

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE STATE OF YAP)**

YEARS ENDED SEPTEMBER 30, 2023 and 2022

**1930 Picarro Lane, I Liyang Village
P.O. Box 504053
Saipan, MP 96950**

THE DIVING SEAGULL, INC.
(A Component Unit of the State of Yap)

Report on the Audit of Financial Statements in Accordance with the Uniform Guidance
Years ended September 30, 2023 and 2022

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BURGER · COMER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of The Diving Seagull, Inc.

Opinions

We have audited the accompanying financial statements of The Diving Seagull, Inc. (the Company), a component unit of Yap State Government, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise The Diving Seagull Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Diving Seagull, Inc., as of September 30, 2023 and 2022, and the changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Diving Seagull, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Diving Seagull, Inc.'s. ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Diving Seagull, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Diving Seagull, Inc.'s. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the Company has incurred losses from operations for the years ended September 30, 2018 through 2023. The continuation of the Company's operations is dependent upon successful fishing activities, improvement in external industry factors, and on timely collection from fish brokers. In addition, in order for the Company to continue as a going concern, it may need to improve its cash management, reduce operating expenses, and obtain support from the State or National Government. Our opinion is not modified with respect to this matter.

Bruce Comer & Associates

December 10, 2024
Saipan, MP

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF YAP STATE GOVERNMENT)

Management's Discussion and Analysis
Years Ended September 30, 2023 and 2022

The Yap State Government is required to adopt the provisions of the Government Accounting Standard Board (GASB). The Diving Seagull, Inc. ("DSI") is accounted for and is reported as a component unit of the Yap State Government.

The following table summarizes the financial conditions and results of operations of DSI in fiscal years ended September 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
<u>Assets:</u>		
Property and equipment, net	\$ 27,526	\$ 1,983,873
Current assets	1,683,305	2,616,860
Other assets	<u>1,879,907</u>	<u>1,469,053</u>
Total assets	\$ <u>3,590,738</u>	\$ <u>6,069,786</u>
<u>Liabilities and net position</u>		
<u>Liabilities:</u>		
Long-term debt, net of current portion	1,006,287	4,984,321
Current portion of long-term debt	359,693	124,427
Other current liabilities	<u>2,572,990</u>	<u>2,237,405</u>
Total Liabilities	<u>3,938,970</u>	<u>7,346,153</u>
<u>Net Position:</u>		
Net investment in Capital assets	27,526	1,983,873
Restricted	-	-
Unrestricted	<u>(375,758)</u>	<u>(3,260,240)</u>
Total Net position	<u>(348,232)</u>	<u>(1,276,367)</u>
Total Liabilities and Net position	\$ <u>3,590,738</u>	\$ <u>6,069,786</u>

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF YAP STATE GOVERNMENT)

Management's Discussion and Analysis
Years Ended September 30, 2023 and 2022

Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating revenue	\$ 966,604	\$ 3,346,946
Cost of sales	(3,379,276)	(5,765,305)
Operating expenses	<u>(201,661)</u>	<u>(276,470)</u>
Net operating loss	(2,614,333)	(2,694,829)
Non – operating (expense) revenue	<u>3,542,468</u>	<u>(457,393)</u>
Change in net position	\$ <u>928,135</u>	\$ <u>(3,152,222)</u>

Capital Assets and Debt

DSI's acquisition of capital assets in fiscal year 2022 were mostly related to improvements in machinery and equipment on the vessels. The new additions to capital assets include new fish aggregating devices with more developed fishing technology which is necessary for efficient fishing. The significant decrease in fixed assets in 2023 was caused by the disposal of assets due to the loss of Yap Seagull. For more information on assets, please refer to note 6 and note 13 to the financial statements.

DSI acquired a loan from FSMDB to fund the dry-dock project of F/V Mathawmarfach in the amount of \$3,600,000. This new loan was consolidated with an already existing loan with a remaining balance of \$2,384,580 for a total of \$5,984,580 with an interest rate of 5%. For further information concerning debt, please refer to note 8 to the financial statements.

