

June 21, 2021

The Board of Directors
Federated States of Micronesia Development Bank

Dear Members of the Board of Directors:

We have performed audit of the financial statements of the Federated States of Micronesia Development Bank (the Bank) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our reports thereon dated June 21, 2021.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Bank is responsible.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Bank and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Deloitte & Touche LLP

cc: The Management of Federated States of Micronesia Development Bank

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated January 15, 2021. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on whether the statement of net position of the Bank as of December 31, 2020 and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended (the “financial statements”), are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) and perform specified procedures on the required supplementary information for the year ended December 31, 2020; and
- To report on the Bank’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended December 31, 2020 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards and generally accepted government auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the Bank’s preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bank’s internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Bank’s 2020 financial statements include management’s estimate of the allowance for loan losses, which is determined by management based upon periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect individual borrowers’ ability to repay and estimated value of any underlying collateral. During the year ended December 31, 2020, we are not aware of any significant changes in accounting estimates or in management’s judgments relating to such estimates.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Included in Attachment I as Appendix A, is a summary of corrected misstatements which were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period. In addition, included in Attachment I as Appendix B, is a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The Bank's significant accounting policies are set forth in Note 1 to the Bank's 2020 financial statements. During the year ended December 31, 2020, there were no changes in previously adopted accounting policies or their application.

We have evaluated the significant qualitative aspects of the Bank's accounting policies, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

The following represent accounting standards that are effective for the year ending December 31, 2021 or after. While management has not completed full analyses, they do not believe that the implementation of these standards would not have material impacts on the Bank's financial statements, except for No. 87, *Leases*.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal year ending December 31, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal year ending December 31, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal year ending December 31, 2022.

SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 is effective for the fiscal year ending December 31, 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. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending December 31, 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. GASB Statement No. 94 will be effective for fiscal year ending December 31, 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. GASB Statement No. 96 will be effective for fiscal year ending December 31, 2023.

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. GASB Statement No. 97 will be effective for fiscal year ending December 31, 2022.

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as the Bank's 2020 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in the Bank's 2020 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board of Directors.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Bank's 2020 financial statements.

OUR VIEWS ABOUT SIGNIFICANT MATTERS THAT WERE THE SUBJECT OF CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2020.

SIGNIFICANT FINDINGS OR ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence, were not held in connection with our retention as auditors.

OTHER SIGNIFICANT FINDINGS OR ISSUES ARISING FROM THE AUDIT DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board of Directors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Bank's management and staff and had unrestricted access to the Bank's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Bank's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Bank is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.



The Board of Directors
Federated States of Micronesia Development Bank
June 21, 2021

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EMPHASIS OF MATTERS

As discussed in Note 1 to the financial statements, Bank elected to present an unclassified statement of net position because current assets are not matched with current liabilities. Our opinion is not modified with respect to this matter.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated June 21, 2021, on the Bank's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. We have communicated to management, in a separate letter also dated June 21, 2021, other matters that we identified during our audit.



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June 21, 2021

Deloitte & Touche LLP
361 South Marine Corps Drive
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We are providing this letter in connection with your audits of the statements of net position of the Federated States of Micronesia Development Bank (the "Bank"), a component unit of the FSM National Government, as of December 31, 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, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Bank and of the Funds in conformity with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the financial statements of financial position of the Bank and the Funds in conformity with GAAP.
- b. 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
 - To prevent and detect fraud.
- c. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association. Additionally, we agreed with the adjusting and reclassification entries included in Appendix A.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a

Deloitte & Touche LLP
June 21, 2021

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reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with GAAP. In addition:
 - a. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
 - b. Deposits and investments securities are properly classified in the category of custodial credit risk.
 - c. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - d. Required supplementary information is measured and presented within prescribed guidelines.
 - e. Revenues and expenses are appropriately classified in the statements of revenues, expenses and changes in net position within operating revenues, non-operating revenues and expenses.
 - f. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
2. The Bank has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The Bank has made available to you:
 - a. All minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared. Specifically, the following meetings from January 1, 2020 to the date of this letter, have been provided to you:
 - January 27, 2020
 - March 17, 2020
 - March 30, 2020
 - April 22, 2020
 - April 23, 2020
 - July 29-30, 2020
 - October 28, 2020
 - January 27, 2021
 - April 28, 2021
 - April 29, 2021
 - b. All financial records and related data for all financial transactions of the Bank and for all funds administered by the Bank. The records, books, and accounts, as provided to you, record the

financial and fiscal operations of all funds administered by the Bank and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.

- c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
4. There has been no:
 - a. Action taken by the Bank's management that contravenes the provisions of federal laws and FSM laws and regulations, or of contracts and grants applicable to the Bank and to all funds administered by the Bank. Specifically, the Bank is authorized to undertake loan administrative actions including collections and charge-offs of IDF loans.
 - b. Communications with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements of the Bank and of the Funds.
 5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.
 6. The Bank has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the Bank and do not believe that the financial statements are materially misstated as a result of fraud.
 7. We have no knowledge of any fraud or suspected fraud affecting the Bank involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others, where the fraud could have a material effect on the financial statements.
 8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Bank's financial statements communicated by employees, former employees, analysts, regulators, or others.
 9. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
 10. Significant assumptions used by us in making accounting estimates are reasonable.
 11. We are responsible for the compliance with local, state, and federal laws, rules and regulations, and provisions of grants and contracts relating to the Bank's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order

to achieve the objectives of providing reliable reports, effective and efficient operations, and compliance with laws and regulations. The Bank is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.

12. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Except where otherwise stated below, immaterial matters less than \$128,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

13. Except as listed in Appendix B, there are no transactions that have not been properly recorded and reflected in the financial statements.
14. The Bank has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
15. Regarding related parties:
 - a. We have disclosed to you the identity of the Bank's related parties and all the related-party relationships and transactions of which we are aware.
 - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
16. To the extent applicable, guarantees have been appropriately identified, properly recorded and disclosed in the financial statements, whether written or oral, under which the Bank is contingently liable. The Bank, from time to time, is contingently liable on loan guarantees ranging from 50% to 90% of the outstanding loan balances for commercial projects within the FSM. There were no outstanding guaranteed loan balances as of December 31, 2020 and 2019.
17. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events
 - b. The effect of the change would be material to the financial statements.
18. There are no:
 - a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements

- b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements that have not been disclosed to you and accounted for and disclosed in accordance with GAAP
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*.
19. The Bank has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.
20. The Bank has complied with all aspects of contractual agreements that may affect the financial statements in the event of noncompliance, including all requirements associated with the terms in the December 2018 and August 2010 Finance Contracts with the European Investment Bank (the EIB Finance Contracts).
21. No department or agency of the Bank has reported a material instance of noncompliance to us.
22. There were no control deficiencies in the design or operation of internal control over financial reporting that could adversely affect the Bank's ability to initiate, record, process and report financial information.
23. The Bank has disclosed whether, subsequent to December 31, 2020 and 2019, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses, have occurred.
24. No evidence of fraud, possible irregularities, or dishonesty in fiscal operations of programs administered by the Bank has been discovered.
25. Regarding required supplementary information:
- a. We confirm that we are responsible for the required supplementary information.
 - b. The required supplementary information is measured and presented in accordance with GASB Codification Section 2200, *Comprehensive Annual Financial Report*.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
26. Regarding supplementary information:
- a. We are responsible for the fair presentation of the supplementary information in accordance with GAAP and the EIB Finance Contract.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP and the EIB Finance Contract.
 - c. The method of measurement and presentation of the supplementary information has not changed from those used in the prior period.

27. With regard to the fair value measurements and disclosures of certain assets, we believe that:
 - a. The measurement methods, including the related assumptions, used in determining fair value were appropriate and were consistently applied in accordance with GAAP.
 - b. The completeness and adequacy of the disclosures related to fair values are in conformity with GAAP.
28. During the year ended December 31, 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postpones the effective dates of GASB Statement No. 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 except for GASB Statement No. 84 and 90, which were implemented during the year ended December 31, 2019.
29. Regarding the future implementation of GASB Statements effective for the years ending December 31, 2021 and after, as detailed in the Note 1 of the financial statements, the Bank does not believe the implementation will have a material effect on its financial statements with the exception of Statement No. 87, Leases, which will be effective for fiscal year ending December 31, 2022.
30. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.
31. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
32. The Bank is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables and accounts receivable, as well as estimates used to determine such amounts for the Bank's and the Funds' financial statements. Management believes the allowances are adequate to absorb estimated bad debts in account balances.
33. We believe that all expenditures that have been deferred to future periods are recoverable.
34. The Bank's retirement plan (the Plan) is a self-administered program established to pay retirement, disability and survivor income to employees and their survivors to supplement similar benefits that employees receive from the FSM Social Security System. The Plan is a contributory plan in which the Bank matches 100% of the participants' contributions up to a maximum of 10 percent of the participant's annual salary, if the participant contributes 3 or more percent from his or her annual salary. Employee participation is optional. The Bank's Chief Financial Officer is the designated Plan Administrator. Matching contributions to the Plan during the years ended December 31, 2020 and 2019 were \$64,353 and \$66,547, respectively. Total Plan assets as of December 31, 2020 and 2019 were \$1,504,688 and \$1,353,674, respectively. Management is of the opinion that the Plan does not represent an asset or a liability of the Bank.
35. During the year ended December 31, 2015, the Bank was awarded a \$250,000 Home Energy Loan

Deloitte & Touche LLP
June 21, 2021

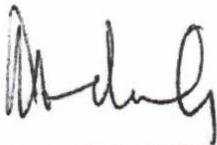
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Program grant from the International Union for Conservation of Nature Resources (IUCN). \$232,000 of the grant is to be awarded to the qualified borrowers for new loans to construct homes that demonstrate features and measures designed to conserve energy, reduce consumption of fossil fuels and enhance energy efficiency as principle reduction of loans, while the remaining \$18,000 will be used by the Bank for renovations to improve energy efficiency. As of December 31, 2020 and 2019, unearned grant revenue was \$138,310 and \$174,343, respectively. A grant extension was received during the year ended December 31, 2018.

