

PALAU INTERNATIONAL CORAL REEF CENTER
(A COMPONENT UNIT OF THE REPUBLIC OF PALAU)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

INDEPENDENT AUDITORS' REPORT

Board of Directors
Palau International Coral Reef Center:

We have audited the accompanying statements of net assets of the Palau International Coral Reef Center (the Center), a component unit of the Republic of Palau, as of September 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Center as of September 30, 2011 and 2010, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 9 to the financial statements, property, plant and equipment, net, deferred revenue and net assets at beginning of year as of and for the year ended September 30, 2010 have been restated.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Center's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Deloitte & Touche LLC

February 25, 2013



PALAU INTERNATIONAL CORAL REEF CENTER

Management's Discussion and Analysis
Fiscal Year Ended September 30, 2011

This Management's Discussion and Analysis of the Palau International Coral Reef Center (the Center) provides an overview to the financial activities and performance of the Center for the fiscal year ended September 30, 2011, with selected comparative information for the fiscal years ended September 30, 2010 and 2009.

ORGANIZATION AND MISSION

The Center was created by public law 5-17 in November 1998 as a public nonprofit coral reef research, education and training center operating under a Board of Directors. The mission of the Center is to be an international center of excellence to support conservation and management for the perpetuation of marine and associated environments through research and education that is significant to Palau and relevant to the world. The Center is designed to assist in improving the management, use and conservation of Palau and the world's marine environment, and to serve as a direct education tool and a tourism attraction through aquarium exhibits which highlight Palau's marine ecosystems and species.

The project received funding of US \$7.3 million from the Government of Japan for the construction of the Center. The construction commenced in November 1999 and the facility opened in January 2001. Located on an 8,248 square meter pier, the Center features three main buildings: a research facility, visitor education and awareness exhibit areas, and an administration complex.

To achieve its mission, the Center developed and adopted its Strategic Plan 2002-2006 (phase 1) with goals and objectives to guide it towards a self-sustaining center of excellence for marine research, training and educational activities. The strategic plan focuses on the Center's activities in five program areas - research, environmental education and public awareness, aquarium exhibits, institutional development and income generation, and engineering and maintenance - as key to becoming a center of excellence in self-sustained research and educational programs.

In September 2006 when phase 1 of the Palau International Coral Reef Center Strengthening Project was completed, the Center developed and adopted Strategic Plan 2007-2012, which is phase 2 of the project with the same focus on the five program areas, but with a regional focus. That is, sharing what we have learned over the years with our neighbors in the Micronesia region by way of collaboration, sharing and transfer of knowledge, and capacity building. Activities of the Center will be locally responsive and globally significant.

In search of technical assistance to support phase 2 of the project, the Center submitted a proposal to the Government of Japan in August 2006 entitled, *Palau International Coral Reef Center Strengthening Project Phase II - Implementation of Locally and Regionally Identified Key Research Priorities for Management in Palau and Micronesia*. Unfortunately, this proposal was not approved for Japanese Fiscal Year (JFY) 2007. The official response from the Government of Japan was that, "If the Palauan Government wishes to reapply this request for JFY 2008, it is necessary to resubmit the application format this year with improved and more convincing data and materials". We revised and resubmitted the proposal in August 2007, this time entitled, *PALAU INTERNATIONAL CORAL REEF CENTER REQUEST FOR TECHNICAL ASSISTANCE: Facilitating Implementation of the Micronesia Challenge through Process-Oriented Research: Capacity Building and Effective Management of Marine Protected Areas (MPAs) within the Context of the Protected Areas Network (PAN)*. This second submittal was approved, but negotiations were delayed, so implementation in JFY 2008 did not take place. Finally in November 2008, a team from Japan met with the Center's Board of Directors and staff to discuss details of the project, which has evolved to become, "Capacity Enhancement Project for Coral Reef Monitoring" and will be implemented from July 2009 - July 2012. This project is nearing completion of the second year of implementation, and the third year will be completed by July 2012.

