PALAU INTERNATIONAL CORAL REEF CENTER
(A Component Unit of the Republic of Palau)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

September 30, 2020 and 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
Palau International Coral Reef Center:

Report on the Financial Statements

We have audited the accompanying financial statements of net position of Palau International Coral Reef Center (the Center), a component unit of the Republic of Palau, as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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.

Auditors' 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 audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Palau International Coral Reef Center 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 (MD&A) on pages 4 through 10, the Schedule of Proportional Share of the Net Pension Liability on page 40, and the Schedule of Pension Contributions on page 41 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. This supplementary information is the responsibility of the Center's management. 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the Center's basic financial statements as a whole. The Schedule of Investments as of September 30, 2020 on page 42 is presented for purposes of additional analysis and are not required part of the financial statements. The Schedule of Investments is the responsibility of the Center's management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Investments is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing on internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Center's internal control over financial reporting and compliance.

Burger Comer Magliari

Koror, Republic of Palau
February 24, 2022

PALAU INTERNATIONAL CORAL REEF CENTER

Management's Discussion and Analysis
Fiscal Year Ended September 30, 2020

This Management's Discussion and Analysis of the Palau International Coral Reef Center (the Center) provides an overview of the financial activities and performance of the Center for the fiscal year ended September 30, 2020, with selected comparative information for the fiscal years ended September 30, 2019 and 2020.

ORGANIZATION AND MISSION

The Center was created by Republic of Palau Public Law (RPPL) 5-17 in November 1998 as a public, nonprofit coral reef research, education and training center. It is a public corporation owned by the Republic of Palau. The Center has a governing board of directors, nine of whom are appointed by the President and approved by the Senate of the Olbiil era Kelulau and three are ex-officio members. The Minister of Finance, Minister of Natural Resources, Environment, and Tourism, and the Chief Executive Officer of PICRC are board members by virtue of their positions.

The mission of the Center is to guide efforts supporting coral reef stewardship through research and its applications for the people of Palau, Micronesia and the world. The Center was established to support management, wise-use and conservation of Palau and the world's marine environment. In addition, the Center's aquarium, which highlights Palau's unique marine ecosystems and organisms living in those ecosystems, serve as a direct educational tool and a tourism attraction.

The Republic of Palau (ROP) received funding of US $7.3 million from the Government of Japan for the construction of the Center. The construction commenced in November 1999 and the facility opened in January 2001. Located on an 8,248 square meter pier, the Center features three main buildings: a research facility, visitor education and awareness exhibit areas, and an administration complex. At this time, the Center is adding a new building that will house offices and apartments.

To achieve its mission, the Center developed and adopted its Strategic Plan 2002-2006 with goals and objectives to guide it towards a self-sustaining center of excellence for marine research, training and educational activities. The strategic plan focuses on the Center's activities in five program areas - research, environmental education and public awareness, aquarium exhibits, institutional development and income generation, and engineering and maintenance - as key to becoming a self-sustaining center of excellence in research and educational programs.

In September 2006, the Center developed and adopted Strategic Plan 2007-2012, which focused on the five program areas. In November 2012, the Center adopted a five-year Strategic Plan 2013-2017 with a clear vision, core values and a mission statement. The fiscal year the Board adopted a five-year Strategic Plan 2018-2022 with a new set goal and objectives.

VISION

People empowered with Science and Knowledge for Effective Marine Conservation and Management.

P.O. Box 7086, Koror, Republic of Palau 96940
Tel.680.488.6950, Fax.680.488.6951, picrc@picrc.org, www.PICRC.org

MISSION STATEMENT

To guide efforts supporting coral reef stewardship through research and its applications for the people of Palau, Micronesia, and the World.

CORE VALUES

The Center is guided by the following core values:

1. We believe in working together in a spirit of cooperation, teamwork and partnership both within the Center and with external partners.

2. We achieve meaningful results through hard work focus and effective application of our knowledge and skills.

3. We are reliable and consistent, providing excellent service to our guests, clients and partners.

4. We deliver quality information and objective and innovative science in order to support sound resource management decisions and actions.

5. We are visionaries, pursuing and adapting to important trends and opportunities.

6. We invest in people and learning, creating a nurturing environment for our staff and partners and promoting cultural awareness and sensitivity, community well-being and the application of traditional knowledge.

FINANCIAL STATEMENTS

The financial statements of the Center are prepared following the provisions of the Governmental Accounting Standards Board and in compliance with accounting principles generally accepted in the United States of America as applied to governmental entities and proprietary funds. The flow of economic resources measurement focus is used as the basis of accounting for proprietary funds in which the statement of net position includes all assets and liabilities associated with the operation of the fund. The accrual basis of accounting is the method used to record revenues when earned and expenses when incurred.

OVERVIEW OF FINANCIAL OPERATIONS

In fiscal year 2020, operating revenues decreased by $424,977 or 23.5% ($1,383,371 in fiscal year 2020 versus $1,808,348 in fiscal year 2019), mainly due to a decrease in grant revenues by $108,136 due to less grant payments received in Fiscal Year 2020. Other decreases were in facility user and admission fees by 31%, research facilities by 75%, other revenues by 62%, contract services by 75%, accommodations by 40% and merchandise sales by 23%. On the other hand, the following were increased in FY 2020, boat fees increased 13% and donations increased 59%. In FY 2020, Palau closed its borders due to the COVID-19 global pandemic which resulted in a significant loss of revenue to the Center.

In fiscal year 2019, operating revenues increased $875,881 or 94% ($1,599,594 in fiscal year 2019 versus $932,467 in fiscal year 2018), mainly due to an increase in grant revenues by $692,111 due to more grant payments received in Fiscal Year 2019. Other increases were in research facilities by 294%, other revenues by 271% and contract services by 21%. On the other hand, the following were decreased in FY 2019, fundraising (31%), merchandise sales (14%), boat fees (12%), donations (9%), and accommodation (7%).

OVERVIEW OF FINANCIAL OPERATIONS, continued

Operating expense increased by 7% ($1,937,842 in Fiscal Year 2020 versus $1,804,882 in Fiscal Year 2019). Salaries and wages increased by 22% mainly due various salary increments, reclassifications and new hires in FY 2020. Other increases were in Depreciation (8%), Supplies and printing (49%), Fuel (30%) and Repairs and maintenance (140%). Notable decreases in expenses includes Utilities (24%), Postage and freight (87%), Professional services (22%), Travel (61%), Merchandise cost (18%), Anniversary (27%), Insurance, Dues and subscriptions (63%) and Communications (27%).

Government appropriations remained at the same level in Fiscal Year 2020 of $400,000 in Fiscal Year 2019. The Center started receiving Palau Pristine Paradise Environmental Fee (PPEF) in FY 2020 and received $314,765. Fair value of investments decreased by 29% from $42,959 in FY 2019 to $30,670 in FY 2020. Net income before capital contributions decreased to $189,421 in FY 2020 compared to $446,425 in FY 2019. The current year increase directly attributable to the PPEF revenues. As a result, Net position increased by $189,421 or 10% from $1,815,297 to $2,004,718.

