debt Activity

At September 30, 2022, the College's net investment in capital assets was $5.921M, with gross amount of $21.919M for depreciable and non – depreciable assets net of accumulated depreciation. Depreciation for the current year amounted to $984K.

The College's long-term obligation of $538K represents the long – term portion of the employee's accrued annual leave. The College provides accumulation of annual leave balance, wherein accumulated leave of not exceeding 240 hours shall be paid to the employee upon resignation/termination of employment. The college has no other long-term debt as of the end of fiscal year 2022.

Economic Outlook

The College's sources of revenue are tuition, other fees from students receiving financial assistance from U. S. Federal Student Aid programs, and from the annual subsidy from the FSM National Government. The subsidy is under the Education Sector Grant of the Compact of Free Association (ESG) between the Government of the United States of America and the Government of the Federated States of Micronesia Amended Compact also known as the Compact of Free Association II and the recently approved Compact of Free Association III for the next twenty years.

The Pell Grants component of the U. S. Federal Student Aid (FSA) programs, U. S. Department of Education (US ED), has played a crucial role in supporting students at the college. Recently, on June 23, 2023, the US ED reauthorized the college's eligibility to participate in Student Aid Programs regulated by the Higher Education Act of 1965 (HEA), and the Federal Student Financial Assistance Programs (Title IV, HEA Programs) until September 30, 2028, with the reapplication date scheduled for June 30, 2028. This reauthorization affirms the college's classification as an eligible entity under the HEA of 1965.

Looking ahead, the college foresees that the proportion of students qualifying for Pell Grants within the FSA will likely remain between 85% and 95% in the coming years. In the academic year 2022-2023, the college disbursed $9,621,9515.59 in Pell Grants to 3,603 duplicated students. During the summer of 2023, the college successfully awarded Pell Grants to 100% of Pell Grants-eligible students enrolled during the term.

Guided by its mission as a learner-centered institution of higher education, the college remains deeply committed to empowering students. By providing comprehensive support through Pell Grants, the college not only invests in the academic journeys of its students but also in their future success. The college ensures that Pell Grants-eligible students enrolled in its programs receive financial assistance from the Pell Grants to cover their attendance costs by the end of each awarding term, thereby fostering an environment where every individual can thrive and achieve their fullest potential.

The college is accredited by the Accrediting Commission for Community and Junior Colleges (ACCJC), Western Association of Schools and Colleges (WASC). Accreditation was reaffirmed through spring 2023 in an Action Letter issued on June 15, 2023. The next institutional self-evaluation report is due to ACCJC in March 2030. The Mid-Term Report from the college is due in 2027.

The College is expected to receive the continued support of funding assistance in succeeding years from the FSM National Government through the recently approved compact education sector fund and FSM local revenue. The FSM Government provided its commitment to absorb the funding decrements from the ESG fund through the local revenue of the FSM. The FSM Presidential Letter dated February 11, 2021, communicated the government support to continue to fund the decrement from its domestic revenues in the future. The FSM Government provided $3.0 million for the FY2022 Budget and $1 million from the Compact Educational Sector Grant. The college received $285,000 from the FSM National government for its endowment fund. The college received a commitment from the FSM National Government TC&I that the $4 million share for the FSM Government will be committed to fund the college's Infrastructure Projects for the next 20 years under the newly approved Compact III, to continue support for the college's Long-Term Facilities Development Master Plan from the FSM domestic revenues and ODA funds to continue to carry out its projects. Additionally, the college will receive compact III Infrastructure Maintenance Fund from the $900,000 awarded to FSM for each year with no FSM matching required.

The College provided a structured tuition fee increases for three consecutive fiscal years in 2016 and again in 2022. For the fiscal year 2023, the tuition will be maintained at $145 per credit for two years degree and certificate programs while $165 per credit for all major course requirements in both the Bachelorette degrees in Elementary Education and Business with emphasis in Accounting programs , and the facility fee was at the level of $200 per student and technology fee of $100 per student. The tuition and fees will continue to be at the same level for FY2023-2024.
The College is currently reviewing its Integrated Educational Master Plan (IEMP) especially program prioritization and cost savings measures. The college's Five-Year Integrated Educational Master Plan will be linked to the approved college's Five-Year Financial Plan 2024-2029. These

plans generate a clear picture of the college's financial outlook for the next five years. The college's next Five-Year Financial Plan will commence in FY2024 until 2029.

With the College's Facilities Master Plan, COM-FSM intends to move forward with a prioritized program of selected capital investment in new buildings and existing building reconfigurations plus capacity enhancement in facilities maintenance and project management. In March 2024, COM-FSM joined the FSM and States Consultative Workshop in Palikir to update and prioritize its IDP for 2016-2025.