Change in Net Position

The positive change in net position in the amount of \$928,135 was mainly attributed to the insurance proceeds which offset the net loss of operations in FY 2023 as compared to FY 2022 in the amount of (\$3,152,222).

Plan of Action for 2023 – Economic Outlook

Challenges that DSI faces, such as: Vessel Day Scheme (VDS) fishing days at \$4,000 per day, banning high seas FAD fishing, multiple fish/licensing fees, etc. cause some difficulties with vessel operations. The DSI Board of Directors and Management have recognized these challenges and have put forth some plans to safeguard the continuity of the company and its vessel(s) fishing operations.

Below are some plans for the company to improve its operations in 2023:

1. Acquire sufficient VDS fishing days
2. Increase profit margin
3. Increase capital

THE DIVING SEAGULL, INC.
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Management's Discussion and Analysis
Years Ended September 30, 2023 and 2022

4. Business diversification
5. Partnership arrangements

Ongoing Plan of action in 2023:

- Maintain/Upgrade fishing equipment, gears, and technologies
- Engage in inter-commerce fishing activities
- Engage in research for plans on business diversification
- Beginning Stages of partnership arrangements with other entities and institutions

Financial Management Contact

This financial report is designed to provide all interested users with a general overview of the Company's finances. Inquiries concerning this report, if any, may be directed to DSI's address below:

Diving Seagull, Inc.
PO Box 1036
Colonia Yap, FM 96943

THE DIVING SEAGULL, INC.
(A Component Unit of the Yap State Government)

Statements of Net Position
September 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>	
Current assets:			
Cash and cash equivalents	\$ 117,325	\$ 576,772	\$ (459,447)
Investments	1,013,745	1,417,339	\$ (403,594)
Employee and director receivables, net	10,916	39,327	\$ (28,411)
Other receivables, net of allowance for doubtful accounts (\$650,247)	-	-	\$ -
Prepaid expenses	14,482	11,332	\$ 3,150
Fuel inventory	14,135	321,188	\$ (307,053)
Current portion of deferred dry dock cost	<u>512,702</u>	<u>250,902</u>	\$ 261,800
Total current assets	1,683,305	2,616,860	
Long-term deferred dry dock cost, net of current portion	1,879,907	1,469,053	410,854
Property and equipment, net	<u>27,526</u>	<u>1,983,873</u>	(1,956,347)
Total assets	<u>\$ 3,590,738</u>	<u>\$ 6,069,786</u>	\$ (2,479,048)

LIABILITIES AND NET POSITION

Current liabilities:			
Current portion of long-term debt	359,693	124,427	(235,266)
Accounts payable	835,539	359,619	(475,920)
Net payable to broker	268,485	424,099	155,614
Accrued expenses	<u>1,468,966</u>	<u>1,453,687</u>	(15,279)
Total current liabilities	2,932,683	2,361,832	
Long-term debt, net of current position	<u>1,006,287</u>	<u>4,984,321</u>	3,978,034
Total liabilities	3,938,970	7,346,153	
Net position:			
Net investment in capital assets	27,526	1,983,873	1,956,347
Restricted	-	-	-
Unrestricted	<u>(375,758)</u>	<u>(3,260,240)</u>	(2,884,482)
Total net position	<u>(348,232)</u>	<u>(1,276,367)</u>	(928,135)
Total liabilities and net position	<u>\$ 3,590,738</u>	<u>\$ 6,069,786</u>	2,479,048

See accompanying notes to financial statements.