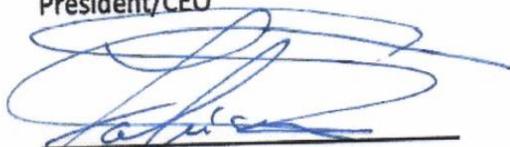
36. The Bank has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by FSM law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions, or mandatory directions imposed by FSM law.
37. No events have occurred after December 31, 2020, but before June 21, 2021, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements except the following:

In March 2021, the Bank received a \$3,000,000 grant from FSM National Government for the FSM Health Expenditure and Livelihood Support Program which is supported by the Asian Development Bank Group. The grant is for the Bank to launch its micro and small business loans for the program.

Very truly yours,



Anna Mendiola
President/CEO



Fabian Nimea
SVP/Chief Operations Officer



Brandon Tara
Chief Financial Officer

APPENDIX A

Corrected Misstatements:

#	AJE – Journal Entries	Debit	Credit
	1 AJE Beginning net position		
40300-001	LOAN FEES -HQ	5,000.00	
40300-004	LOAN FEES - CKK	7,696.42	
71700-001	MISC EXPENSE/BANK CHARGES - HQ	2,195.58	
35100-003 IDF	PREVIOUS RETAINED EARNINGS - IDF	4,739.00	
36000-000	RETAINED EARNINGS		16,816.00
36000-005	PREVIOUS RETAINED EARNINGS - YDLF		2,815.00
		<u>19,631.00</u>	<u>19,631.00</u>
	Beginning net position adjustments		
	2 AJE Investment in BFSM		
10120-001	INV - BOFSM	350,400.00	
60100-001	INCOME/LOSS FROM BFSM STOCK - HQ		350,400.00
		<u>350,400.00</u>	<u>350,400.00</u>
	To record investment in BFSM at NAV per share		
	3 AJE Dividend from BFSM		
40500-001	MISCELLANEOUS INCOME - HQ	321,751.43	
60100-001	INCOME/LOSS FROM BFSM STOCK - HQ		321,751.43
		<u>321,751.43</u>	<u>321,751.43</u>
	To reclass investment income from miscellaneous		
	1 CAJE Tourism Mitigation Fund (Provided by FSMDB)		
10400-001	INTEREST RECEIVABLE-HQ	415,326.97	
10200-001	LOAN RECEIVABLE-HQ		97,601.21
10200-002	LOAN RECEIVABLE - KOS		7,283.99
10200-004	LOAN RECEIVABLE - CHUUK		10,893.40
10200-005	LOAN RECEIVABLE - YAP		5,047.55
40100-001	LOAN INT-HQ		59,917.98
40100-002	LOAN INT - KOSRAE		12,534.25
40100-004	LOAN INT - CHUUK		92,945.24
40100-005	LOAN INT - YAP		110,470.83
10219-004	EIB-LOANS RECEIVABLE-CKK		15,593.49
40119-004	LOAN INTEREST-EIB-CKK		3,039.03
		<u>415,326.97</u>	<u>415,326.97</u>

APPENDIX A, Continued

Corrected Misstatements, Continued:

4 AJE IDF Allowance			
10285-004	IDF ALLOWANCE FOR D/L	109,075.00	
40500-006	IDF MISC. INCOME-PSIDF		109,075.00
		<u>109,075.00</u>	<u>109,075.00</u>

IDF Allowance corrections

5 AJE Provision for loan losses			
40500-001	MISCELLANEOUS INCOME - HQ	9,955.59	
71800-001	PROV FOR D/L -HQ		9,955.59
		<u>9,955.59</u>	<u>9,955.59</u>

Correction of JV-200479 (03/31/2020) adjustment of balance payable to IDF

6 AJE Accrued interest payable to EIB			
71411-001	FEEES FOR BORRWED FUND	39,650.00	
25010-001	ACCRUED INTEREST PAY-HQ		39,650.00
		<u>39,650.00</u>	<u>39,650.00</u>

Correction of the unrecorded balance of accrued interests on EIB Loans

#	RJE – Journal Entries (Reclassification)	Debit	Credit
	1 RJE To reclass cash equivalents from investments		
DT1	Cash & cash equivalent - investment reclass	483,115.14	
DT6	Reclass investment		483,115.14
		<u>483,115.14</u>	<u>483,115.14</u>

To reclass cash equivalents from investments

	2 RJE To reclass Certificate of deposits from investment		
DT2	TCD - investment reclass	3,154,281.54	
10116-001	INVESTMENTS-FSMDB (ABROAD)		3,154,281.54
		<u>3,154,281.54</u>	<u>3,154,281.54</u>

To reclass Certificate of deposits from investment

APPENDIX B

Uncorrected Misstatements:

Audit Adjustments

Name	Debit	Credit
1 PAJE Allowance for loan losses		
Provision for loan losses	134,000	
Allowance for loan losses		134,000

To correct allowance for loan losses as of yearend based on test of credit rating and recalculation of the balance.