A summary of operations, changes in net position and cash flows for the fiscal years ended September 30, 2020, 2019 and 2018 follows:

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020, 2019 and 2018

	2020	2019	Increase (Decrease) 2020	2018
Operating revenues:				
Grants	$ 639,627	$ 747,763	(14.46%)	$ 55,652
Facility user and admission fees	284,473	178,736	59.16%	196,510
Research facilities	192,402	277,181	(30.59%)	253,714
Fundraising	90,421	79,864	13.22%	91,157
Contract service	49,831	201,309	(75.25%)	166,929
Boat fees	32,407	128,004	(74.68%)	32,460
Merchandise sales	29,700	38,718	(23.29%)	44,866
Accomodations	26,685	44,131	(39.53%)	47,555
Donations	(1,000)	11,310	(108.84%)	16,300
Other	38,825	101,332	(61.69%)	27,324
Total operating revenues	1,383,371	1,808,348	(23.50%)	932,467
Bad debts	-	-	0.00%	(1,552)
	$ 1,383,371	$ 1,808,348	(23.50%)	$ 930,915

OVERVIEW OF FINANCIAL OPERATIONS, continued

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020, 2019 and 2018

	2020	2019	Increase (Decrease) 2020	2018
Operating expenses:				
Salaries, wages and fringe benefits	$ 991,641	$ 813,117	21.96%	$ 761,405
Depreciation	253,006	233,798	8.22%	276,772
Supplies and printing	225,365	151,667	48.59%	146,461
Utilities	94,334	123,941	(23.89%)	96,080
Repairs and maintenance	50,326	20,965	140.05%	22,181
Professional services	40,374	51,710	(21.92%)	142,178
Fuel	32,516	25,061	29.75%	33,167
Merchandise cost	23,516	28,570	(17.69%)	29,035
Travel	18,010	45,742	(60.63%)	18,234
Anniversary	16,656	22,683	(26.57%)	19,709
Insurance	13,097	19,213	(31.83%)	17,829
Communications	11,291	15,569	(27.48%)	22,032
Training	11,079	12,859	(13.84%)	18,514
Postage and freight	6,979	51,790	(86.52%)	3,063
Dues and subscriptions	5,842	15,586	(62.52%)	1,610
Entertainment	4,884	3,113	56.89%	597
Rentals	10	10	0.00%	20
Sales and Marketing	-	591	(100.00%)	2,401
Other	138,916	168,897	(17.75%)	101,551
Total operating expenses	1,937,842	1,804,882	7.37%	1,712,839
Operating loss	(554,471)	3,466	(16097.43%)	(781,924)
Nonoperating revenues:				
Appropriations	400,000	400,000	0.00%	400,000
Palau Pristine Paradise Fees	314,765	-	100.00%	-
Net increase in the fair value of investments	30,670	42,959	(28.61%)	21,973
Loss on disposal of capital assets	(1,543)	-	100.00%	-
Total nonoperating revenues	743,892	442,959	67.94%	421,973
Net income (loss) before capital contributions	189,421	446,425	(57.57%)	(359,951)
Capital contributions	-	-	0.00%	-
Change in net position	189,421	446,425	(57.57%)	(359,951)
Net position at beginning of year	1,815,297	1,368,872	32.61%	1,728,823
Net position at end of year	$ 2,004,718	$ 1,815,297	10.43%	$ 1,368,872

OVERVIEW OF FINANCIAL OPERATIONS, continued

Statements of Cash Flows
Years Ended September 30, 2020, 2019 and 2018

	2020	2019	Increase (Decrease) 2020	2018
Net cash provided by (used for) operating activities	$ (362,009)	$ 133,565	(371.04%)	$ (335,959)
Net cash provided by noncapital financing activities	714,765	400,000	78.69%	400,000
Net cash used for capital and related financing activities	(8,510)	(27,772)	(69.36%)	(382,095)
Net cash provided by investing activities	30,670	-	100.00%	-
Net increase in cash	374,916	505,793	(25.88%)	(318,054)
Cash at beginning of year	1,361,789	855,996	59.09%	1,174,030
Cash at end of year	$ 1,736,705	$ 1,361,789	27.53%	$ 855,976

Total current assets increased by $653,219 or 30% in fiscal year 2020 over fiscal year 2019 ($2,837,729 versus $2,184,510), due mostly to an increase of $254,793 in other receivables at September 30, 2020 ($444,688 versus $189,895 in 2019), and cash increased by 28% or $374,916, while grant receivables decreased by $5,206 or 3%. As a result, total assets increased by $393,898 or 10% in fiscal year 2020 over fiscal year 2019. Deferred outflow of resources from pension increased $453,206 or 100% in fiscal 2020 over fiscal 2019 which was $453,551.

Total current assets increased by $768,183 or 54% in fiscal year 2019 over fiscal year 2018 ($2,184,510 versus $1,416,327), due mostly to an increase of $177,298 in other receivables September 30, 2019 ($189,895 versus $12,597 in 2018), and cash increased by 59% or $505,793. Grant receivables increased by $44,326 or 29%. As a result, total assets increased by $562,157 or 17% in fiscal year 2019 over fiscal year 2018. A decrease in deferred outflow of resources from pension in fiscal 2019 over fiscal 2018 totaled $168,623 or by 27%.

Total current liabilities increased by $37,492 or 29% primarily due an increase in accounts payable of $31,869 or 61% over fiscal year 2019.

Capital Assets

At September 30, 2020, 2019 and 2018, the Center had $1,509,923, $1,769,244, and $1,975,270, respectively, invested in capital assets, net of accumulated depreciation where applicable, including buildings, mechanical, electrical, research, office, exhibit and marine equipment, aquarium, furniture and fixtures, computers and vehicles, which represents a net decrease in fiscal year 2019 of $259,321 or 15% over fiscal year 2019.

Long-Term Liabilities

At September 30, 2019, the Center had a notable increase in its net pension liability of $605,001 or 34% as compared to fiscal year 2019. In 2020 and 2019, the Center had $2,548,629 and $1,898,628, respectively, in net pension liabilities. See Notes to the financial statements for more detailed information on the net Pension liabilities and deferred inflows of resources from Pension and new accounting standards.