FINANCIAL STATEMENTS

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

OVERVIEW OF FINANCIAL OPERATIONS

In fiscal year 2011, operating revenues increased by 21% (\$670,279 in fiscal year 2011 versus \$555,092 in fiscal year 2010) mainly due to increases in fundraising by 90%, donations by 37% and research facilities, education program fee and others by 78%. On the other hand, facility use and aquarium admission fees decreased by 4%. Although the number of tourist arrivals to Palau increased by 33% from 2010, admissions to the Center did not increase.

Total tourist arrivals to Palau from the Republic of China (ROC) increased by 67%, 37,632 in fiscal year 2011 versus 22,514 in fiscal year 2010. Total tourist arrivals to Palau from all markets was 109,057 in fiscal year 2011 and the Palau Aquarium captured 12,361 of them, which is an 11% market share, 8% down from fiscal year 2010. Of the 12,361 visitors to the Center, only 1,306 (11%) were from ROC, a 2% increase from fiscal year 2010. The Korean market brought in 15,681 visitors to Palau in 2011, of which 7,217 visited the Center which translates to a 46% share in fiscal year 2011, 23% less than fiscal year 2010. 37,800 Japanese tourists visited Palau in fiscal year 2011, and the Center received only 2,536 (7%) of them, which is 1% less compared to fiscal year 2010. Japanese visitors made up 21% of those who visited the Center in fiscal year 2011. All other markets made up largely of Palauan visitors, visitors from the U.S. mainland, the Philippines, the People's Republic of China (PRC) and Germany contributed 1,676 (14%) of visitors to the Center.

An increase of 15% in operating revenues resulted from \$484,095 in fiscal year 2009 to \$555,092 in fiscal year 2010. Total tourist arrivals to Palau from the Republic of China (ROC) increased by 52%, 22,514 in fiscal year 2010 versus 14,814 in fiscal year 2009. Total tourist arrivals to Palau from all markets was 81,934 in fiscal year 2010 and the Palau Aquarium captured 15,327 of them, which is a 19% market share, 6% down from fiscal year 2009. Of the 15,327 visitors to the Center, only 1,434 (9%) were from ROC, a 1% increase from fiscal year 2009. The Korean market brought in 13,980 visitors to Palau, of which 9,625 visited the Center which translates to a 69% share in fiscal year 2010, 17% less than fiscal year 2009. 27,561 Japanese tourists visited Palau in fiscal year 2010, and the Center received only 2,340 (8%) of them, which is 2% less compared to fiscal year 2009. Japanese visitors made up 15% of those who visited the Center in fiscal year 2010. All other markets made up largely of Palauan visitors, visitors from the U.S. mainland, the Philippines, the People's Republic of China (PRC) and Germany contributed 1,407 (9%) of visitors to the Center. Huge increases in grants (19%), donations (690%) and other revenues (1,305%) contributed to the 50% increase in operating revenues in fiscal year 2010, increases that may need to be looked at more closely.

Operating expenses decreased by 12% from \$1,235,767 in fiscal year 2010 to \$1,091,196 in fiscal year 2011. Personnel expenses (salaries, wages and fringe benefits) decreased by 10%, from \$501,465 in fiscal year 2010 to \$453,083 in fiscal year 2011, as a result of drastic measures to lay-off staff and reorganize responsibilities to a sustainable level. Notable decreases in expenses include repairs and maintenance (12%), fuel (46%), supplies and printing (48%), professional services (31%) and utilities (18%). There was an increase in communications (52%) and other expenses (185%). The decrease in operating costs is also attributed largely to decreases in merchandise cost (22%), sales and marketing (99%), depreciation (32%) and anniversary (50%).

In fiscal year 2011, total operating loss decreased by \$260,176 due to a change in management and implementing cost cutting measures to keep the Center from running out of funds. Changes implemented resulted in a decrease in net assets of \$36,177. Change in net assets for fiscal year 2011 as compared to fiscal year 2010 improved by 72 % from \$(127,869) in fiscal year 2010 to \$(36,177) in fiscal year 2011. As a result, total net assets decreased from \$2,277,944 in fiscal year 2010, as restated, to \$2,241,767 in fiscal year 2011.

