COLLEGE OF MICRONESIA-FSM

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Board of Regents
College of Micronesia-FSM:

Report on the Financial Statements

We have audited the accompanying financial statements of College of Micronesia-FSM (the College), a component unit of the FSM National Government, which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Deloitte.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College of Micronesia-FSM as of September 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Deloitte + Touche LLP

December 22, 2021

Financial Statements Analysis

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

1. Statement of Net Position (SNP)

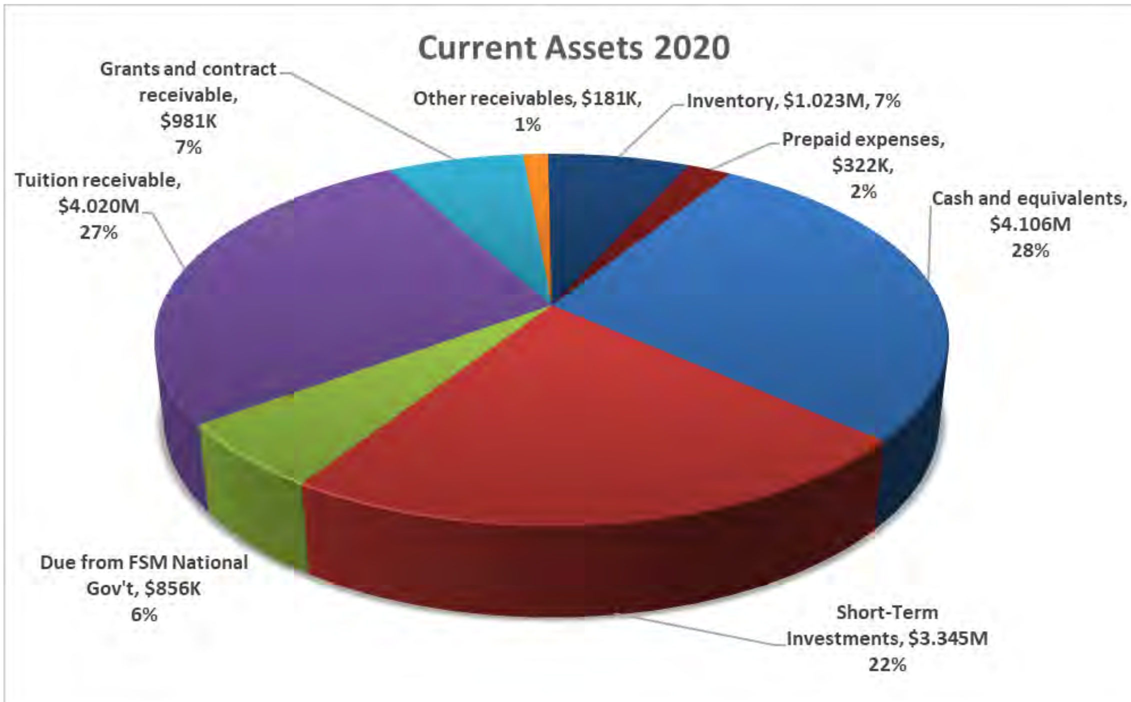
The SNP presents what the College owns (assets), owes (liabilities) and the net position (the difference between total assets and total liabilities) at the end of the fiscal year. The net position is one indicator of the current financial condition of the College, while the change in net assets is an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

A Comparative Statement of Net Assets at September 30, 2020, 2019 and 2018 is summarized below:

	FY 2020 (In 000's)	FY 2019 (In 000's)	Difference (In 000's)	FY 2018 (In 000's)
Assets:				
Current assets	$14,834	$15,693	$ (859)	$15,456
Noncurrent asset	14,888	14,361	527	14,482
Total assets	$29,722	$30,054	$ (332)	$29,938
Liabilities:				
Current liabilities	$ 4,408	$ 4,503	$ (95)	$ 4,237
Noncurrent liabilities	518	458	60	378
Total liabilities	4,926	4,961	(35)	4,616
Net position	24,796	25,093	(297)	25,322
Total liabilities and net position	$29,722	$30,054	$(332)	$29,938

The comparison of the statement of net position for fiscal year 2020 with prior year indicates a decrease in net position by $297 or -1%

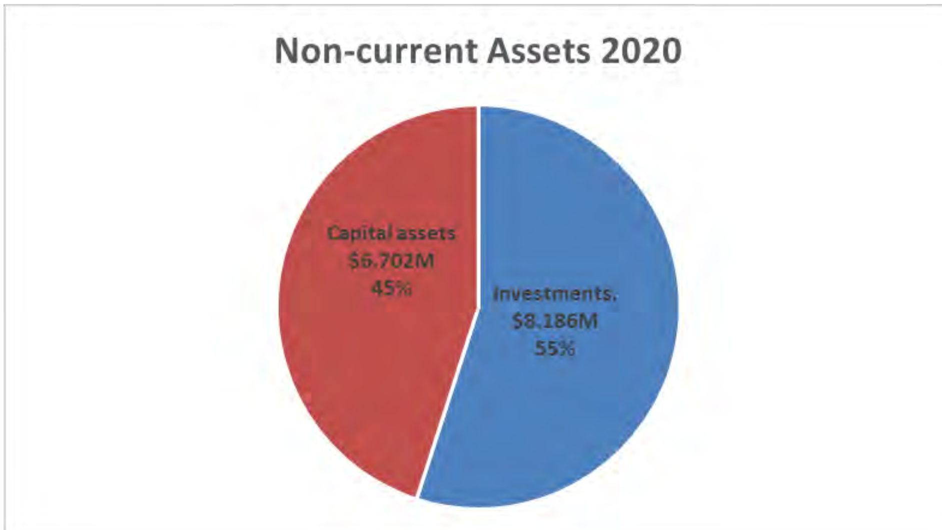
Current assets: The total current assets decreased by $859K or 5%, from $15.693M in fiscal year 2019 to $14.834M in fiscal year 2020. Below is the composition of current assets for fiscal year 2020:



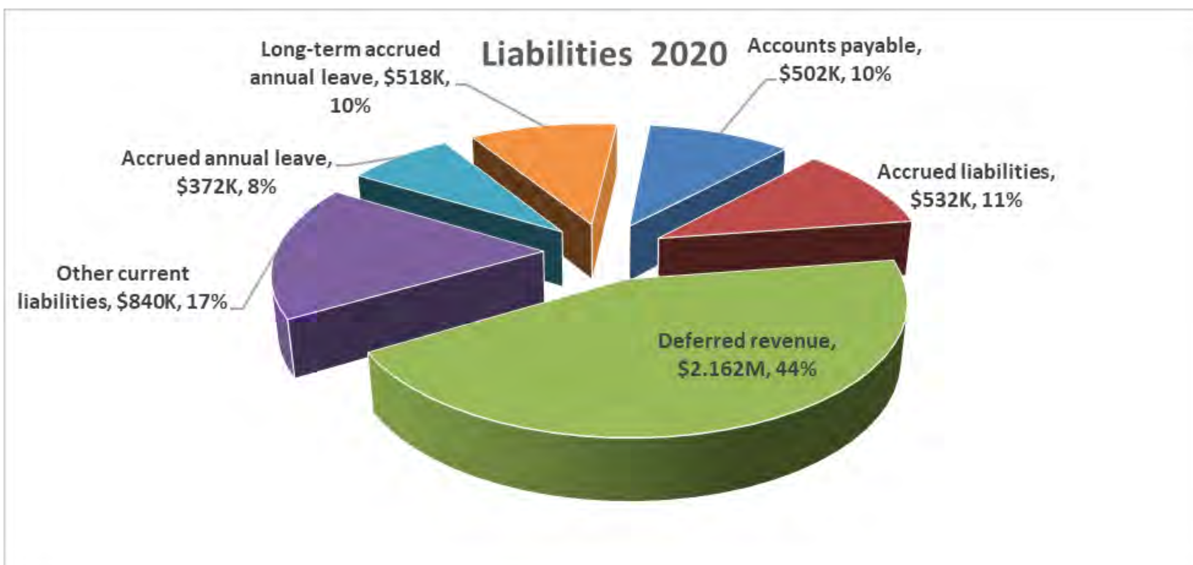
The net decrease by $859K in current assets consists of the following changes:

- Decrease in cash and equivalents by $2.379M or -37%, from $6.485M to $4.106M;
- Decrease in due from FSM National government by $1.148M or 57%, from $2.004M to $856K;
- Increase in short-term investment by $2.913M or 676% from $431K to $3.345M;
- Increase in tuition receivable by $340K or 9%, from $3.680M to $4.020M;
- Increase in grants and contract receivable by $720K or 275%, from $262K to $981K;
- Decrease in due from Foundation by $700K or 100%, from $700K to $0;
- Increase in other receivables by $22K or 14%, from $159K to $181K;
- Decrease in inventories by $101K or 9%, from $1.124M to $1.023M; and
- Decrease in prepaid expenses by $526K or 62%, from $848K to $322K.

Noncurrent assets: The total noncurrent assets increased by $527K or 4% from $14.361M in fiscal year 2019 to $14.888M in current fiscal year 2020. The increase in noncurrent assets is due to the increase in investments by $930K or 13% and a decrease in capital assets by $403K or -6%. Below is the graph for the allocation of noncurrent assets:



Liabilities: The liabilities decreased by $35K or -1%, from $4.961M to $4.926M. Current liabilities comprise 90% of the total liabilities and 10% are noncurrent representing long-term accrued annual leave. The allocation of liabilities is presented in the following graph:



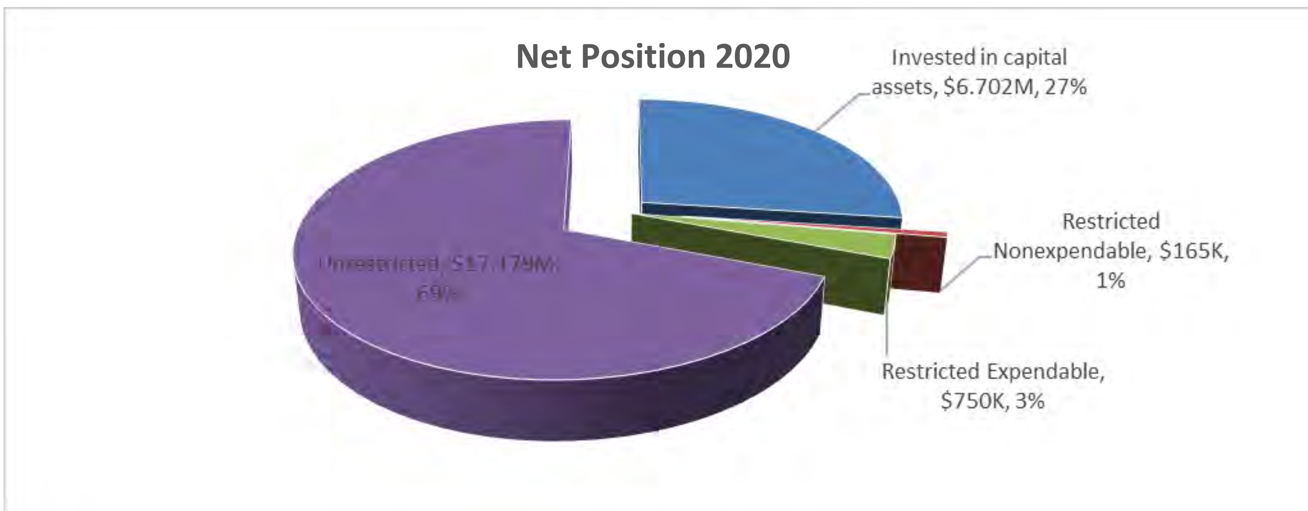
The net decrease in liabilities consists of the following:

- Increase in accounts payable by $121K or 32%, from $381K to $502K;
- Decrease in accrued liabilities by $182K or -26%, from $715K to $533K;
- Increase in accrued annual leave – current portion by $37K or 11%, from $335K to $372K;
- Decrease in unearned revenue by $310K or -13%, from $2.472M to $2.162M;
- Increase in other current liabilities by $239K or 40%, from $601K to $840K; and
- Increase in accrued annual leave – noncurrent portion by $60K or 13%, from $458K to $518K.

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 2020 is $24.796M, which is lower by $297K or -1% compared to $25.093M in fiscal year 2019. Below is the breakdown of the College's net position categorized according to the reporting model of GASB:

	FY 2020 (In 000's)	FY 2019 (In 000's)	Difference (In 000's)	FY 2018 (In 000's)
Invested in capital assets	$ 6,702	$ 7,105	$(403)	$ 7,721
Restricted:				
Nonexpendable	165	165	-	165
Expendable	750	750	-	750
Unrestricted	17,179	17,073	106	16,686
Total	$24,796	$25,093	$(297)	$25,322

The allocation of net position for fiscal year 2020 is illustrated below:

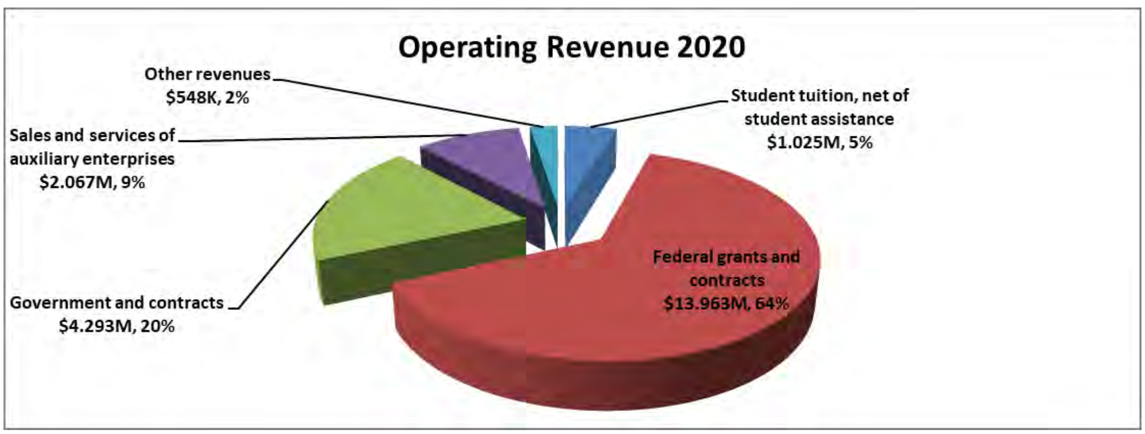


2. Statement of Revenues, Expenses and Changes in Net Position (SRECNA)

The SRECNA 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, 2020, 2019 and 2018:

	FY 2020 (In 000's)	FY 2019 (In 000's)	Difference (In 000's)	FY 2018 (In 000's)
Operating revenues	$21,344	$20,284	$1,060	$20,291
Operating expenses	22,342	21,088	1,254	20,560
Operating income (loss)	(998)	(804)	(194)	(269)
Non-operating revenue	701	575	126	715
Net increase (decrease) in net position	(297)	(229)	68	447
Net position at beginning of year	25,093	25,322	(229)	24,875
Net position at end of year	$24,796	$25,093	$ (297)	$25,322

Operating revenues: The composition of the operating revenues amounting to $21.896M for fiscal year 2020 is presented in the following graph:

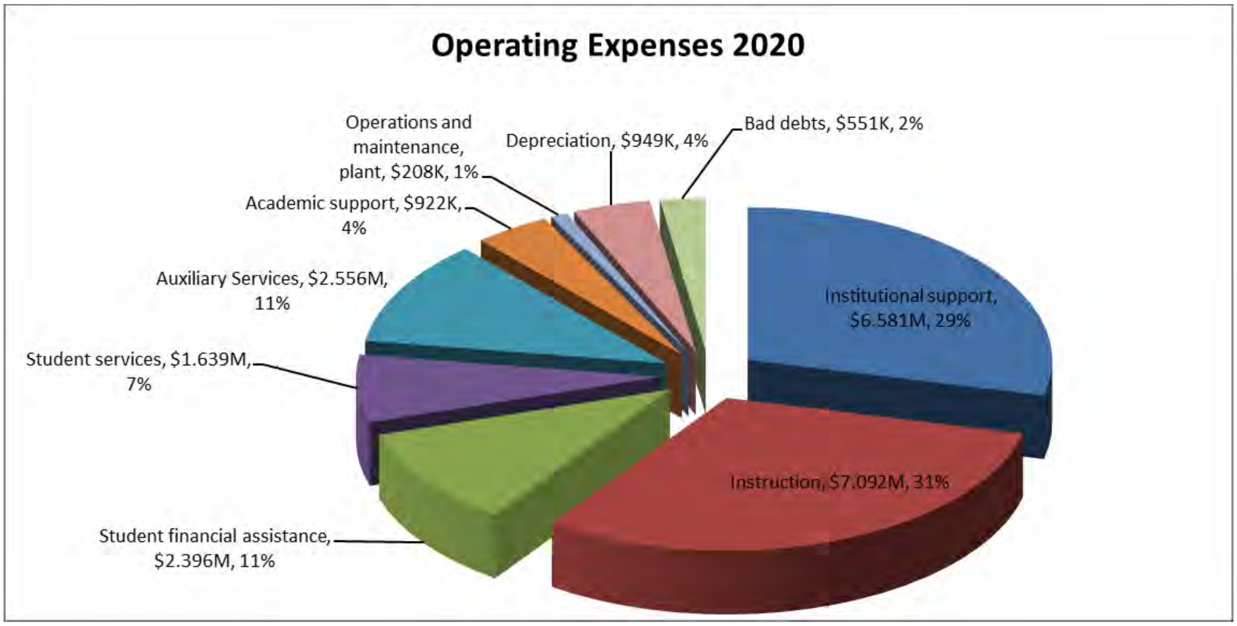


Below are the details of the changes for each classification of operating revenues:

- Increase in other revenues by $210K or 62%, from $338K to $548K;
- Increase in sales and services of auxiliary enterprises by $321K or 18%, from $1.746M to $2.067M;
- Decrease in government and contracts by $78K or -2%, from $4.371M to $4.293M;
- Decrease in student tuition by $96K or -9%, from $1.121M to $1.025M; and
- Increase in federal grants and contracts by $842K or 6%, from $13.121M to $13.963M.

Operating expenses: The College's operating expenses inclusive of bad debts for fiscal year 2020 increased by $1.393M or 6%, from $21.501M in 2019 to $22.894M in 2020. The operating expenses are presented in both functional and natural classifications.

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



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

<u>On Cash Items</u>

- Increase in institutional support by $1.671M or 34%, from $4.910M to $6.581M;
- Decrease in instruction by $259K or -4%, from $7.350M to $7.091M.
- Decrease in student financial assistance by $1.286M or -35%, from $3.682M to $2.396M;
- Decrease in student services by $124K or 4%, from $1.763M to $1.639M;
- Increase in auxiliary enterprises by $1.074M or 72%, from $1.482M to $2.556M;
- Increase in academic support by $186K or 25%, from $736K to $922K;
- Increase in operations and maintenance by $54K or 35%, from $154K to $208K;

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

- Increase in the provision for bad debts by $138K or 33%, from $413K to $551K;
- Decrease in depreciation by $61K or -6%, from $1.010M to $949K.

3. Statement of Cash Flows (SCF)

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

The SCF indicates a balance in cash and equivalents of $4.106M at the end of fiscal year 2020. The fiscal year-end balance is lower by $2.379M or 37% compared with fiscal year 2019 balance of $6.485M.

Below is the summary Statement of Cash Flows:

	FY 2020 (In 000's)	FY 2019 (In 000's)	Difference (In 000's)	FY 2018 (In 000's)
Provided by operating activities	$1,310	$ (98)	$1,408	$(1,160)
Provided by noncapital financing activities	-	-	-	-
Used in capital and related financing activities	(547)	(394)	(153)	(815)
Used in investing activities	(3,142)	2,345	(5,487)	(2,936)
Net decrease in cash and equivalents	(2,379)	1,853	(4,232)	(2,264)
Cash and cash equivalents at beginning of year	6,485	4,632	1,853	6,895
Cash and cash equivalents at end of year	$4,106	$6,485	$(2,379)	$4,632

Budget Information

The budget was developed by departments, campuses and offices, and approved by the Board of Regents. The budget of the College for fiscal year 2020 included the following:

1. $13.539M for the administration and management of the College wherein the sources of revenue are from tuition and fees of $9.639M, and $1.000M from the appropriation from FSM National Government from the Education Sector Grant of the Compact of Free Association II, $2.800M from the General Fund of FSM National Government, $96K from Dormitory and other fees;
2. $875K for the administration and management of the FSM – FMI at Yap State and 100% funded by FSM National Government;
3. $690K for work study, supplemental education opportunity grant and teacher corps programs funded by Compact of Free Association II through FSM National Government;
4. $120K for the operations of the Board of Regents of the College funded by FSM National Government; and
5. $359K for the operating expenditures of auxiliary enterprises funded from service charges.