THE DIVING SEAGULL, INC.
(A Component Unit of the Yap State Government)
Statements of Revenues, Expenses and Changes in Net Position
For the years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Fish sales	\$ 966,604	\$ 3,346,946
Total operating revenues	966,604	3,346,946
Cost of sales	<u>3,379,276</u>	<u>5,765,305</u>
Gross profit (loss)	<u>(2,412,672)</u>	<u>(2,418,359)</u>
Operating expenses:		
Payroll, taxes and benefits	49,804	75,105
Professional fees	44,975	36,549
(Recovery from) provision for bad debts	26,990	(1,500)
Communications and utilities	20,326	19,824
Rent	12,409	12,384
Bank loan fees	11,369	84,667
Depreciation and amortization	10,879	10,840
Board fees and expenses	10,000	10,000
Office expenses	5,947	15,303
Miscellaneous	5,416	8,816
Repairs and maintenance	1,911	2,464
Insurance	<u>1,635</u>	<u>2,018</u>
Total operating expenses	<u>201,661</u>	<u>276,470</u>
Loss from operations	(2,614,333)	(2,694,829)
Nonoperating (expenses) revenues, net:		
Interest expense, net	(262,521)	(140,834)
Investment income, net	24,937	23,753
Gain (loss) on investment	95,797	(342,422)
Insurance recovery proceeds	5,629,200	-
Gain (loss) on disposal of assets	(1,876,815)	2,110
Inventory loss	<u>(68,130)</u>	<u>-</u>
Total nonoperating revenue (expenses), net	<u>3,542,468</u>	<u>(457,393)</u>
Change in net position	928,135	(3,152,222)
Net position at beginning of year	<u>(1,276,367)</u>	<u>1,875,855</u>
Net position at end of year	<u>\$ (348,232)</u>	<u>\$ (1,276,367)</u>

See accompanying notes to financial statements.

THE DIVING SEAGULL, INC.
(A Component Unit of the Yap State Government)
Statements of Cash Flows
For the years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 966,604	\$ 4,143,631
Cash payments to suppliers for goods and services	(2,962,456)	(6,597,827)
Cash payments to boat crew and employees for services	<u>(494,574)</u>	<u>(492,079)</u>
Net cash used in operating activities	<u>(2,490,426)</u>	<u>(2,946,275)</u>
Cash flows from non-capital financing activities:		
Loss on disposal of fuel inventory	<u>(68,130)</u>	<u>-</u>
Net cash used in non-capital financing activities	<u>(68,130)</u>	<u>-</u>
Cash flows from investing activities:		
Investment income	524,328	40,673
Decrease in certificates of deposit	<u>-</u>	<u>569,907</u>
Net cash provided by investing activities	<u>524,328</u>	<u>610,580</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(49,130)	(85,188)
Proceeds from sale of property and equipment	-	2,110
Proceeds from insurance recovery	5,629,200	-
Principal repayments of long-term debt	(4,618,600)	(2,428,581)
Long-term debt proceeds	875,832	5,108,748
Interest paid on long-term debt	<u>(262,521)</u>	<u>(140,834)</u>
Net cash provided by capital and related financing activities	<u>1,574,781</u>	<u>2,456,255</u>
Net change in cash	(459,447)	120,560
Cash and cash equivalents at beginning of year	<u>576,772</u>	<u>456,212</u>
Cash and cash equivalents at end of year	<u>\$ 117,325</u>	<u>576,772</u>
Reconciliation of loss from operations to net cash provided by (used in) operating activities:		
Loss from operations	(2,614,333)	(2,694,829)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:		
Depreciation and amortization in cost of sales	117,783	253,423
Depreciation and amortization in operating expenses	10,879	10,840
Changes in assets and liabilities:		
Net payable to broker	(155,614)	94,035
Employee and director receivables	28,411	(3,624)
Other receivables	-	795,185
Prepaid expenses	(3,150)	(6,105)
Fuel inventory	307,053	(13,628)
Deferred dry dock cost and associated deposits	(672,654)	(1,038,934)
Accounts payable	475,920	(117,085)
Accrued expenses	<u>15,279</u>	<u>(225,553)</u>
Net cash used in operating activities	<u>\$ (2,490,426)</u>	<u>\$ (2,946,275)</u>

See accompanying notes to financial statements.