OVERVIEW OF FINANCIAL OPERATIONS, continued

A summary of the Center's statements of net position at September 30, 2020, 2019 and 2018 is shown below:

Statements of Net Position
September 30, 2020, 2019 and 2018

ASSETS	2020	2019	Increase (Decrease) from 2020	2018
Current assets:				
Cash	$ 1,736,705	$ 1,361,789	28%	$ 855,996
Investments	455,441	424,772	7%	381,813
Receivables:				
Grantor agencies	192,946	198,152	(3%)	153,826
Other	444,688	189,895	134%	12,597
	637,634	388,047	64%	166,423
Less allowance for doubtful accounts	(17,431)	(14,731)	18%	(14,731)
Total receivables, net	620,203	373,316	66%	151,692
Inventories	17,025	16,278	5%	18,471
Prepaid expense	8,355	8,355	0%	8,355
Total current assets	2,837,729	2,184,510	30%	1,416,327
Property, plant and equipment, net	1,509,923	1,769,244	(15%)	1,975,270
Total Assets	4,347,652	3,953,754	10%	3,391,597
Deferred outflows of resources from Pension	906,757	453,551	100%	622,174
Total assets and deferred outflows of resources	$ 5,254,409	$ 4,407,305	19%	$ 4,013,771
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable	$ 83,933	$ 52,124	61%	$ 10,332
Accrued expenses	60,213	76,320	(21%)	73,387
Accrued expenses	21,790	-	100%	73,387
Total current liabilities	165,936	128,444	29%	157,106
Net pension liabilities	2,548,629	1,898,628	34%	2,098,212
Total liabilities	2,714,565	2,027,072	34%	2,255,318
Deferred inflows of resources from Pension	535,126	564,936	(5%)	462,968
Total liabilities and deferred inflows of resources	3,249,691	2,592,008	25%	2,718,286
Net position:				
Invested in capital assets	1,509,923	1,769,244	(15%)	1,975,270
Restricted	261,790	521,858	(50%)	11,420
Unrestricted	233,005	(475,805)	(149%)	(617,818)
Total net position	2,004,718	1,815,297	10%	1,368,872
Total liabilities and deferred inflows of resources and net position	$ 5,254,409	$ 4,407,305	19%	$ 4,087,158

ECONOMIC OUTLOOK

As the world continue to face the issue on climate change, fisheries, and depleted natural resources PICRC continues to play a vital role within Palau, Micronesia and the world as the only research facility within Palau and Micronesia that is equipped to conduct various research activities. This fiscal year, the Center experience a significant drop in its revenues because of the COVID-19 pandemic and the closure of our borders to all visitors. But with the closure, the research work continued uninterrupted.

The Center's researchers continue to reach out to different stakeholders from local communities, and attend various international meetings and more research publication are published in peer journal reviews has helped promote the Center's facilities within Palau and around the world.

Finally, the results of the research activities are very well communicated to the various supporters in which continues to increase the level of support to the Center not just monetary but volunteers and in-kind donation.

With the lack of tourists, the Center focused on updating and upgrading the Aquarium facilities, including several new displays. Once Palau opens its borders, we anticipate more interest in the aquarium because of all the improvement that have been made.

While tourism will take a while to recover once the borders are open, the Center should be able to resume its full research operations once the borders open and researchers outside of Palau start coming to Palau to conduct their research. Many researchers have put their research on hold because of COVID-19, but will be ready to start once the borders open and their universities allow them to travel. So, we anticipate our revenues from research to continue to increase in 2021 as more and more universities and research institutes allow their researchers to travel to international destinations.

Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in the Center's report on the audit of financial statements, which is dated February 18, 2022. That discussion and analysis explains the major factors impacting the 2020 financial statements and can be viewed at the Office of the Public Auditor's website at www.palauopa.org.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Chief Executive Officer at the Palau International Coral Reef Center, P.O. Box 7086, Koror, Palau 96940, or e-mail ygolbuu@picrc.org or call 488-6950.

PALAU INTERNATIONAL CORAL REEF CENTER

(A Component Unit of the Republic of Palau)

Statements of Net Position

September 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
Current assets:		
Cash	$ 1,736,705	$ 1,361,789
Investments	455,441	424,772
Receivables:		
Grantor agencies	192,946	198,152
Other	444,688	189,895
	637,634	388,047
Less allowance for doubtful accounts	(17,431)	(14,731)
Total receivables, net	620,203	373,316
Inventories	17,025	16,278
Prepaid expense	8,355	8,355
Total current assets	2,837,729	2,184,510
Capital assets, net	1,509,923	1,769,244
Total assets	4,347,652	3,953,754
Deferred outflows of resources from pension	906,757	453,551
Total assets and deferred outflows of resources	$ 5,254,409	$ 4,407,305
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable	$ 83,933	$ 52,124
Accrued expenses	60,213	76,320
Deferred revenues	21,790	-
Total current liabilities	165,936	128,444
Net pension liability	2,548,629	1,898,628
Total liabilities	2,714,565	2,027,072
Deferred inflows of resources from pension	535,126	564,936
Total liabilities and deferred inflows of resources	3,249,691	2,592,008
Net position:		
Invested in capital assets	1,509,923	1,769,244
Restricted	261,790	521,858
Unrestricted	233,005	(475,805)
Total net position	2,004,718	1,815,297
Total liabilities, deferred inflows of resources and net position	$ 5,254,409	$ 4,407,305

See accompanying notes to financial statements.

PALAU INTERNATIONAL CORAL REEF CENTER

(A Component Unit of the Republic of Palau)

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2020 and 2019

	2020	2019
Operating revenues:		
Grants	$ 639,627	$ 747,763
Facility user and admission fees	192,402	277,181
Contract service	49,831	201,309
Donations	284,473	178,736
Research facilities	32,407	128,004
Boat fees	90,421	79,864
Accommodations	26,685	44,131
Merchandise sales	29,700	38,718
Fundraising	(1,000)	11,310
Other	38,825	101,332
Total operating revenues	1,383,371	1,808,348
Bad debts	-	-
	1,383,371	1,808,348
Operating expenses:		
Salaries, wages and fringe benefits	991,641	813,117
Depreciation	253,006	233,798
Supplies and printing	225,365	151,667
Utilities	94,334	123,941
Postage and freight	6,979	51,790
Professional services	40,374	51,710
Travel	18,010	45,742
Merchandise cost	23,516	28,570
Fuel	32,516	25,061
Anniversary	16,656	22,683
Repairs and maintenance	50,326	20,965
Insurance	13,097	19,213
Dues and subscriptions	5,842	15,586
Communications	11,291	15,569
Training	11,079	12,859
Entertainment	4,884	3,113
Sales and marketing	-	591
Rentals	10	10
Other	138,916	168,897
Total operating expenses	1,937,842	1,804,882
Operating income (loss)	(554,471)	3,466
Nonoperating revenues (expenses):		
Appropriations	400,000	400,000
Palau Pristine Paradise Environmental Fee (PPEF)	314,765	-
Net increase in the fair value of investments	30,670	42,959
Gain/(Loss) on disposal of assets	(1,543)	-
Total nonoperating revenues	743,892	442,959
Net earning (loss) before capital contributions	189,421	446,425
Capital contributions	-	-
Change in net position	189,421	446,425
Net position at beginning of year	1,815,297	1,368,872
Net position at end of year	$ 2,004,718	$ 1,815,297

See accompanying notes to financial statements.