Capital Assets and Long-term Debt Activity

At September 30, 2020, the College's net investment in capital assets was $6.702M, with a gross amount of $20.928M for depreciable and non-depreciable assets, net of accumulated depreciation. Depreciation for the current year amounted to $949K. For additional capital assets information, please refer to the notes to the financial statements.

The College's long-term obligation of $518K represents the long-term portion of employee 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 2020 and 2019.

Economic Outlook

The College's sources of revenue are tuition and other fees from students receiving financial assistance from U.S. Federal Student Aid programs, and from the annual subsidy from 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 (Compact of Free Association II).

The U.S. Federal Student Aid programs are from the U.S. Department of Education under the U.S. Public Law 99 – 239. The U.S. Department of Education, Federal Student Aid renewed the Program Participation Agreement for the College through June 30, 2023. In the school year 2017- 2018, about 87% of the students at the College received financial assistance from U.S. Federal Student Aid programs. The College's projection of the percentage of students receiving financial assistance from U.S. Federal Student Aid programs will remain at the range of 85% to 95% in the next couple of years.

For Spring 2019 the College was able to award 100% of all Pell-eligible students, which is about 90% of the College enrollment. The reinstating of the Year-Round Pell (YRP) in the school year 2017-2018 will continue through the school year 2018-2019 and forward. For the school year 2020-2021, the College is aiming to award 100% of all Pell-eligible students at the end of the awarding term.

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 January 26, 2018. The College submitted the required midterm report in March 2020. ACCJC accepted the report in an Action Letter issued on June 29, 2020. The next institutional self-evaluation report is due to ACCJC March 2023.

The College is expected to receive the continued support of funding assistance in succeeding years from the FSM National Government through the ESG 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. FSM President Letter dated February 27, 2014, communicated the government support to continue to fund the decrement from its domestic revenues in the future. FSM Government provided $2.8M for the FY2020 Budget and $1M from the Compact Educational Sector Grant. The College also received a letter dated March 1, 2016, from the FSM Secretary of Education expressing 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.

The College provided structured tuition fee increases for three consecutive fiscal years from 2014 to 2016 and will remain at the same for the years beyond 2016. For fiscal year 2021, tuition will be maintained at $135 per credit, and the facility fee was at the level of $200 per student. Tuition and fees will continue to be at the same level for FY2019 and FY2020 except for the FY2021 budget year during the outbreak of the COVID-19 pandemic which health, activity fees was waived because students are taking classes online.

Tuition and Facility fee Increase: (*No change in tuition and facility fee beyond fall 2016)*

FEE	**Fall 2013**	**Spring 2014**	**Summer 2014**	**Fall 2014**	**Spring 2015**	**Summer 2015**	**Fall 2015**	**Spring 2016**	**Summer 2016**	**Fall 2016**
Tuition Fee	115	115	115	125	125	125	135	135	135	135
Facility Fee Full Time	150	150	150	175	175	175	200	200	200	200
Facility Fee Part Time	50	50	50	60	60	60	70	70	70	70

The College reviewed its Integrated Educational Master Plan (IEMP) and took into consideration program prioritization and cost savings measures. The College's Five-Year Integrated Educational Master Plan must be linked to the approved College's Five-Year Financial Plan (2018-2022). These plans have given the College a clear picture of its financial outlook for the next five years. The College's next Five-Year Financial Plan will commence in FY2023 until 2027.

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.

The College can now submit an annual funding request through the budget process to the FSM for projects constructions. The FSM appropriated $8M in FY2017 for project constructions for Pohnpei Campus vocational classrooms and multi-purpose facilities and the National Campus Student Services two-level building. For FY2018, the College submitted $4.2M for the Kosrae Campus design of Multi-Purpose building, new Chuuk Campus Design for onsite power, water supply, sewer system, and parking and walkways. New Health Clinic and Infrastructure upgrades for the National campus were included in the package. For the FY2019 IDP submission, the College submitted to the FSM National Government an IDP budget of $3.5M to construct a multipurpose building facility at Kosrae campus, Kosrae Campus onsite paved access road, parking lots, and covered walkways.

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. 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 $50M. Fundraising efforts will continue for the remaining period, employing every conceivable way including lucky draw or raffles, fundraising dinners, cocktails, walk-a-thon, bake sales, memorabilia, and other on-campuses student fundraising events after the 2021 post-COVID-19 period to contribute to the growth of the endowment fund. The fundraising events have been suspended completely due to the coronavirus pandemic during the period of FY2020 and will continue on to the FY2021 period. Funding for the pandemic response has been sought through the FSM National Government and funding award from the US Government of $3.6M which half of it ($1.8M) was disbursed to students and the other half ($1.8M) has been used by the College to enhance instructional delivery of courses online to students.

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 spring of 2021. The College believe this will help increase the number of students taking more courses throughout the five campuses. Additionally, this model will greatly increase the funding revenues of the College.

The College reached an agreement with the FSM to include as part of its annual budget submission $285K for the FSM contribution to the Endowment fund. The College received $300K in FY2020 as FSM Government pledge contributions to the endowment fund. This pledge will total up to $2M after 7 years from 2020.