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(1) Summary of significant accounting policies

Organization

The Diving Seagull, Inc. (the “Company” or “DSI”), a component unit of the State of Yap (the “State”), was incorporated in Yap in the Federated States of Micronesia on March 17, 1997. The Company is organized primarily to pursue fishing and other fishing related activities by operating fishing vessels, marketing and selling fish, and developing cold storage and/or transshipment facilities. A five-member Board of Directors is responsible for managing the business affairs and directing the daily operations of the Company.

The Articles of Incorporation authorized the issuance of 6,500,000 shares of common stock at \$1 par value per share. All such shares were issued to the Yap Investment Trust fund, a fund of the State of Yap, under the terms of a twenty year lease agreement (see note 8) for use of the fishing vessel, Mathawmarfach, and a purse seine fishing net. This Bareboat Charter Agreement expires on March 2042. The Company also purchased another fishing vessel, the Yap Seagull, in February 2010.

Basis of accounting

DSI utilizes the flow of economic resources measurement focus. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Net position

Net position represents the residual interest in DSI’s assets after liabilities are deducted and consists of the following categories:

Net investment in capital assets - includes capital assets, net of accumulated depreciation, reduced by outstanding debt, net of debt service reserve.

Restricted nonexpendable - net position subject to externally imposed stipulations that require DSI to maintain them permanently.

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(1) Summary of significant accounting policies, continued

Net position, continued

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

The Company's 6,500,000 shares of authorized, issued, and outstanding common stock with par value of \$1 per share represent capital net position. However, since all shares are held by the State and since the Company is a component unit of the State, these shares are not presented in the accompanying statements of net position.

Restricted net position consists of cash amounts restricted in support of certain debt.

Operating and non-operating revenues and expenses

Operating revenues and expenses generally result directly from the operation and maintenance activities of the Company. Non- operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non- recurring income and costs.

New accounting standards

In 2020, GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed 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 had elected the implementation of these statements.

During the year ended September 30, 2022, DSI implemented the following pronouncements:

- GASB 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.

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(1) Summary of significant accounting policies, continued

New accounting standards, continued

- GASB 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.
- GASB 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.
- GASB 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.
- GASB Statement No. 93 *Replacement of Interbank Offered Rates*, establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(1) Summary of significant accounting policies, continued

New accounting standards, continued

- GASB 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. 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 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. 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.

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

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(1) Summary of significant accounting policies, continued

Cash and cash equivalents

Cash and cash equivalents include cash on hand as well as cash in various bank accounts and time certificates of deposit with initial maturity dates of three months or less and includes restricted cash and cash equivalents. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified.

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.

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts receivable based on the credit risk of specific customers, historical trends, and other information. Bad debts are written off against the allowance based on the specific identification method.

Dry docking costs

The Company uses the deferral method for accounting for dry docking costs. Dry docking costs are capitalized and amortized on a straight- line basis over three years.

Fuel inventory

Fuel inventory consists of fuel on fishing vessel and is stated at purchased cost.

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(1) Summary of significant accounting policies, continued

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Routine maintenance and repairs are expensed as incurred. Depreciation is recorded in the financial statements under the straight-line method over the estimated useful lives of the assets as follows:

Mathawmarfach vessel	20 years
Yap Seagull vessel	25 years
Fishing net and other vessel parts	5 years
Leasehold improvements	3-10 years
Vessel improvements	3-5 years
Office furniture and equipment	3-5 years
Vehicles	5 years

Leased assets and leasehold improvements are amortized over the lesser of the useful life or the lease term. Capitalization thresholds are \$1,000 for leasehold improvements and \$500 for all other assets.

Revenue recognition

The Company's primary source of revenue is derived from the sale of fish. Sales of fish are considered earned upon offloading the catch to a designated third party. The sales are estimated, less a provision for rejected fish, based on broker commitments per ton and are adjusted upon receipt of a final settlement from the broker.