PALAU INTERNATIONAL CORAL REEF CENTER

(A Component Unit of the Republic of Palau)

Statements of Cash Flows

For the years ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from customers	$ 1,131,842	$ 1,446,575
Cash payments to suppliers for goods and services	(669,195)	(687,011)
Cash payments to employees for services	(824,656)	(668,958)
Net cash provided by (used in) operating activities	(362,009)	90,606
Cash flows from noncapital and related financing activities:		
Appropriations	400,000	400,000
Palau Pristine Paradise Environmental Fee	314,765	-
Net cash provided by noncapital financing activities	714,765	400,000
Cash flows from capital and related financing activities:		
Acquistion of capital assets	(8,510)	(27,772)
Net cash used in capital and related financing activities	(8,510)	(27,772)
Cash flows from investing activities:		
Net change in investments	30,670	42,959
Net cash provided by investing activities	30,670	42,959
Net change in cash	374,916	505,793
Cash at beginning of year	1,361,789	855,996
Cash at end of year	$ 1,736,705	$ 1,361,789
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating income (loss)	$ (554,471)	$ 3,466
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	253,006	233,798
Noncash pension costs	166,985	(71,007)
Loss on disposal of capital assets	1,543	-
(Increase) decrease in assets:		
Receivables grantor agencies	5,206	(44,326)
Receivables - other	(271,914)	(78,243)
Inventories	(747)	2,193
Increase (decrease) in liabilities:		
Accounts payable	31,809	41,792
Accrued expenses	(15,216)	2,933
Deferred revenues	21,790	-
Net cash provided by (used in) operating activities	$ (362,009)	$ 90,606

See accompanying notes to financial statements.

(1) Organization and Purpose

The Palau International Coral Reef Center (the Center), a component unit of the Republic of Palau (ROP), was created on November 20, 1998, under the provisions of ROP Public Law (RPPL) 5-17. The Law created a wholly owned government non-profit corporation managed by a Board of Directors appointed by the President of ROP with the advice and consent of the Senate of the Olbiil Era Kelulau (ROP National Congress). The primary purpose of the Center is to carry out marine research and educate the public about the ecological, economic and cultural importance of coral reefs and their associated marine habitats.

The Center's financial statements are incorporated into the financial statements of ROP as a component unit.

(2) Summary of Significant Accounting Policies

The accounting policies of the Center conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. The Center utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statement of net position. Proprietary fund operating statements present increases and decreases in net total assets. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

Budget and Appropriation

Prior to the commencement of each fiscal year, the Center prepares an operating budget and the OEK – Palau National Legislature enacts legislation resulting in an appropriation for the operation of the Center. Budgetary financial statements are not considered to be a disclosure requirement by management.

(2) Summary of Significant Accounting Policies, Continued

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.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements for comparative purposes. Such reclassifications had no effect on previously reported net assets.

Cash

Custodial credit risk is the risk that in the event of a bank failure, the Center'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 Center does not have a deposit policy for custodial credit risk.

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2020 and 2019, the Center had cash totaling $1,736,705 and $1,361,789, respectively, and the corresponding bank balances were $1,507,236 and $1,364,246, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2020 and 2019, bank deposits of $515,289 and $412,678 were FDIC insured, respectively. Collateralization of deposits is not required; therefore, uninsured deposits are exposed to custodial credit risk. In line with the Center's Strategic Plan to become self-sustaining, cash of $693,998 and $693,260 and investments of $455,441 and $424,772, have been internally restricted as of September 30, 2020 and 2019, respectively. These restricted funds consist of solicited donations and a portion of operating revenues designated by the Board.

Receivables and the Allowance for Doubtful Accounts

The Center grants credit, on an unsecured basis, to individuals and businesses and governmental entities located in the Republic of Palau. The allowance for doubtful accounts is established through a provision charged to expense. Specific 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 the specific identification method.

(2) Summary of Significant Accounting Policies, Continued

Investments

Marketable securities held for investment purposes are stated at fair value, which is primarily based on quoted market prices. Fixed income securities are reported at amortized cost with discounts or premiums amortized using the effective interest method subject to adjustment for market declines judged to be other than temporary. The Center's investments are held by a bank-administered trust fund.

The following investment policy governs the investment of assets of the Center.

General:

1. Any pertinent restrictions existing under the laws of ROP with respect to the Center, that may exist now or in the future, will be the governing restriction.

2. U.S. and non-U.S. equities, ADRs (American Depository Receipts), convertible bonds, preferred stocks, fixed-income securities, mutual funds and short-term securities are permissible investments.

3. No individual security of any issuer, other than that of the United States Government, shall constitute more than 10% (at cost) of Investment Manager's portfolio.

4. Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.

5. Investments in a registered mutual fund managed by the Investment Manager are subject to the prior approval of the Board of Directors.

6. The following securities and transactions are not authorized without prior written Board of Directors' approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sale; and margin transactions.

(2) Summary of Significant Accounting Policies, Continued

Investments, continued

Investments may be made in:

A. Equity Investments

1. Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive relative to the economic or industry sector allocations of the individual index benchmarks set for each Investment Manager.

2. Equity holdings shall be restricted to readily marketable securities of corporations that are actively traded on the major exchanges and over the counter.

3. The Investment Managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Investment Managers will be evaluated against their peers on the performance of the total funds under their direct management.

4. Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible.

B. Fixed Income Investments

1. The role of fixed income investments in the Center's portfolio is to offer a highly predictable and dependable source of current cash income and to reduce the volatility of the entire portfolio.

2. All fixed income securities held in the portfolio shall have a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than "BBB". U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.

3. No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the Investment Manager has specific prior written authorization from the Directors.

4. Total portfolio quality (capitalization weighted) shall maintain an "A" rating.

(2) Summary of Significant Accounting Policies, Continued

Investments, continued

The Center's fixed income investments will emphasize U.S. issues but will not exclude exposure to non-US dollar denominated securities.

C. Cash and Cash Equivalents

1. Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or their equivalent. U.S. Treasury and agency securities, bankers' acceptances, certificates of deposit, and collateralized repurchase agreements are also acceptable investment vehicles. Custodial sweep accounts must be, in the judgment of the Investment Managers, of credit quality equal or superior to the standards described above.

2. In the case of certificates of deposit, they must be issued by FDIC insured institutions. Deposits in institutions with less than $10,000,000 in assets may not be made in excess of $100,000 (or prevailing FDIC insurance limit), unless the deposit is fully collateralized by U.S. Treasury securities.

3. No single issue shall have a maturity of greater than two (2) years.

4. Custodial sweep accounts or similar money market portfolios are permitted and must have an average maturity of less than one (1) year.