Management's Discussion and Analysis for the year ended September 30, 2019 is set forth in the College's report on the audit of financial statements, which was dated November 20, 2020. That Discussion and Analysis explains the major factors impacting the 2019 financial statements and can be obtained from the FSM office of the National Public Auditor's website at www.fsmopa.fm.

FINANCIAL MANAGEMENT CONTACT

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

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

Statements of Net Position
September 30, 2020 and 2019

ASSETS	2020	2019
Current assets:		
Cash and cash equivalents	$ 4,106,247	$ 6,485,132
Time certificates of deposit	18	18
Investments	3,344,569	431,058
Due from FSM National Government, net	856,260	2,004,022
Tuition receivable, net	4,019,807	3,680,221
Grants and contracts receivable, net	981,462	261,808
Due from the Foundation	-	700,000
Other receivables, net	181,175	158,805
Inventories, net	1,022,915	1,124,254
Prepaid expenses	321,504	847,833
Total current assets	14,833,957	15,693,151
Noncurrent assets:		
Investments	8,185,972	7,256,159
Capital assets:		
Nondepreciable capital assets	1,455,685	1,455,685
Capital assets, net of accumulated depreciation	5,246,638	5,648,887
Total noncurrent assets	14,888,295	14,360,731
Total assets	$ 29,722,252	$ 30,053,882
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	$ 501,876	$ 380,710
Accrued liabilities	532,149	714,630
Accrued annual leave, current portion	371,624	335,074
Unearned revenue	2,162,481	2,471,753
Other current liabilities	840,054	600,681
Total current liabilities	4,408,184	4,502,848
Noncurrent liabilities:		
Long-term portion of accrued annual leave	517,847	458,028
Total liabilities	4,926,031	4,960,876
Commitments and contingencies		
Net position:		
Net investment in capital assets	6,702,323	7,104,572
Restricted:		
Nonexpendable	165,000	165,000
Expendable	750,000	750,000
Unrestricted	17,178,898	17,073,434
Total net position	24,796,221	25,093,006
Total liabilities and net position	$ 29,722,252	$ 30,053,882

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating revenues:		
Student tuition and fees	$ 7,303,669	$ 7,943,504
Less: Scholarship discounts and allowances	(6,278,331)	(6,822,487)
	1,025,338	1,121,017
Federal grants and contracts	13,962,755	13,120,662
Government grants and contracts	4,292,609	4,371,395
Sales and services of auxiliary enterprises	2,066,737	1,745,623
Other revenues	548,502	338,051
Total operating revenues	21,895,941	20,696,748
Less bad debts	(551,441)	(413,219)
Net operating revenues	21,344,500	20,283,529
Operating expenses:		
Institutional support	6,581,453	4,910,036
Instruction	7,091,444	7,350,697
Student financial assistance	2,396,462	3,682,480
Student services	1,638,474	1,762,594
Depreciation	949,251	1,010,112
Auxiliary enterprises	2,555,993	1,482,402
Academic support	921,861	735,722
Operations and maintenance, plant	207,368	153,809
Total operating expenses	22,342,306	21,087,852
Operating loss	(997,806)	(804,323)
Nonoperating revenues (expense):		
Contributions from the Foundation	-	295,482
Net investment income	701,021	279,976
Total nonoperating revenues, net	701,021	575,458
Change in net position	(296,785)	(228,865)
Net position:		
Net position at beginning of year	25,093,006	25,321,871
Net position at end of year	$ 24,796,221	$ 25,093,006

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Grants and contracts	$ 19,287,224	$ 17,506,514
Auxiliary services	2,066,737	1,745,623
Other receipts	447,419	429,322
Payments to employees for salaries and benefits	(9,090,891)	(8,911,962)
Payments to suppliers and others	(11,400,069)	(10,867,457)
Net cash provided by (used for) operating activities	1,310,420	(97,960)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(547,002)	(393,725)
Cash flows from investing activities:		
Proceeds from reserve fund investment withdrawals	-	2,800,000
Purchase of investments	(3,142,303)	(454,845)
Net cash (used for) provided by investing activities	(3,142,303)	2,345,155
Net change in cash and cash equivalents	(2,378,885)	1,853,470
Cash and cash equivalents at beginning of year	6,485,132	4,631,662
Cash and cash equivalents at end of year	$ 4,106,247	$ 6,485,132
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	$ (997,806)	$ (804,323)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	949,251	1,010,112
Bad debts	551,441	413,219
Provision for inventory obsolescence	249,571	-
Changes in assets and liabilities:		
Due from FSM National Government	972,860	(1,256,563)
Tuition receivable	(637,412)	131,907
Grants and contracts receivable	(719,654)	50,567
Due from the Foundation	700,000	-
Other receivables	(101,082)	91,269
Inventories	(148,232)	(21,858)
Prepaid expenses	526,329	(57,057)
Accounts payable	121,166	93,938
Accrued liabilities	(86,114)	58,119
Unearned revenue	(309,273)	23,698
Other current liabilities	239,375	169,012
Net cash provided by (used for) operating activities	$ 1,310,420	$ (97,960)

See accompanying notes to financial statements.

(1) Organization

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

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

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

(2) Basis of Presentation

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

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

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

(3) Summary of Significant Accounting Policies

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

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The College does not have a deposit policy for custodial credit risk.