Other revenue is recorded when earned and measurable.

Translation of foreign currencies

Gains and losses that arise from exchange rate changes on transactions denominated in a currency other than U.S. dollars are included in the statements of revenues, expenses and changes in net position.

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(1) Summary of significant accounting policies, continued

Use of 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 disclosures 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.

(2) Deposits

GASB Statement No. 40 addresses common deposit and investment risk related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, disclosures are required of investments that have fair value that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risk.

The deposit and investment policies of the Company are governed by its enabling legislation. The Board of Directors is required to engage one or more fund custodians to assume responsibility for the physical possession of the Company's investments.

GASB Statement No. 40 requires disclosures for deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the company'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 Company does not have a deposit policy for custodial credit risk.

As of September 30, 2023 and 2022, the carrying amount of the Company's total cash and cash equivalents was \$117,325 and \$576,772, and the corresponding bank balances were \$115,452 and \$528,349. Of the bank balances as of September 30, 2023 and 2022, \$115,452 and \$411,992 were maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2023 and 2022, bank deposits up to the amount of \$250,000 were FDIC insured.

The Company does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. The Company has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk on its deposits.

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(3) Investments

GASB Statement No. 40 requires disclosures addressing common risk of investments such as credit risk, investment rate risk, concentration of credit risk, and foreign credit risk. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Company will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Company's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in the Company's name by the Company's custodial financial institutions. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single user. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the Company. As of September 30, 2023 and 2022, the Company did not hold an investment in any one issuer that represented more than 5% of the Company's total investments.

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

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 dates as of which the fair value of an asset or liability is determined.

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(3) Investments, continued

As of September 30, 2023 and 2022, investments at fair value comprise the following:

	<u>2023</u>	<u>2022</u>
Fixed income securities:		
U.S. treasury obligations	\$ 193,848	\$ 200,019
Corporate notes	<u>187,487</u>	<u>203,004</u>
	<u>381,335</u>	<u>403,023</u>
Other investments:		
Common equities	587,230	973,643
Money market funds	<u>45,180</u>	<u>40,673</u>
	<u>632,410</u>	<u>1,014,316</u>
	<u>\$ 1,013,745</u>	<u>\$ 1,417,339</u>

As of September 30, 2023, the Company's fixed income securities had the following ratings and maturities:

	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>
U.S treasury obligations	\$ 193,848	\$ -	\$ 133,902	\$ 59,946
Corporate notes	9,742	-	-	9,742
Corporate notes	36,495	-	12,857	23,638
Corporate notes	24,019	-	24,019	-
Corporate notes	21,287	-	-	21,287
Corporate notes	36,407	-	12,496	23,911
Corporate notes	47,870	-	23,520	24,350
Corporate notes	11,667	-	-	11,667
	<u>\$ 381,335</u>	<u>\$ -</u>	<u>\$ 206,794</u>	<u>\$ 174,541</u>

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(3) Investments, continued

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

	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>
U.S treasury obligations	\$ 200,019	\$ -	\$ 145,477	\$ 54,542
Corporate notes	10,454	-	-	10,454
Corporate notes	24,316	-	12,689	11,627
Corporate notes	24,676	-	13,009	11,667
Corporate notes	35,196	-	13,271	21,925
Corporate notes	23,717	-	-	23,717
Corporate notes	73,089	-	12,869	60,220
Corporate notes	11,556	-	-	11,556
	<u>\$ 403,023</u>	<u>\$ -</u>	<u>\$ 197,315</u>	<u>\$ 205,708</u>

The Company categorized its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The 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 Company has the following recurring fair value measurements as of September 30, 2023 and 2022:

	<u>September 30, 2023</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income securities:				
U.S. treasury obligations	\$ 193,848	\$ -	\$ 193,848	\$ -
Corporate notes	187,487	-	187,487	-
Total fixed income securities	<u>381,335</u>	<u>-</u>	<u>381,335</u>	<u>-</u>
Equity securities:				
Common equities	587,230	587,230	-	-
Total investments at fair value	<u>968,565</u>	<u>\$ 587,230</u>	<u>\$ 381,335</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	45,180			
	<u>\$ 1,013,745</u>			