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

(2) Summary of Significant Accounting Policies, Continued

Investments, continued

The Center values its investments at fair value in accordance with GASB Statement 31. The Center's investments as of September 30, 2020 and 2019 are as follows:

	Fair Value	
Investment Type	2020	2019
Cash and money market funds	$ 18,130	$ 9,294
Exchange-traded and closed-end funds	437,311	415,478
	$ 455,441	$ 424,772

GASB Statement No. 40 requires entities to provide information about the credit risk associated with their investments by disclosing the credit quality ratings. All fixed income securities have a credit rating of AAA based on Moody's credit quality rating and mature within one to five years.

Fair Value Measurement of the Investments

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. The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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; Level 3 inputs are significant unobservable inputs. The Center has the following fair value measurements:

		Fair Value Measurement Using		
	2020	Level 1	Level 2	Level 3
Investments by fair value level				
Exchange traded funds	$ 437,311	$ 437,311	$ -	$ -
Common stock	-	-	-	-
Total investments by fair value level	$ 437,311	$ 437,311	$ -	$ -
Investments measured at cost based measure				
Cash and cash equivalents	$ 18,130			

(2) Summary of Significant Accounting Policies, Continued

Fair Value Measurement of the Investments, continued

		Fair Value Measurement Using		
	2019	Level 1	Level 2	Level 3
Investments by fair value level				
Exchange traded funds	$ 415,478	$ 415,478	$ -	$ -
Common stock	-	-	-	-
Total investments by fair value level	$ 415,478	$ 415,478	$ -	$ -
Investments measured at cost based measure				
Cash and cash equivalents	$ 9,294			

Concentration of Credit Risk

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 the issuer and the amounts of investments that represents five percent (5%) or more of total investments of the Center. As of September 30, 2020 and 2019, the following fixed income securities and exchange-traded and closed-end funds constituted more than 5% of the Center's total investments:

	2020	2019
Exchange-traded and Closed-end Funds:		
Ishares TR Core US AGGBD ET	22%	24%
Ishares TR RUS 1000 GRW ETF	16%	13%
Ishares TR RUS 1000 Val ETF	12%	13%
Ishares TR Core MSCI EAFE	10%	17%
Ishares TR Core 1 5 yr SUD	8%	4%
Ishares TR MSCI USA Min Vol	6%	0%
SPDR S&P Midcap 400 EFT Trust	6%	7%
SPDR S&P Dividend EFT	5%	7%
Ishares TR RUSSELL 2000 ETF	5%	5%
Ishares TR Core US	0%	21%

Custodial credit risk

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Center will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Center's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on those agreements, all of these investments were held in the Center's name by the custodial financial institutions at September 30, 2020 and 2019.

(2) Summary of Significant Accounting Policies, Continued

Fair Value Measurement of the Investments, continued

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment. Foreign currency is held for less than 30 days in foreign accounts until it can be repatriated or expended. For the years ended September 30, 2020 and 2019, the Center did not have investments in foreign currency.

Investment income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect an investment's value. The Center does not have a formal policy regarding interest rate risk. At September 30, 2020 and 2019, the Center did not have any investments in debt securities.

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 represent 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 Center has determined the changes in assumption, changes in proportion and difference between the Center's contributions and proportionate share of contributions and pension contributions made subsequent to the measurement date qualify for reporting in this category.

Inventories

Inventories of spare parts, merchandise and supplies are stated at the lower of cost (first-in, first out) or market.

(2) Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lies of the respective assets. Current policy is to capitalize items in excess of $1,000.

Compensated Absences

Vested or accumulated unpaid annual leave is accrued when earned and is included in the statements of net position as an accrued expense. Annual leave accumulates at the rate of 6 hours biweekly, if less than 6 years of service, 7 hours biweekly, if between 7 and 14 years of service, and 8 hours biweekly if 15 years or more of service.

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 represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The Center has determined the changes in assumption, differences between projected and actual earnings on pension plan investments and changes in proportion and difference between the Center's contributions and proportionate share of contributions qualify for reporting in this category.

Taxes

RPPL 5-17 exempted the Center from all national and state non-payroll taxes or fees.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses include all direct and administrative revenues and expenses. Non-operating revenues and expenses result from investing and financing activities including operating grants.

Net Position

The Center's net position is classified as follows:

- Invested in capital assets: capital assets, net of accumulated depreciation, plus construction or improvements of those assets.

(2) Summary of Significant Accounting Policies, Continued

Net Position, continued

- Restricted: net position subject to externally imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire by the passage of time. The Center considers funds received through various grants to be restricted until expended in accordance with grant terms and conditions. Restricted net position resulted from the following grants at September 30, 2020 and 2019:

	2020	2019
Rockefeller Philanthropy - Ocean 5 PNMS	$ 129,645	$ 226,000
Italian Ministry for Environmental Land and Sea	126,021	295,858
Rockefeller Philanthropy - Ocean 5 PNMS	6,124	-
	$ 261,790	$ 521,858

- Unrestricted: net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. The Center recognizes a net pension liability for the defined benefit pension plan, which represents the Center's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a cost sharing multi-employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expenses on a closed basis over a five-year period beginning with the period in which the difference occurred.

(2) Summary of Significant Accounting Policies, Continued

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 ach pronouncement as originally issues. In accordance with GASB Statement No. 95, management elected to postpone implementation of these Statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* This Statement improves 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 fiduciary activities. Pursuant to GASB Statement No. 95, GASB Statement No. 84 will be effective for September 30, 2021. Management does not believe that the implementation of this Statement will have a material effect on the Center’s financial statements.

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

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. Pursuant to GASB Statement No. 95, GASB Statement No. 89 will be effective for the year ended September 30, 2022. Management does not believe that the implementation of this Statement will have a material effect on the Center’s financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

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. Pursuant to GASB Statement No. 95, GASB Statement No. 90 will be effective for the year ended September 30, 2021. Management does not believe that the implementation of this Statement will have a material effect on the Center's financial statements.

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. Pursuant to GASB Statement No. 95, GASB Statement No. 91 will be effective for the year ended September 30, 2023. Management does not believe that the implementation of this Statement will have a material effect on the Center's financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about effective date of Statement No. 87, *Leases*; for interim financial statements, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment. 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 for year ending September 30, 2022. Management does not believe that the implementation of this Statement and Guide 2019-3 will have a material effect on the Center's financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

In April 2020, GASB is issued Statement No. 93, *Replacement of Interbank Offered Rates* (IBOR). The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of IBOR. Pursuant to GASB Statement No. 95, GASB Statement No. 93 will be effective for the year ended September 30, 2022. Management does not believe that the implementation of this Statement will have a material effect on the Center's financial statements.