The college can now submit an annual funding request through the budget process to the FSM for projects' construction. Three projects are under construction; one at the CTEC campus and two at the National Campus. The CTEC project cost is $5.6 million, the National Student Services project cost is $5.3 million and the Teaching Clinic Project was funded by the U. S. Department of Education under the Pandemic CARES ACT fund cost at $4.2 million. For FY2023, the college will use its annual Compact III IDP fund of $4 million plus $2 million from Kosrae IDP to Construct the Multipurpose building for Kosrae campus. The new Chuuk Campus Design for construction is required at a new location while maintaining the already identified Nantaku site for agriculture programs and research and conference facilities. The college's endowment fund started in 1997, has the goal of growing the size of its corpus to provide long-term financial stability of the college not for its operations but for special projects. The Board and the Administration, through the newly created Office for Institutional Advancement and External Affairs put in place plans to raise money for the Endowment Fund from businesses, private individuals, and government entities within FSM including prospective donors and stakeholders abroad to meet the revised target goal of $50 million. Fundraising efforts will continue for the remaining period, employing every conceivable way including lucky draws or raffles, fundraising dinners, cocktails, bake sales, memorabilia, and other on-campus student fundraising events.

The College has sought authorization from ACCJC to launch a hybrid model of course delivery online and traditional face to face offering to students beyond 2022 and is still ongoing. The college recently endorsed its new open admission requirements starting Summer 2024 to use the COMET test for the placement of students in classes rather than solely for admission purposes.

The college reached an agreement with the FSM to include as part of its annual budget submission $285,000 for the FSM contribution to the Endowment fund. The college received $500,000 in FY2022 as FSM Government pledge contributions to the endowment fund. This pledge will total $2 million for 7 years from 2020.

Financial Management Contact

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

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

Statement of Net Position

September 30, 2022

Assets	
Current assets:	
Cash	$ 3,885,598
Investments	2,764,015
Due from FSM National Government, net	760,401
Tuition receivable, net	4,585,805
Grants and contracts receivable, net	1,006,532
Other receivables, net	100,996
Inventories, net	1,228,098
Prepaid expenses	2,424,682
Total current assets	16,756,127
Investments	8,554,945
Capital assets:	
Nondepreciable capital assets	1,455,685
Capital assets, net of accumulated depreciation	4,465,249
Total assets	31,232,006
Liabilities	
Current liabilities:	
Accounts payable	534,024
Accrued liabilities	635,607
Accrued annual leave, current portion	323,686
Unearned revenue	2,414,102
Other current liabilities	918,362
Total current liabilities	4,825,781
Long-term portion of accrued annual leave	538,151
Total liabilities	5,363,932
Net position:	
Net investment in capital assets	5,920,934
Restricted – nonexpendable	165,000
Restricted for education	750,000
Unrestricted	19,032,140
Total net position	25,868,074
Total liabilities and net position	$31,232,006

See accompanying notes.

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

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2022

Operating revenues:	
Student tuition and fees	$ 8,355,581
Less scholarship discounts and allowances	(6,095,334)
	2,260,247
Sales and services of auxiliary enterprises	2,052,329
Other revenues	432,841
Total operating revenues	4,745,417
Less Bad debts	(1,170,205)
Net operating revenues	3,575,212
Operating expenses:	
Institutional support	14,840,588
Instruction	7,845,391
Student financial assistance	4,072,929
Auxiliary enterprises	2,383,577
Student services	1,454,460
Depreciation	983,530
Academic support	664,005
Operations and maintenance, plant	264,073
Total operating expenses	32,508,553
Operating loss	(28,933,341)
Nonoperating revenue (expense):	
Federal grants and contracts	24,268,757
Government grants and contracts	5,004,398
Government contributions to the Endowment Fund	500,000
Net investment loss	(2,540,784)
Total nonoperating revenues, net	27,232,371
Change in net position	(1,700,970)
Net position at beginning of year	27,569,044
Net position at end of year	$25,868,074

See accompanying notes.

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

Statement of Cash Flows

Year ended September 30, 2022

Cash flows from operating activities:	
Student tuition and fees	$ 1,357,682
Auxiliary services	2,052,329
Other receipts	504,627
Payments to suppliers and others	(19,461,718)
Payments to employees for salaries and benefits	(9,783,780)
Payments to students	(4,072,929)
Net cash used in operating activities	(29,403,789)
Cash flows from noncapital and related financing activities:	
Federal grants and contracts	24,268,757
Government grants and contracts	5,208,525
Government contributions to Endowment Fund	500,000
Net cash provided by non-capital related financing activities	29,977,282
Cash flow from capital and related financing activity-	
Purchase of capital assets	(528,873)
Cash flow from investing activities:	
Net purchase of investments	(244,456)
Net change in cash	(199,836)
Cash at beginning of year	4,085,434
Cash at end of year	$ 3,885,598

See accompanying notes.