OVERVIEW OF FINANCIAL OPERATIONS, CONTINUED

Operating expenses decreased by only 1% from \$1,248,792 in fiscal year 2009 to \$1,235,767 in fiscal year 2010 which is attributed largely to decreases in merchandise cost (35%), sales and marketing (77%), depreciation (22%) and anniversary (25%). Personnel expenses (salaries, wages and fringe benefits) increased by 9%, from \$461,684 in fiscal year 2009 to \$501,465 in fiscal year 2010, due to vacant positions in Administration, Research, and Aquarium that were filled. Notable increases in expenses include repairs and maintenance (58%), fuel (58%) and utilities (15%). Although depreciation expense decreased by 22%, it is still high and it inflates total operating loss by \$100,453 in fiscal year 2010, accompanied by a decrease in net assets of \$127,869. Net assets decreased by 5% in fiscal year 2010 over fiscal year 2009 (\$2,277,944 versus \$2,405,813).

A summary of operations, changes in net assets and cash flows for the fiscal years ended September 30, 2011, 2010 and 2009 follows:

Statements of Revenues, Expenses and Changes in Net Assets Years Ended September 30, 2011, 2010 and 2009

	2011	2010 (As Restated)	Increase (Decrease) from 2010	2009 (As Restated)
Operating revenues:				
Grants	\$ 394,622	\$ 327,793	20%	\$ 274,679
Facility user and admission fees	91,750	95,411	-4%	91,378
Donations	58,629	42,926	37%	26,901
Merchandise sales	22,585	34,295	-34%	31,784
Fund raising	41,571	21,858	90%	26,778
Contract service	20,899	-	100%	-
Boat fee	13,169	13,104	0%	14,974
Accommodation	5,641	7,671	-26%	7,790
Research facilities	5,609	2,562	119%	8,459
Education program fee	2,321	970	139%	747
Other	13,483	8,502	59%	605
Total operating revenues	670,279	555,092	21%	484,095
Bad debts	-	(418)	-100%	(16,849)
	<u>670,279</u>	<u>554,674</u>	21%	<u>467,246</u>
Operating expenses:				
Salaries, wages and fringe benefits	453,083	501,465	-10%	461,684
Depreciation	157,263	232,506	-32%	299,358
Utilities	125,673	153,747	-18%	133,922
Donations	103,550	-	100%	-
Supplies and printing	65,803	126,989	-48%	127,736
Professional services	55,363	79,799	-31%	67,491
Travel	17,007	38,712	-56%	42,791
Fuel	11,545	21,393	-46%	13,571
Merchandise cost	14,744	18,974	-22%	29,038
Insurance	14,167	15,073	-6%	17,967
Communications`	21,960	14,435	52%	11,429
Anniversary	3,959	7,987	-50%	10,649
Repairs and maintenance	6,121	6,942	-12%	4,400
Training	2,550	78	3169%	-
Dues and subscription	2,335	1,472	59%	-
Entertainment	1,174	937	25%	-
Postage and freight	262	891	-71%	-
Sales and marketing	30	2,240	-99%	9,664
Other	34,607	12,127	185%	19,092
Total operating expenses	1,091,196	1,235,767	-12%	1,248,792
Operating loss	(420,917)	(681,093)	-38%	(781,546)
Nonoperating revenues:				
Appropriations	387,000	382,500	1%	425,000
Interest income	105	1,166	-91%	1,215
Interest expense	(2,365)	-	-100%	-
Total nonoperating revenues	384,740	383,666	0%	426,215
Operating loss before capital contributions	(36,177)	(297,427)	-88%	(355,331)
Capital contributions	-	169,558	-100%	-
Change in net assets	(36,177)	(127,869)	-72%	(355,331)
Net assets at beginning of year	2,277,944	2,405,813	-5%	2,761,144
Net assets at end of year	\$ 2,241,767	\$ 2,277,944	-2%	\$ 2,405,813