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 issue related to public-private and public-public partnership arrangements. This Statement also improves guidance for accounting and financial reporting for availability payment arrangements. GASB Statement No. 94 will be effective for the year ending September 30, 2023. Management does not believe that the implementation of this Statement will have a material effect on the Center's financial statements.

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. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-of-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 SBIT; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 will be effective for the year ended September 30, 2023. Management does not believe that the implementation of this Statement will have a material effect on the Center's financial statements.

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 – amendment of GASB Statement Nos. 14 and 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 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 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 Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

GASB Statement No. 97 will be effective for the year ended September 30, 2022. Management does not believe that the implementation of this Statement will have a material effect on the Center's financial statements.

(3) Employees' Retirement Plan

Defined Benefit Plan

A. General Information About the Pension Plan:

Plan Description. The Center contributes to the Republic of Palau Civil services Pension Trust Fund (the Plan), a defined benefit, cost sharing multi-employer plan, which is a component unit of the Republic of Palau (ROP) National Government, providing retirement, security and their benefits to employees, their spouses and dependents, of the ROP, ROP State Governments and ROP agencies, funds and public corporations. The Plan was established pursuant to Republic of Palau Public Law (RPPL) No. 2-26 passed into law on April 3,1987 and began operations on October 1, 1987.

Portions of RPPL No. 2-26 were revised by RPPL 3-21, RPPL 4-40, RPPL 4-49, RPPL 5-30, RPPL 6-37, RPPL 6-37, RPPL 7-56, RPPL 8-10 and RPPL 9-2. A single actuarial valuation report is performed annually covering all plan members and the same contribution rate applies to each employer.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the Plan's Administrator at the Republic of Palau Civil Service Pension Trust Fund, P.O. Box 1767, Koror, Republic of Palau 96940, or e-mail cspp@palaunet.com or call (680) 488-2523.

Plan Membership. As of September 30, 2015, the date of the most recent valuation, plan membership consisted of the following:

Inactive members currently receiving benefits	1,629
Inactive members entitled to but not receiving benefits	1,252
Active members	3,480
Total members	6,361

3) Employees' Retirement Plan, Continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan, continued:

Pension Benefits. Retirement benefits are paid to members who are required, with certain exceptions, to retire no later than their sixtieth birthday or after thirty years of service. A member may retire after his or her fifty-fifth birthday at a reduced pension amount if the member has completed at least twenty years of government employment. A married member of a former member receiving a distribution of benefits under the Pension Fund receives reduced benefit amounts to provide survivors' benefits to his or her spouse. An unmarried member or former member may elect to receive a reduced benefit amount during his or her lifetime with an annuity payable to his or her designated beneficiary. Disability benefits are paid to qualified members for the duration of the disability. Effective May 17, 1996, through RPPL 4-49, members, who have twenty-five years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Board.

Effective July 1, 1999, pursuant to RPPL 4-49 and RPPL 5-30, retirement is mandatory for all members who have thirty years or more of total service and all employees who are sixty years of age or older with certain exceptions.

Beginning October 1, 2003, pursuant to RPPL 6-37, mandatory retirement may be delayed for up to five years, by specific exemption by the Board. In December 2008, RPPL 7-56 eliminated early retirement and thirty-year mandatory service provisions. These provisions were restored through RPPL 8-10 in October 2009. On April 30, 2013, RPPL 9-2 eliminated the mandatory service retirement after thirty years of service. After December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of sixty.

In accordance with the directives of RPPL 5-7, the Board adopted a resolution which provides that "no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution". In accordance with RPPL 9-2, members who retire after April 30, 2013 must not receive benefits greater than thirty thousand dollars per year. Further, the amount of benefits that a member receives should not be recalculated if the member is re-employed after the member begins receiving benefits under the Fund. Additionally, a member should not receive benefits during the time the member is re-employed subsequent to retirement.

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan, continued:

Currently, normal benefits are paid monthly and are two percent of each member's average monthly salary for each year of credited total service up to a maximum of thirty years total service. The average annual salary is the average of the highest three consecutive fiscal years of compensation received by a member during his or her most recent ten full fiscal years of service. For members who have not completed three consecutive fiscal years of employment during his or her most recent ten full fiscal years of service, the average annual salary is the average monthly salary during the term of the member's service multiplied by twelve.

The benefit amount that married members or unmarried members receive, who have elected to designate a beneficiary, is based on the normal benefit amount reduced by the following factors:

Factor	If the Spouse or Beneficiary is:
1.00	21 or more years older than the member
0.95	16 to 20 years older than the member
0.90	11 to 15 years older than the member
0.85	6 to 10 years older than the member
0.80	0 to 5 years younger than the member or 0 to 5 years older than the member
0.75	6 to 10 years younger than the member
0.70	11 to 15 years younger than the member
0.65	16 or more years younger than the member

Surviving beneficiaries of an employee may only receive benefits up to the total present value of the employees accrued benefit pursuant to RPPL 9-2.

A member that meets the requirements for early retirement and elects to retire on an early retirement date is entitled to receive payment of an early retirement benefit equal to the member's normal retirement benefit reduced according to the following schedule based on the age at which early retirement benefit payments begin:

- $1/12^{th}$ per year for the first 3 years before age 60;
- plus an additional $1/18^{th}$ per year for the 3 years;
- plus an additional $1/24^{th}$ per year for the next 5 years; and
- plus and additional $1/50^{th}$ per year for each year in excess of 11 years.

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan, continued:

Upon the death of a member or former member with eligible survivors before commencement of the members' normal, early, or late retirement benefits or disability retirement benefits the following shall be payable:

- If the former member is not an employee at his date of death and a spouse or beneficiary survives, he total death benefits payable shall be the actuarial equivalent of the member's present value of accrued benefit.

- If the member is an employee at his date of death and a spouse or beneficiary survives, the total death benefits payable shall be the actuarial equivalent of the greater of 3 times the member's average annual salary or the member's present value of accrued benefits.

Upon the death of a member or former member before commencement of his normal, early, or late retirement benefit or disability retirement benefit leaving no persons eligible for survivor benefits, the following shall be payable:

- If the former member is not an employee at the date of death, a refund of the total amount of contributions made by the member.

- If the member was an employee at the date of death and had completed one year of total service, the estate of the member shall be entitled to a death benefit equal to the greater of three times the member's annual salary or the present value of the member's accrued benefit payable in the form of a single lump sum payment.

Any member who is not otherwise eligible to receive normal, early or late retirement benefits, who shall become totally and permanently disabled for service regardless of how or where the disability occurred, shall be entitled to a disability retirement annuity, provided that he or she is not receiving disability payments from the United States Government or its agencies for substantially the same ailment, and further provided that to be eligible for a disability retirement annuity from a cause unrelated to service, the member shall have had at least ten (10) years of total service credited. The amount of disability retirement annuity from a cause unrelated to service, the member shall have had at least ten (10) years of total service credited.