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

Statement of Cash Flows, continued

Year ended September 30, 2022

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$(28,933,341)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	983,530
Bad debts	1,170,205
Provision for inventory obsolescence	163,126
Changes in assets and liabilities:	
Tuition receivable	(1,079,915)
Other receivables	71,786
Inventories	(161,150)
Prepaid expenses	(2,022,581)
Accounts payable	237,945
Accrued liabilities	528
Unearned revenue	177,350
Other current liabilities	(11,272)
Net cash used in operating activities	$(29,403,789)

See accompanying notes.

1. Organization

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

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

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

2. Basis of Presentation

Financial Statement Presentation

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

Other GASB Statements are required to be implemented in conjunction with GASB Statements No. 34 and No. 35. Therefore, the FSM National Government and COM-FSM have also implemented Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; *Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*.

2. Basis of Presentation, continued

Basis of Accounting

For financial statement purposes, COM-FSM is considered a special-purpose government engaged only in business-type activities. Accordingly, COM-FSM's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-college transactions have been eliminated. COM-FSM reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

3. Summary of Significant Accounting Policies

A. *Cash.* 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.

At September 30, 2022, COM-FSM has recorded cash of $3,885,598, with corresponding bank balances of $3,952,243. Of this amount, $3,452,243 are not insured or collateralized with securities held by a trustee in the name of the financial institution.

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

No losses as a result of this practice were incurred during the year ended September 30, 2022.

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.

3. Summary of Significant Accounting Policies, continued

C. *Accounts Receivable*. Accounts receivable tuition and fees, net of an allowance for uncollectible accounts as of September 30, 2022, follows:

	National Campus	State Campuses	Totals
Accounts receivable, gross	$7,042,216	$3,813,705	$10,855,921
Allowance for uncollectible accounts	(4,477,387)	(1,792,729)	(6,270,116)
Accounts receivable, net	$2,564,829	$2,020,976	$ 4,585,805

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

Other receivables are net of an allowance for doubtful accounts of $339,016 as of September 30, 2022.

D. *Inventory*. Inventory is stated at the lower of cost (first-in, first-out) or market (net realizable value). At September 30, 2022, inventory is net of an allowance for obsolescence of $471,567.

E. *Prepaid Expenses.* Payments made to vendors for goods and services that will benefit periods beyond September 30, 2022, 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.

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. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

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

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

The change in accrued compensated absences during fiscal year 2022 is as follows:

Balance, October 1, 2021	Addition	Reduction	Balance, September 30, 2022	Current
$886,418	$ ---	$(24,581)	$861,837	$323,686

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.

3. Summary of Significant Accounting Policies, continued

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

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

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

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

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

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 that are defined as nonoperating revenues and expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as (1) most federal, state and local grants and contracts and federal appropriations, and (2) investment income.

3. Summary of Significant Accounting Policies, continued

N. *Scholarship Discounts and Allowances*. Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by COM-FSM, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in COM-FSM's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, COM-FSM has recorded a scholarship discount and allowance.

COM-FSM also adopts tuition waiver and reduction as approved by the Board policy. COM-FSM allows waiver of tuition and auditing fees up to six (6) credit hours each academic semester for full-time regular employees. Dependents of regular employees of the College, age twenty-two or younger at the time of registration for any courses, are eligible for a 50% tuition reduction for COM-FSM courses. Total of these reductions for 2022 was $177,843.

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

P. *Estimates*. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. *New Accounting Standards*

During the year ended September 30, 2022, COM-FSM implemented the following pronouncements:

- In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract.

3. Summary of Significant Accounting Policies, continued

Q. *New Accounting Standards, continued*

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

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

- In June 2017, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this statement did not have a material effect on the accompanying financial statements.

- In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report, which establishes the term annual comprehensive financial report and its acronym ACFR*. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this statement did not have a material effect on the accompanying financial statements.

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

3. Summary of Significant Accounting Policies, continued

Q. *New Accounting Standards, continued*

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

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

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

3. Summary of Significant Accounting Policies, continued

Q. *New Accounting Standards, continued*

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

1) 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 effective for fiscal year ending September 30, 2024.

2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.

3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.

4) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal year ending September 30, 2023.

5) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Effective for fiscal year ending September 30, 2023.