At September 30, 2020 and 2019, COM-FSM has recorded cash and cash equivalents and time certificates of deposit of $4,106,265 and $6,485,150, respectively, with corresponding bank balances of $4,969,843 and $6,634,023, respectively. Of these amounts, $551,763 and $504,066 in 2020 and 2019, respectively, are insured by the Federal Deposit Insurance Corporation (FDIC). The remaining balances are not insured or collateralized by securities held by a trustee in the name of the financial institution.

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

No losses as a result of this practice were incurred during the years ended September 30, 2020 and 2019.

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

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

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

Accounts receivable tuition and fees, net of an allowance for uncollectible accounts as of September 30, 2019, follows:

	National Campus	State Campuses	Totals
Accounts receivable, gross	$ 5,333,587	$ 2,895,639	$ 8,229,226
Allowance for uncollectible accounts	(3,062,940)	(1,486,065)	(4,549,005)
Accounts receivable, net	$ 2,270,647	$ 1,409,574	$ 3,680,221

(3) Summary of Significant Accounting Policies, Continued

C. Accounts Receivable, Continued

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

Other receivables are net of an allowance for doubtful accounts of $264,999 and $280,059 as of September 30, 2020 and 2019, respectively.

D. Inventory. Inventory is stated at the lower of cost (first-in, first-out) or market (net realizable value). At September 30, 2020 and 2019, inventory is net of an allowance for obsolescence of $308,800 and $59,229, respectively.

E. Prepaid Expenses. Payments made to vendors for goods and services that will benefit periods beyond September 30, 2020 and 2019, are recorded as prepaid expenses. Prepaid expenses represent prepayments for office supplies, textbooks and computers.

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

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

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

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

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

(3) Summary of Significant Accounting Policies, Continued

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

The change in accrued compensated absences during fiscal years 2020 and 2019 is as follows:

Balance, October 1, 2019	Addition	Reduction	Balance, September 30, 2020	Current
$793,102	$96,369	$ -	$889,471	$371,624
October 1, 2018	Addition	Reduction	September 30, 2019	Current
$720,769	$72,333	$ -	$793,102	$335,074

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

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

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

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

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

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

(3) Summary of Significant Accounting Policies, Continued

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

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

Nonoperating – Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other sources and uses that are defined as nonoperating revenues and expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as investment income.

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

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

(3) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards, Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. 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. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

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

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. 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. 90 will be effective for fiscal year ending September 30, 2021.

(3) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards, Continued

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

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. 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. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. 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. 93 will be effective for fiscal year ending September 30, 2022.

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

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

(3) Summary of Significant Accounting Policies, Continued

Q. New Accounting Standards, Continued

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

(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 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.

(4) Investments, Continued

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, 2019.

The composition of endowment investments as of September 30, 2020 and 2019, by funding source, is as follows:

	2020	2019
Funding Source		
FSM Telecommunications Corporation (FSMTC)	$ 165,000	$ 165,000
U.S. Department of Education and local match (Challenge)	750,000	750,000
Fundraisings and investment income	7,270,972	6,341,159
	$ 8,185,972	$ 7,256,159

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, 2020 and 2019, total investments at fair value are as follows:

	2020	2019
Fixed income securities:		
Domestic fixed income	$ 4,162,210	$ 1,866,211
International fixed income	443,463	463,135
	4,605,673	2,329,346
Other investments:		
Common equities	6,529,481	4,902,010
Alternatives	42,619	-
Exchange traded funds	114,284	139,318
Money market funds	238,484	316,543
	6,924,868	5,357,871
	$ 11,530,541	$ 7,687,217

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

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

(4) Investments, Continued

As of September 30, 2019, the College's fixed income securities had the following maturities:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	5-10	more than 10
Mortgage and asset-backed securities	$ 22,243	$ -	$ -	$ -	$ 22,243
Corporate bonds	1,405,990	-	408,788	709,377	287,825
International bonds	463,135	463,135	-	-	-
Government bonds	437,978	13,961	358,610	65,407	-
	$ 2,329,346	$ 477,096	$ 767,398	$ 774,784	$ 310,068

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, 2020, was as follows:

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

(4) Investments, Continued

The College's exposure to credit risk at September 30, 2019, was as follows:

Moody's Rating	Domestic	International	Total
AAA/AAA	$ 848,308	$ -	$ 848,308
AA1/AA+	217,839	-	217,839
AA2AA	4,100	-	4,100
AA2/AA-	5,618	-	5,618
AA3/AA-	14,702	-	14,702
AA3/A+	4,159	-	4,159
A1/AA-	6,000	-	6,000
A1/A-	6,239	-	6,239
A2/A	67,471	-	67,471
A2/A-	141,093	-	141,093
A3/A	48,281	-	48,281
A3/A-	97,992	-	97,992
A3/BBB+	104,473	-	104,473
BAA1/A-	45,015	-	45,015
BAA1/BBB+	51,825	-	51,825
BAA2/A	4,092	-	4,092
BAA2/A-	5,102	-	5,102
BAA2/BBB	110,339	-	110,339
BAA3/BBB	61,320	-	61,320
Not rated	22,243	463,135	485,378
Total	$ 1,866,211	$ 463,135	$ 2,329,346

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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019:

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

		Fair Value Measurements Using		
	September 30, 2019	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	$ 2,329,346	$ -	$ 2,329,346	$ -
Equity securities	4,902,010	4,902,010	-	-
Exchange traded funds	139,318	139,318	-	-
Total investments by fair value level	7,370,674	$ 5,041,328	$ 2,329,346	$ -
Investments measured at amortized cost:				
Money market funds	316,543			
	316,543			
	$ 7,687,217			