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan, continued:

The amount of disability retirement annuity shall be an amount equal to the actuarial equivalent at the attained age of the member's present value of accrued benefit and shall be paid in the same form as a normal retirement benefit. Any special compensation allowance received or payable to any member because of disability resulting from accidental causes while in the performance of a specific act or acts of duty shall be deducted from the disability annuity payable by the Plan on account of the same disability.

Contributions. Member contribution rates are established by RPPL No. 2-26 at six percent of total payroll and are deducted from the member's salary and remitted by participating employers. Upon complete separation from service, a member with less than (15) fifteen years membership service may elect to receive a refund of all his or her contributions. Subsequent changes in the percentage contributed by members may be made through and amendment of the Trust Fund Operation Plan subject to the requirements of Title 6 of the Palau National Code. RPPL 9-2 requires each employee of the National Government and all State Governments, without regard to whether the employee of the National Government and all State Governments, without regard to whether the employee is employed part-time or on a temporary basis, seasonal or an impermanent basis, to contribute to the Plan through payroll deduction.

Employers are required to contribute an amount equal to that contributed by employees. Pursuant to RPPL No. 2-26 and RPPL No. 3-21, the Government of the Republic OF Palau must from time to time contribute additional sums to the Plan in order to keep the Plan on a sound actuarial basis. RPPL 9-2 requires the Government of ROP to make regular contributions to the Plan equal to the amount contributed by each and every employee of ROP. Additionally, an excise tax of four percent (4%) is levied against each non-citizen person transferring money out of ROP. The money transfer tax must be remitted to the Plan.

The Center's contribution to the Plan for the years ended September 30, 2020, 2019 and 2018 were $29,624, $26,521, and $28,117, respectively, which were equal to the required contributions for the respective years then ended.

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan, continued:

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of September 30, 2019, for the measurement date, using the following actuarial assumptions:

Actuarial Cost Method:	Normal costs are calculated under entry age normal method
Amortization Method:	Level dollar, open with remaining amortization period of 30 years
Asset Valuation Method:	Market Value of Assets
Investment Income:	6.74% per year
Inflation:	2.5%
Interest on Member Contributions:	5.0% per year
Salary Increase:	3.0% per year
Expenses:	$300,000 added to normal cost
Mortality:	RP 2000 Combined Healthy Mortality Table, set forward four years for all members except disability recipients, except the table is set forward ten years
Termination of Employment:	5% for ages 20 to 39; non for all other ages

Disability:

Age	Disability
25	0.21%
30	0.18%
35	0.25%
40	0.35%
45	0.50%
50	0.76%
55	1.43%
60	2.12%

Retirement Age:	100% at age 60

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan, continued:

Form of Payment:	Single: Straight life annuity; Married 100% joint and survivor
Marriage Assumption:	80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses. Beneficiaries are assumed to be the opposite gender of the member.
Duty vs Non-duty related disability:	100% Duty related.
Refund of Contributions:	80% of terminated vested members elect a refund of contributions
Final Average Earnings:	Deferred vested members missing data for their final average earnings amount are assumed to receive the average benefit of current retirees or beneficiaries, respectively.

Investment Rate of Return

The long-term expected rate of return on the Plan's investments of 6.74% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

As of September 30, 2019, the geometric mean rates of return for each major investment class are as follows:

Asset Class	Target Allocation	Expected Rate of Return
U.S. Large Cap Value Equity	10%	8.70%
U.S. Large Cap Growth Equity	10%	9.13%
International Equity	15%	9.19%
Emerging Markets	10%	12.52%
U.S. Aggregate Fixed Income	35%	3.82%
Global Broad Fixed Income	10%	3.40%
Global REIT	10%	8.33%
	100%	

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan, continued:

Discount Rate

The discount rate used to measure the total pension liability was 2.85% at the current measurement date and 4.16% at the prior measurement date. The discount rate was determined using the current assumed rate of return until the point where the plan fiduciary net position is negative. Using the current contribution rates, a negative position happens in 2024 for the 2019 measurement date. For years on or after 2024, a discount rate of 2.81% is used. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Center as of September 30, 2019, calculated using the discount rate of 2.85%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (1.85%) or 1.00% higher (3.85%) from the current rate.

1% Decrease 1.85%	Current Single Discount Rate Assumption 2.85%	1% Increase 3.85%
$2,965,018	$2,548,629	$2,204,193

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability. At September 30, 2020 and 2019, the Center reported a liability of $2,548,629 and $1,898,628, respectively, for its proportionate share of the net pension liability. The Center's proportion of the net pension liability was based on the projection of the Center's long-term share of contributions to the Plan relative to the projected contributions of Republic of Palau, Republic of Palau's component units and other Government agencies, actuarially determined. At September 30, 2020 and 2019, the Center's proportion was 0.826% and 0.757%, respectively.

Pension Expense. For the years ended September 30, 2020 and 2019, the Center recognized pension expense of $201,917 and $100,723, respectively.

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued:

Deferred Outflows and Inflows of Resources. At September 30, 2020 and 2019, the Center reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 129,607	$ 99,360	$ 149,724	$ 28,352
Net difference between projected and actual earnings on pension plan investments	7,088	6,050	5,404	8,274
Change in assumptions	528,923	232,346	169,758	262,066
Authority contributions subsequent to the measurement date	-	-	-	-
Changes in proportion and difference between the Center's contributions and approportionate share of contributions	241,139	197,370	128,665	266,244
Total	$ 906,757	$ 535,126	$ 453,551	$ 564,936

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2020 will be recognized in pension expense as follows:

Year ending September 30,	
2021	$ 60,451
2022	63,990
2023	91,428
2024	36,728
2025	38,805
Thereafter	80,229
	$ 371,631

4) Due from Grantor Agencies

The Center is a direct recipient of a contract award received from the Italy Government, Rockefeller Philanthropy Advisors, Micronesian Conservation Trust, and the U.S. Department of Interior. Excess grant disbursements over receipts are recognized as due from grantor agencies until such funds are received in accordance with grant terms and conditions.