6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

3. Summary of Significant Accounting Policies, continued

Q. *New Accounting Standards, continued*

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62.* This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

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 objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain 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. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

4. Investments

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

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

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

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

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

In December 1997, COM-FSM adopted an investment policy, which guides current investment decisions. The policy provides that investment earnings may not be obligated until the principal has aggregated to a market value of $20 million. The investment consultant revised the investment policy on March 2017 to incorporate the amendments adopted by the Board during the March 2017 meeting. No revisions were made for the year ended September 30, 2022.

4. Investments, continued

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

As of September 30, 2022, total investments at fair value are as follows:

Domestic fixed income	$ 3,639,035
Other investments:	
Equity securities	6,832,350
Exchange traded funds	847,575
	7,679,925
	$11,318,960

As of September 30, 2022, the College's fixed income securities had the following maturities:

		Investment Maturities (in years)				
Investment Type	Fair Value	Less than 1	1- 3 Years	3 - 7 Years	7- 14 Years	more than 14
Corporate bond	$ 1,669,442	$ -	$ 303,259	$ 639,339	$ 633,229	$ 93,615
Government bond	1,969,593	65,236	838,776	785,450	115,404	164,727
	$ 3,639,035	$ 65,236	$ 1,142,035	$ 1,424,789	$ 748,633	$ 258,342

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

4. Investments, continued

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

Moody's Rating	Domestic	Total
AAA	$2,017,287	$2,017,287
AA	23,746	23,746
A	643,007	643,007
BAA	954,995	954,995
	$3,639,035	$3,639,035

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, 2022.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the College. There was no concentration of credit risk for investments as of September 30, 2022.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

4. Investments, continued

The College has the following recurring fair value measurements as of September 30, 2022:

		Fair Value Measurements Using		
	September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Fixed income securities	$ 3,639,035	$ ---	$3,639,035	$ ---
Equity securities	6,832,350	6,832,350	---	---
Exchange traded funds	847,575	847,575	---	---
Total investments by fair value level	$11,318,960	$7,679,926	$3,639,035	$ ---

5. Due from Grantor Agencies

COM-FSM administers student financial aid (SFA) for the U.S. Department of Education. SFA funds relate to Pell Grants, Talent Search Program, Upward Bound Program, and Student Support Services (TRIO program), Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). COM-FSM also administers Land Grant Programs on behalf of COM Land Grant College. Grants and contracts receivable – U.S. Government comprised the following uncollected grants as of September 30, 2022:

Due from U.S. Department of Education	$ 266,155
Due from COM-Land Grant	236,609
Due from University of Guam	120,233
Due from University of Hawaii	22,124
CARIPAC	165,738
Due from other grantor agencies	727,378
	1,538,237
Less allowance for doubtful accounts	(531,705)
	$ 1,006,532

6. Capital Assets

Capital assets at September 30, 2022 consist of the following:

	Balance October 1, 2021	Additions	Retirements	Balance September 30, 2022
Depreciable assets:				
Buildings	$14,458,770	$ ---	$ ---	$14,458,770
Furniture and equipment	4,710,439	490,435	(120,225)	5,080,649
Vehicles/boats	924,932	40,723	(43,184)	922,471
	20,094,141	531,158	(163,409)	20,461,890
Less accumulated depreciation	(15,174,235)	(983,530)	161,124	(15,996,641)
	4,919,906	(452,372)	(2,285)	4,465,249
Non-depreciable assets:				
Land	1,455,685	---	---	1,455,685
Capital assets, net	$ 6,375,591	$(452,372)	$(2,285)	$ 5,920,934

7. Related Party Transactions

COM-FSM receives annual appropriations from the FSM National Government for its operational needs, student financial assistance and other programs. At September 30, 2022, receivables from the FSM National Government amounted to $760,401, net of $787,187 allowance for doubtful accounts. The College recognized $5,325,398 in appropriations for the years ended September 30, 2022.

8. Contingencies

Insurance

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

8. Contingencies, continued

Accreditation

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

Litigation

COM-FSM is periodically a defendant in legal actions inherent to the nature of its operations. COM-FSM management is of the opinion that resolution of any matters existing as of September 30, 2022 will not have a material effect on the accompanying financial statements.

9. 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 year ended September 30, 2022, the College incurred an expense of $139,709 for matching contributions.

Although the Plan does not accumulate assets in a trust where Plan assets are legally protected from the creditors of 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, 2022, Plan assets totaled $5,448,830.

10. Leases

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

Year Ending September 30,	Total
2023	$122,290
2024	104,790
2025	104,790
2026	104,790
2027	104,790
	$541,450