Statements of Cash Flows
Years Ended September 30, 2011, 2010 and 2009

	2011	2010	Increase (Decrease) from 2010	2009
Cash flows from operating activities	\$ (146,842)	\$ (384,984)	-62%	\$ (387,800)
Cash flows from noncapital financing activities	387,000	382,500	1%	472,104
Cash flows from capital and related financing activities	(106,649)	(21,111)	405%	(43,630)
Cash flows from investing activities	<u>(2,260)</u>	<u>1,166</u>	-294%	<u>66,658</u>
Net increase (decrease) in cash	131,249	(22,429)	-685%	107,332
Cash at beginning of year	<u>141,051</u>	<u>163,480</u>	-14%	<u>56,148</u>
Cash at end of year	\$ <u>272,300</u>	\$ <u>141,051</u>	93%	\$ <u>163,480</u>

OVERVIEW OF FINANCIAL POSITION

Total current assets increased by 37% in fiscal year 2011 over fiscal year 2010 (\$405,622 versus \$296,710), due mostly to a 93% increase in cash at September 30, 2011 (\$272,300 versus \$141,051). There are no Republic of Palau (ROP) receivables in fiscal year 2011. Allotments from ROP were timely received. Grants receivables decreased by 69% in fiscal year 2011 over fiscal year 2010 (\$4,709 versus \$15,438). Most grants are multi-year and \$4,709 represents grant amounts that have been expended but not received in fiscal year 2011. Due to a decreased, yet high rate of depreciation, total assets decreased by 2% in fiscal year 2011 over fiscal year 2010, as restated (\$2,583,665 versus \$2,628,917).

Total current assets increased by 12% in fiscal year 2010 over fiscal year 2009 (\$296,710 versus \$338,773), due to a 14% decrease in cash at September 30, 2010 (\$141,051 versus \$163,480). There are no ROP receivables in fiscal year 2010. Allotments from ROP were timely received contributing to the reduction in current assets at September 30, 2010. Grants receivables decreased by 75% in fiscal year 2010 over fiscal year 2009 (\$15,438 versus \$61,911). Most grants are multi-year and \$15,438 represents grant amounts that have been expended but not received in fiscal year 2010. Due to a decreased, yet high rate of depreciation, total assets decreased by 3% in fiscal year 2010 over fiscal year 2009 (\$2,628,917 versus \$2,712,817).

Grant receipts are initially posted as deferred revenue waiting to be expensed as projects are implemented. Deferred revenue increased by 7% in fiscal year 2011 over fiscal year 2010 (\$120,370 versus \$112,017). The Center strived to pay its debts and signed a note payable with the Palau Public Utilities Corporation (PPUC) for its outstanding electric bills. The balance of the note payable to PPUC at the end of fiscal year 2011 was \$114,318. Total liabilities decreased by 3% during fiscal year 2011 from \$350,973 in fiscal year 2010 to \$341,898 in fiscal year 2011.

As the Center continues to grow and operate, it incurs expenses and recognizes revenues as projects are implemented. As such, accounts payable decreased by 82% (\$29,819 versus \$164,635) in fiscal year 2011 over fiscal year 2010 and increased by 94% (\$164,635 versus \$84,891) in fiscal year 2010 over fiscal year 2009 and deferred revenue increased by 7% (\$120,370 versus \$112,017) in fiscal year 2011 over fiscal year 2010, as restated and decreased by 25% (\$112,017 versus \$150,229) in fiscal year 2010 over fiscal year 2009.

Capital Assets

At September 30, 2011, 2010 and 2009, the Center had \$2,178,043, \$2,332,207 and \$2,374,044, respectively, invested in capital assets, net of accumulated depreciation where applicable, including buildings, mechanical, electrical, research, office, exhibit and marine equipment, aquarium, furniture and fixtures, computers and vehicles, which represents a net decrease in fiscal year 2011 of \$154,164 or 7% over fiscal year 2010 and \$9,941 or less than 1% in fiscal year 2010 over fiscal year 2009. See note 5 to the financial statements for more information on the Center's property, plant and equipment.

Long-Term Debt

At September 30, 2011 and 2010, the Center had \$114,318 and \$-0-, respectively, in long-term debt outstanding. See note 6 to the financial statements for more detailed information on the Center's long-term debt and changes therein.