(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, 2020 and 2019:

(5) Due from Grantor Agencies, Continued

	2020	2019
Due from U.S. Department of Education	$ 231,282	$ 84,926
Due from COM-Land Grant	185,064	103,923
Due from University of Guam	120,233	120,233
Due from University of Hawaii	22,124	22,124
CARIPAC	165,738	165,738
Due from other grantor agencies	736,959	244,802
	1,461,400	741,746
Less allowance for doubtful accounts	(479,938)	(479,938)
	$ 981,462	$ 261,808

(6) Capital Assets

Capital assets at September 30, 2020 and 2019 consist of the following:

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

	Balance October 1, 2018	Additions	Retirements	Balance September 30, 2019
Depreciable assets:				
Buildings	$ 14,416,008	$ 42,762	$ -	$ 14,458,770
Furniture and equipment	3,598,267	265,163	-	3,863,430
Vehicles/boats	620,656	85,800	-	706,456
	18,634,931	393,725	-	19,028,656
Less accumulated depreciation	(12,369,657)	(1,010,112)	-	(13,379,769)
	6,265,274	(616,387)	-	5,648,887
Non-depreciable assets:				
Land	1,455,685	-	-	1,455,685
Capital assets, net	$ 7,720,959	$ (616,387)	$ -	$ 7,104,572

(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, 2020 and 2019, receivables from the FSM National Government amounted to $856,260 and $2,004,022, respectively, net of $787,188 and $612,285 allowance for doubtful accounts, respectively. The College received $4,292,609 and $4,371,395 in appropriations for the years ended September 30, 2020 and 2019, respectively.

During the year ended September 30, 2019, the Friends of the College of Micronesia-FSM, Inc. (the Foundation) has received a contribution of $110,000 from an external donor and was recognized by the College as a component of the outstanding receivable from the Foundation at September 30, 2019. At September 30, 2019, receivables from the Foundation amounted to $700,000. The Foundation ceased operations in December 2019 and settled the outstanding receivable in January 2020.

(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 ($19,904,291 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 $460,000) and workmen's compensation insurance (coverage of up to $100,000 per employee). COM-FSM also purchases student personal insurance ($5,000 per student). There have been no settlements in excess of insurance coverage during the past three years.

Federal Grants

The College participates in a number of federally assisted grant programs and other various U.S. Department of Education grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. No questioned costs relating to fiscal year 2020 have been set forth in the College's Single Audit Report for the year ended September 30, 2020. The ultimate disposition of any questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

Accreditation

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

Litigation

COM-FSM is periodically a defendant in legal actions inherent to the nature of its operations. COM-FSM management is of the opinion that resolution of any matters existing as of September 30, 2020 and 2019 will not have a material effect on the accompanying financial statements.

(9) Retirement Plan

The College has a retirement plan, administered by a private corporation. All employees with at least one year of service are eligible for the plan. Employee contributions can be made up to 100% of earnings with a 50% match by the College up to 3% of employee compensation. The College's President, Vice - President for Administrative Services and Comptroller are the designated plan administrators. During the years ended September 30, 2020, 2019 and 2018, the College incurred an expense of $156,735, $153,804 and $153,535, respectively, for matching contributions. As of September 30, 2020, 2019 and 2018, plan assets were $5,341,805, $4,761,025 and $4,466,081, respectively. Management is of the opinion that the retirement plan assets do not constitute assets of the College.

(10) Leases

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

Year Ending September 30,	Total
2021	$ 101,915
2022	86,515
2023	21,629
	$ 210,059

(11) Functional Classifications with Natural Classifications

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

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

(11) Functional Classifications with Natural Classifications, Continued

	2019									
	Salaries	Benefits	Services	Travel	Supplies	Insurance, Utilities and Rent	Depreciation	Student Assistance	Miscellaneous	Total
Institutional Support	$ 2,263,459	$ 281,930	$ 47,068	$ 310,521	$ 286,865	$ 793,181	$ -	$ 6,749	$ 920,263	$ 4,910,036
Instruction	4,166,803	470,624	41,789	240,308	277,120	140	-	587,536	1,566,377	7,350,697
Student Financial Assistance	-	-	-	-	-	-	-	3,682,480	-	3,682,480
Student services	1,069,611	145,962	24,236	164,716	62,786	125	-	-	295,158	1,762,594
Depreciation	-	-	-	-	-	-	1,010,112	-	-	1,010,112
Auxiliary Enterprises	163,547	22,813	-	16,590	430,009	26	-	-	849,417	1,482,402
Academic support	289,236	42,930	-	16,908	13,922	-	-	-	372,726	735,722
Operations and Maintenance	23,825	4,866	7,800	-	96	67,870	-		49,352	153,809
	$ 7,976,481	$ 969,125	$ 120,893	$ 749,043	$ 1,070,798	$ 861,342	$ 1,010,112	$ 4,276,765	$ 4,053,293	$ 21,087,852

(12) Subsequent Events

Management has considered subsequent events through December 22, 2021, upon which the financial statements were available to be issued. There were no material subsequent events that would require recognition or disclosure in the financial statements for the year-ended September 30, 2020.