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(3) Investments, continued

	September 30, 2022	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Fixed income securities:				
U.S. treasury obligations	\$ 200,019	\$ -	\$ 200,019	\$ -
Corporate notes	203,004	-	203,004	-
Total fixed income securities	<u>403,023</u>	<u>-</u>	<u>403,023</u>	<u>-</u>
Equity securities:				
Common equities	973,643	973,643	-	-
Total investments at fair value	<u>1,376,666</u>	<u>\$ 973,643</u>	<u>\$ 403,023</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	40,673			
	<u>\$ 1,417,339</u>			

(4) Net receivable from/ payable to broker

Approximately 14% and 86% of fish sales in the year ended September 30, 2023, were conducted with brokers based in Taiwan and Japan. Approximately 24% and 74% of fish sales in the year ended September 30, 2022, were conducted with brokers based in Singapore and Japan. Upon offloading the fish catch from the vessel to a designated third party, the broker pays 95% of the estimated settlement. When the final settlement is determined, the Company may either be entitled to an amount due from the broker or be liable for an amount due to the broker. The net broker account was a payable of \$268,485 and \$424,099 at September 30, 2023 and 2022, respectively.

(5) Other receivables

As of September 30, 2023 and 2022, other receivables due to the Company are detailed below.

Palau Micronesia Air (PMAir)	\$ 550,000
Others	<u>100,247</u>
	650,247
Allowance for doubtful accounts	<u>(650,247)</u>
	<u>\$ -</u>

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(6) Property and equipment

Property and equipment consists of the following on September 30, 2023:

	Beginning Balance October 1, 2022	Transfer and Additions	Transfer and Disposals	Ending Balance September 30, 2023
Leased fishing vessel and purse seine net	\$ 6,072,464	\$ -	\$ (50,000)	\$ 6,022,464
Purchased fishing vessel and purse seine net	3,679,184	-	(3,679,184)	-
Leasehold improvements	1,411,325	2,257	(88,426)	1,325,156
Vessel improvements	497,876	46,274	(544,150)	-
Office furniture and equipment	30,801	599	(6,203)	25,197
Vehicles	26,695	-	-	26,695
Total cost	11,718,345	49,130	(4,367,963)	7,399,512
Less accumulated depreciation and amortization	(9,734,472)	(128,662)	2,491,148	(7,371,986)
	<u>\$ 1,983,873</u>	<u>\$ (79,532)</u>	<u>\$ (1,876,815)</u>	<u>\$ 27,526</u>

Property and equipment consists of the following on September 30, 2022:

	Beginning Balance October 1, 2021	Transfer and Additions	Transfer and Disposals	Ending Balance September 30, 2022
Leased fishing vessel and purse seine net	\$ 6,072,464	\$ -	\$ -	\$ 6,072,464
Purchased fishing vessel and purse seine net	3,679,184	-	-	3,679,184
Leasehold improvements	1,401,325	10,000	-	1,411,325
Vessel improvements	447,876	50,000	-	497,876
Office furniture and equipment	26,609	4,192	-	30,801
Vehicles	13,940	20,995	(8,240)	26,695
Total cost	11,641,398	85,187	(8,240)	11,718,345
Less accumulated depreciation and amortization	(9,461,967)	(264,265)	8,240	(9,734,472)
	<u>\$ 2,179,431</u>	<u>\$ (179,078)</u>	<u>\$ -</u>	<u>\$ 1,983,873</u>

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(7) Long – term debt

On August 12, 2019, the Company obtained a loan of \$2,608,523 from FSM Development Bank. The loan matures March 25, 2025 and was obtained to fund the dry dock of the fishing vessel Yap Seagull. The loan is collateralized by the vessel and DSI's investments with Raymond James. Interest of 4% and principal are payable in monthly installments of \$19,294, beginning November 25, 2020. The loan balance of \$2,384,580 was refinanced and paid in full on July 11, 2022.