A summary of the Center's statements of net assets at September 30, 2011, 2010 and 2009 is shown below:

**Statements of Net Assets
September 30, 2011, 2010 and 2009**

	2011	2010 (As Restated)	Increase (Decrease) from 2010	2009 (As Restated)
Current assets:				
Cash	\$ <u>272,300</u>	\$ <u>141,051</u>	93%	\$ <u>163,480</u>
Receivables:				
Grantor agencies	4,709	15,438	-69%	61,911
Other	<u>97,615</u>	<u>84,925</u>	15%	<u>106,330</u>
	102,324	100,363	2%	168,241
Less allowance for doubtful accounts	<u>(56,949)</u>	<u>(56,949)</u>	0%	<u>(94,324)</u>
Total receivables, net	<u>45,375</u>	<u>43,414</u>	5%	<u>73,917</u>
Inventories	<u>84,248</u>	<u>102,213</u>	-18%	<u>92,344</u>
Prepaid expense	<u>3,699</u>	<u>10,032</u>	-63%	<u>9,032</u>
Total current assets	405,622	296,710	37%	338,773
Property, plant and equipment, net	<u>2,178,043</u>	<u>2,332,207</u>	-7%	<u>2,374,044</u>
Total assets	\$ <u>2,583,665</u>	\$ <u>2,628,917</u>	-2%	\$ <u>2,712,817</u>
Current liabilities:				
Current portion of note payable	\$ 24,067	\$ -	100%	\$ -
Accounts payable	29,819	164,635	-82%	84,891
Deferred revenue	120,370	112,017	7%	150,229
Accrued expenses	<u>77,391</u>	<u>74,321</u>	4%	<u>71,884</u>
Total current liabilities	251,647	350,973	-28%	307,004
Note payable, net of current portion	<u>90,251</u>	-	100%	-
Total liabilities	<u>341,898</u>	<u>350,973</u>	-3%	<u>307,004</u>
Net assets:				
Invested in capital assets	2,178,043	2,332,207	-7%	2,374,044
Unrestricted	<u>63,724</u>	<u>(54,263)</u>	-217%	<u>31,769</u>
Total net assets	<u>2,241,767</u>	<u>2,277,944</u>	-2%	<u>2,405,813</u>
Total liabilities and net assets	\$ <u>2,583,665</u>	\$ <u>2,628,917</u>	-2%	\$ <u>2,712,817</u>

ECONOMIC OUTLOOK

Prices of goods and fuel continue to fluctuate as well as utility charges. At the Center, we are still faced with expense and cash flow issues. The Center's fiscal year 2011 budget request of \$450,000 was decreased by 16% to \$387,000. Total visitors to Palau were 109,057 in fiscal year 2011 and 11% (12,361) visited the Palau Aquarium. Although total visitors to Palau increased by 33% (81,934 in fiscal year 2010), visitors to the Center decreased by 19% from fiscal year 2010. Total arrivals from ROC Taiwan to Palau increased by 67% (37,632 in fiscal year 2011 versus 22,514 in fiscal year 2010), while the number of them visiting the Center increased by only 2% from fiscal year 2010. The Korean market posted a 12% increase in the number of arrivals to Palau from fiscal year 2010, while the Japan market to Palau increased by 37% from fiscal year 2010.

Total visitors to Palau in 2011 was 109,057 and 12,361 visited the Palau Aquarium, so only 11% came to the Palau Aquarium. In 2010, (15,327) 19% of visitors came to the Center. The 33% increase in number of visitors did not translate to increase of visits to the Palau Aquarium. The Korean market is not growing much in number of visitor arrivals, being only 14% of visitors to Palau but 46% of them visited the Center. The Japanese market has starting growing again after economic recovery and makes up 35% of visitor arrivals but only 7% visited the Palau Aquarium. The ROC Taiwan makes up the remaining 35% of visitors to Palau and is the fastest growing sector of visitors but only 3% visited the Center. A marketing strategy to attract Japanese, ROC Taiwanese and Korean tourists should help the Center generate more revenue.