Changes in the due from grantor agency account for the years ended September 30, 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	$ 198,152	$ 153,826
Deductions - cash receipts from grantor agencies	(100,301)	(66,568)
Additions - program outlays	95,095	110,894
Balance at end of year	$ 192,946	$ 198,152

5) Capital Assets

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

	Estimated Useful Lives	Balance at October 1, 2019	Additions	Deletions	Balance at September 30, 2020
Buildings	10-30 years	$ 4,070,932	$ 200,000	$ -	$ 4,270,932
Mechanical, electric, research office exhibit and marine equipment	2- 15 years	1,832,686	1,170	(4,899)	1,828,957
Aquarium	7 years	1,599,608	5,340	(7,122)	1,597,826
Furniture and fixtures	5 years	105,223	2,000	(2,000)	105,223
Computers	5 years	28,576			28,576
Vehicles	3 years	69,795		(13,506)	56,289
CIP in Progress		200,000	-	(200,000)	-
		7,906,820	208,510	(227,527)	7,887,803
Accumulated depreciation		(6,137,576)	(585,863)	345,559	(6,377,880)
		$ 1,769,244	$ (377,353)	$ 118,032	$ 1,509,923

5) Capital Assets, Continued

	Estimated Useful Lives	Balance at October 1, 2018	Additions	Deletions	Balance at September 30, 2019
Buildings	10-30 years	$ 4,070,932	$ -	$ -	$ 4,070,932
Mechanical, electric, researh office exhibit and marine equipment	2- 15 years	1,832,686	-	-	1,832,686
Aquarium	7 years	1,585,360	14,248	-	1,599,608
Furniture and fixtures	5 years	101,089	4,134	-	105,223
Computers	5 years	28,576	-	-	28,576
Vehicles	3 years	60,405	9,390	-	69,795
CIP in Progress		200,000	-	-	200,000
		7,879,048	27,772	-	7,906,820
Accumulated depreciation		(5,903,778)	(233,798)	-	(6,137,576)
		$ 1,975,270	$ (206,026)	$ -	$ 1,769,244

The construction in-progress represents the cost incurred for the construction of research facilities expansion project with year-to-date cost totaling $200,000 as of September 30, 2018. The total cost to complete the project is $840,000; however, due to funding limitations, the project was divided into two phases. Phase 1 in the amount of $400,000 is funded by the ROP Economic Stimulus Package (ESP) FY-2014 and Phase II in the amount of $440,000 is funded by the Center. The project is expected to be completed during 2021.

6) Inventories

Inventories as of September 30, 2020 and 2019, consist of the following:

	2020	2019
Merchandise	$ 15,108	$ 14,361
Spare parts	1,917	1,917
	$ 17,025	$ 16,278

7) Noncurrent Liabilities

A summary of changes in noncurrent liabilities during fiscal year ended September 30, 2020 and 2019 is as follows:

	Outstanding October 1, 2019	Decreases	Increases	Outstanding September 30, 2020	Current	Noncurrent
Net Pension Liability	$ 1,898,628	$ -	$ 650,001	$ 2,548,629	$ -	$ 2,548,629
	$ 1,898,628	$ -	$ 650,001	$ 2,548,629	$ -	$ 2,548,629

	Outstanding October 1, 2018	Decreases	Increases	Outstanding September 30, 2019	Current	Noncurrent
Net Pension Liability	$ 2,098,212	$ 199,584	$ -	$ 1,898,628	$ -	$ 1,898,628
	$ 2,098,212	$ 199,584	$ -	$ 1,898,628	$ -	$ 1,898,628

8) Republic of Palau

During the year ended September 30, 2020 and 2019, the Center recorded appropriations for operations of $400,000, respectively.

The Center conducts its operations on land without charge in the State of Koror, through a land settlement agreement dated February 3, 1997 between ROP, the Palau Public Lands Authority, the Koror State Government and the Koror State Public Lands Authority. The land settlement agreement stipulates that ROP will retain the use of the land for as long as it is used for the Center and as long as no commercial or other profit-making ventures are conducted on the premises.

9) Risk Management

The Center is exposes to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

10) Subsequent Events

The Center has evaluated subsequent events from October 1, 2020 through February 24, 2022, the date of financial statements were available to be issued. The Center did not note any subsequent events requiring disclosure or adjustment to the accompanying financial statements.

PALAU INTERNATIONAL CORAL REEF CENTER
(A Component Unit of the Republic of Palau)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013
Civil Service Pension Trust Fund (Plan) total net pension liability	$ 308,480,463	$ 250,868,784	$ 259,395,005	$ 249,453,960	$ 215,546,176	$ 204,281,232	$ 182,080,332
The Center's proportionate share of the net pension liability	$ 2,548,629	$ 1,898,628	$ 2,098,212	$ 2,078,159	$ 1,565,921	$ 1,783,171	$ 1,580,457
The Center's proportionate share of the net pension liability	0.826%	0.757%	0.809%	0.833%	0.726%	0.873%	0.868%
The Center's covered-employee payroll**	$ 493,733	$ 443,983	$ 468,617	$ 441,236	$ 352,326	$ 410,366	$ 321,633
The Center's proportionate share of the net pension liability as a percentage of its covered employee payroll	516.20%	427.64%	447.75%	470.99%	444.45%	434.53%	491.39%
Plan Fiduciary net position as a percentage of the total pension liability	19.37%	23.38%	22.33%	21.23%	22.50%	23.01%	20.35%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See accompanying Independent Auditors' Report.

PALAU INTERNATIONAL CORAL REEF CENTER
(A Component Unit of the Republic of Palau)

Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 116,417	$ 131,021	$ 138,960	$ 120,112	$ 79,187	$ 92,733	$ 54,602
Contribution in relation to the actuarially determined contribution	29,624	26,639	28,117	26,111	20,999	24,165	21,838
Contribution (excess) deficiency	$ 86,793	$ 104,382	$ 110,843	$ 94,001	$ 58,188	$ 68,568	$ 32,764
Center's covered-employee payroll	$ 493,733	$ 443,983	$ 468,617	$ 441,236	$ 352,326	$ 410,366	$ 321,633
Contribution as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	5.92%	5.96%	5.89%	6.79%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See accompanying Independent Auditors' Report.

PALAU INTERNATIONAL CORAL REEF CENTER
(A Component Unit of the Republic of Palau)

Schedule of Investments
September 30, 2020

Cash and Money Market Funds	Cost	Fair Value
Goldman Sachs Bank USA	$ 18,130	$ 18,130
Total Cash and Money Market Funds	18,130	18,130
Equities		
Exchange-Traded and Closed-End Funds		
Ishares TR Core AGGBD ET	$ 88,840	$ 94,802
Ishares TR RUS 1000 GRW ETF	34,791	69,405
Ishares TR RUS 1000 VAL ETF	46,900	50,323
Ishares TR Core MSCI EAFE	45,483	45,753
Ishares TR Core 1 5yr USD	34,967	35,879
SPDR S&P MIDCAP 400 EFT Trust	23,163	26,768
Ishares TR MSCI USA MIN	26,584	26,384
Ishares TR RUS 2000 GRW ETF	17,554	20,371
SPDR Trust S&P Dividend EFT	18,667	19,681
Ishares TR BROAD USD HIGH	17,682	17,722
Ishares Incorporated Core MSCI EMKT	15,561	17,688
Ishares TR MSCI USA SMCP MN	13,153	12,535
Total Exchange-Traded and Closed-End Funds	383,345	437,311
Total Cash, Money Maket Funds and Equities	$ 401,475	$ 455,441