On July 4, 2022, the Company obtained a loan of \$5,984,580 from FSM Development Bank. A portion of the loan obtained from FSM Development Bank was disbursed in FY 2022 and the remaining proceeds was disbursed in FY 2023. The loan matures July 4, 2027 and was obtained to consolidate the existing loan and fund the dry dock of the fishing vessel Yap Seagull. The loan is collateralized by the vessel and interest of 5% and principal are payable in monthly installments of \$34,985.26 beginning August 31, 2022. As of September 30, 2023, the Company paid down the loan balance as a result of the insurance proceeds received for the sunken vessel.

Future debt service on the above long – term debt is as follows:

<u>Years ending September 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 359,693	263,309	\$ 623,002
2025	378,095	60,130	438,225
2026	397,439	41,728	439,167
2027	230,753	26,116	256,869
2028	-	-	-
	<u>\$ 1,365,980</u>	<u>391,283</u>	<u>\$ 1,757,263</u>

Changes in long-term debt during the years ended September 30, 2023 and 2022, are as follows:

<u>Outstanding October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Oustanding September 30, 2023</u>	<u>Due within one year</u>
<u>\$ 5,108,748</u>	<u>\$ 875,832</u>	<u>\$ 4,618,600</u>	<u>\$ 1,365,980</u>	<u>\$ 359,693</u>

<u>Outstanding October 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Oustanding September 30, 2022</u>	<u>Due within one year</u>
<u>\$ -</u>	<u>\$ 5,108,748</u>	<u>\$ -</u>	<u>\$ 5,108,748</u>	<u>\$ 124,427</u>

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(8) Lease Commitments

The Company leases a fishing vessel and a purse seine fishing net from Yap Investment Trust, a fund of the Yap State Government (the “State”), with a lease term through March 2042. Common stock was issued by the Company as total consideration for the agreement. The lease has been renewed for another 20 years in a Bareboat Charter Agreement and has commenced in March 2022 and will end in March 2042. There are no scheduled future payments for this lease.

On July 15, 2016 the Company entered into a lease agreement for office space. Monthly rental for the lease was \$1,032 per month since the inception of the lease. On July 14, 2022, the lease expired. The Company continues to rent the office space under a month to month basis and is working on renewing the terms of the agreement.

(9) Cost of sales

Details of cost of sales for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Fuel	\$ 1,205,809	\$ 2,316,701
License, agent and port fees	901,041	1,283,242
Crew salaries and wages	429,491	561,613
Insurance	359,787	346,064
Repairs and maintenance	128,004	372,945
Depreciation and amortization	117,784	253,423
Crew travel	85,433	219,703
Communications	65,549	72,290
Management fee	25,131	78,480
Other vessel expenses	20,714	67,572
Supplies and freight	16,948	68,322
Salt and provisioning	13,485	90,850
Stevedoring	10,100	34,100
	<u>\$ 3,379,276</u>	<u>\$ 5,765,305</u>

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(10) Risk management

The Company is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Company has elected to purchase commercial insurance for the risks of loss to which it is exposed. The Company claims expenses and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. During the year ended September 30, 2023, the Company collected \$5,629,200 of insurance proceeds due to the damage and loss of the sunken ship, F/V Yap Seagull, on February 10, 2023.

(11) Related parties

The Company has entered into significant transactions with the State, as discussed in Note 8. Several board members and officers of the company hold management positions and other positions of influence with the State. Furthermore, included in employee and director receivables was \$45,597 and \$39,327 on September 30, 2023 and 2022, respectively, of amounts owed by previous board members and current management for reimbursement of travel expenses, net of an allowance for doubtful accounts of \$27,960 and \$36,650, at September 30, 2023 and 2022, respectively.