ECONOMIC OUTLOOK, CONTINUED

With regular flights from United Airlines, China Airlines, Asiana Airlines, Delta Airlines and Japan Airlines charters, we had a steady flow of visitors in fiscal year 2011. Japan visitors may increase in fiscal year 2012 and 2013 due to a rebounding economy and recovery from the devastating tsunami. The green fee increased but did not seem to have a negative impact on the number of visitors coming to our island paradise. Value added to their experiences and Palau, being a safe destination, may very well be the determining factor. Palau first received its 100,000th tourist in 2011 and projects a continued increase in the number of tourists in 2012. It is therefore imperative that the Center finds a market niche to attract more visitors to its aquarium and to its educational programs.

A very positive outlook for the Center is its agreement with the Government of Japan, through JICA, to implement the Capacity Enhancement Project for Coral Reef Monitoring (CEPCM). This project started in July 2009 and will continue until July 2012. Japan provided slightly over \$2,000,000 of technical assistance by (1) dispatching experts from Japan or other countries to the Center, (2) providing machinery and equipment to the Center, and 3) training Center staff in Japan or other countries. This project sets out to achieve two goals: (1) to develop coral reef monitoring protocols for ROP that could be used for the Micronesia region, and (2) to enhance partnerships between the Center and international initiatives, the five Micronesia Challenge jurisdictions (ROP, the Federated States of Micronesia, the Republic of the Marshall Islands, the Territory of Guam and the Commonwealth of the Northern Mariana Islands), related organizations and research institutes. These monitoring protocols will benefit the whole region in helping to achieve the goals of the Micronesia Challenge.

The Center's role in the region is increasing, especially in supporting the Micronesia Challenge monitoring and research. This increasing role for the Center will likely bring in more funds to the Center to support its regional role. Both the Micronesia Conservation Trust and the Nature Conservancy is committed to supporting the Center in providing technical and scientific support to the Micronesia Challenge.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. The Management's Discussion and Analysis for the year ended September 30, 2010 is set forth in the report on the audit of the Center's financial statements which is dated August 9, 2011. That Discussion and Analysis explains the major factors impacting the 2010 financial statements. If you have questions about the 2010 or 2009 reports, or need additional information, please contact the Chief Executive Officer at the Palau International Coral Reef Center, P.O. Box 7086, Koror, Palau 96940, or e-mail ygolbuu@picrc.org or call 488-6950.

PALAU INTERNATIONAL CORAL REEF CENTER

Statements of Net Assets
September 30, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u> <u>(As Restated)</u>
Current assets:		
Cash	\$ 272,300	\$ 141,051
Receivables:		
Grantor agencies	4,709	15,438
Other	97,615	84,925
	<u>102,324</u>	<u>100,363</u>
Less allowance for doubtful accounts	<u>(56,949)</u>	<u>(56,949)</u>
Total receivables, net	<u>45,375</u>	<u>43,414</u>
Inventories	<u>84,248</u>	<u>102,213</u>
Prepaid expense	<u>3,699</u>	<u>10,032</u>
Total current assets	405,622	296,710
Property, plant and equipment, net	<u>2,178,043</u>	<u>2,332,207</u>
	<u>\$ 2,583,665</u>	<u>\$ 2,628,917</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities:		
Current portion of note payable	\$ 24,067	\$ -
Accounts payable	29,819	164,635
Deferred revenue	120,370	112,017
Accrued expenses	77,391	74,321
Total current liabilities	<u>251,647</u>	<u>350,973</u>
Note payable, net of current portion	<u>90,251</u>	<u>-</u>
Total liabilities	<u>341,898</u>	<u>350,973</u>
Net assets:		
Invested in capital assets	2,178,043	2,332,207
Unrestricted	63,724	(54,263)
Total net assets	<u>2,241,767</u>	<u>2,277,944</u>
	<u>\$ 2,583,665</u>	<u>\$ 2,628,917</u>

See accompanying notes to financial statements.