(12) Contingencies

Loss from operations

DSI has losses from operations of \$2,647,782 and \$2,694,829 for the years ended September 30, 2023 and 2022, respectively. DSI depends on its fishing activities to continue its operations. However, DSI is behind in paying its current liabilities. The Company has obtained a loan from a financial institution to support maturing obligations. For the last three years, the Company has not received subsidies from the State or the National government. The continuation of DSI's operations is dependent upon successful fishing activities, improvement in external industry factors, and on time collection from fish brokers. In addition, for DSI to continue as a going concern, it may need to improve its cash management, reduce operating expenses, and obtain support from the State or the National Government.

Dry docking

The F/V Mathawmarfach went to dry-dock at Gensan Shipyard in the Philippines from March 01, 2022 and remained there until June 14, 2023. The work on the F/V Mathawmarfach included, but was not limited to, the improvement/replacement and/or the rebuilding/repairing of the hull, machinery, electronics, and skiff of the vessel. On June 14, 2023, the vessel departed from the Philippines to go on its first fishing trip after the completion of the dry-dock.

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(13) Insurance Recovery

On February 10, 2023, a damaged hull and rough seas attributed to the sinking of the F/V Yap Seagull which sank approximately 2 nautical miles away from the coast of Majuro, RMI. The book value of the lost assets was \$1,876,815 and fuel inventory was \$68,130. For the year ended September 30, 2023, the Company received insurance proceeds in the amount of \$5,629,200 and recorded this as an insurance recovery. The insurance proceeds were used to pay down the loan from FSM Development Bank.

The total loss on asset disposal and fuel inventory as of September 30, 2023 was \$1,944,945. The loss on asset disposal, inventory and insurance proceeds are reflected on the financial statements in fiscal year 2023.

(14) Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. and throughout Micronesia. On March 11, 2020, the World Health Organization (WHO) characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency.

On May 5, 2023, the WHO declared that the public health emergency ended. It is anticipated that these impacts will continue for some time. As a result of the spread of the coronavirus pandemic, economic uncertainties have arisen which are likely to impact the day-to-day administration of the Company. While this matter is expected to negatively impact the Company's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

(15) Date of Management's Review

Management has considered subsequent events through December 10, 2024, the date upon which the financial statements were available to be issued.

The DSI Board of Directors and Management have been working closely with the Yap Investment Trust Board of Directors to safeguard the future of the company, especially after the sinking of F/V Yap Seagull. A list of Short-Term and Long-Term goals and plans of DSI are being discussed to ensure implementation and completion. Such plans include those that are included in Management's Discussion and Analysis.

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Notes to Financial Statements
September 30, 2023 and 2022

(15) Date of Management's Review, continued

Due to the sinking of Yap Seagull in 2023, DSI is considering purchasing another vessel. Having more than one vessel in operation will create an opportunity for more cash flow which could bring in revenue to strengthen and improve the company's financial stability. Acquiring an additional purse-seine vessel could cost anywhere from \$7 million to \$15 million for a refurbished used vessel. Acquiring a newly built vessel could cost anywhere from \$15 million to \$25 million. These figures are estimated based on the prices available in the current markets.

THE DIVING SEAGULL, INC.
(A Component Unit of the State of Yap)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Years Ended September 30, 2023 and 2022



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors and Management of The Diving Seagull, Inc.

We have audited, in accordance with the 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, the financial statements of The Diving Seagull, Inc., a component unit of Yap State Government, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise The Diving Seagull, Inc.'s basic financial statements, and have issued our report thereon dated December 10, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Diving Seagull, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Diving Seagull, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Diving Seagull, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Diving Seagull, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bruce Comer & Associates

December 10, 2024
Saipan, MP

THE DIVING SEAGULL, INC.
(A COMPONENT UNIT OF THE YAP STATE GOVERNMENT)

Unresolved Prior Year Findings
Years Ended September 30, 2023 and 2022

There are no prior year findings unresolved as of September 30, 2023 and 2022.