PALAU INTERNATIONAL CORAL REEF CENTER

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2011 and 2010

	2011	2010 (As Restated)
Operating revenues:		
Grants	\$ 394,622	\$ 327,793
Facility user and admission fees	91,750	95,411
Donations	58,629	42,926
Fund raising	41,571	21,858
Merchandise sales	22,585	34,295
Contract service	20,899	-
Boat fee	13,169	13,104
Accommodation	5,641	7,671
Research facilities	5,609	2,562
Education program fee	2,321	970
Other	13,483	8,502
Total operating revenues	<u>670,279</u>	<u>555,092</u>
Bad debts	-	(418)
	<u>670,279</u>	<u>554,674</u>
Operating expenses:		
Salaries, wages and fringe benefits	453,083	501,465
Depreciation	157,263	232,506
Utilities	125,673	153,747
Donations of capital assets to State governments	103,550	-
Supplies and printing	65,803	126,989
Professional services	55,363	79,799
Communications	21,960	14,435
Travel	17,007	38,712
Merchandise cost	14,744	18,974
Insurance	14,167	15,073
Fuel	11,545	21,393
Repairs and maintenance	6,121	6,942
Anniversary	3,959	7,987
Training	2,550	78
Dues and subscriptions	2,335	1,472
Entertainment	1,174	937
Postage and freight	262	891
Sales and marketing	30	2,240
Other	34,607	12,127
Total operating expenses	<u>1,091,196</u>	<u>1,235,767</u>
Operating loss	<u>(420,917)</u>	<u>(681,093)</u>
Nonoperating revenues (expenses):		
Appropriations	387,000	382,500
Interest income	105	1,166
Interest expense	(2,365)	-
Total nonoperating revenues (expenses), net	<u>384,740</u>	<u>383,666</u>
Operating loss before capital contributions	(36,177)	(297,427)
Capital contributions	-	169,558
Change in net assets	(36,177)	(127,869)
Net assets at beginning of year	<u>2,277,944</u>	<u>2,405,813</u>
Net assets at end of year	<u>\$ 2,241,767</u>	<u>\$ 2,277,944</u>

See accompanying notes to financial statements.

PALAU INTERNATIONAL CORAL REEF CENTER

Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$ 700,969	\$ 536,096
Cash payments to suppliers for goods and services	(397,798)	(422,052)
Cash payments to employees for services	(450,013)	(499,028)
Net cash used for operating activities	<u>(146,842)</u>	<u>(384,984)</u>
Cash flows from noncapital financing activities:		
Appropriations	<u>387,000</u>	<u>382,500</u>
Net cash provided by noncapital financing activities	<u>387,000</u>	<u>382,500</u>
Cash flows from capital and related financing activities:		
Property, plant and equipment acquisitions	<u>(106,649)</u>	<u>(21,111)</u>
Net cash used for capital and related financing activities	<u>(106,649)</u>	<u>(21,111)</u>
Cash flows from investing activities:		
Interest payments	(2,365)	-
Interest received	<u>105</u>	<u>1,166</u>
Net cash (used for) provided by investing activities	<u>(2,260)</u>	<u>1,166</u>
Net increase (decrease) in cash	131,249	(22,429)
Cash at beginning of year	<u>141,051</u>	<u>163,480</u>
Cash at end of year	<u>\$ 272,300</u>	<u>\$ 141,051</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (420,917)	\$ (681,093)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	157,263	232,506
Donations of capital assets to State governments	103,550	-
Bad debts	-	418
(Increase) decrease in assets:		
Receivables grantor agencies	10,729	46,473
Receivables, other	(12,690)	(16,388)
Inventories	17,965	(9,869)
Prepaid expense	6,333	(1,000)
Increase (decrease) in liabilities:		
Accounts payable	(134,816)	79,744
Deferred revenue	8,353	(38,212)
Notes payable	114,318	-
Accrued expenses	<u>3,070</u>	<u>2,437</u>
Net cash used for operating activities	<u>\$ (146,842)</u>	<u>\$ (384,984)</u>

See accompanying notes to financial statements.

PALAU INTERNATIONAL CORAL REEF CENTER

Statements of Cash Flows, Continued
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Supplemental disclosure of noncash capital and related financing activities:		
Recognition of contributed capital assets:		
Noncash increase in property, plant and equipment	\$ -	\$ 169,558
Noncash increase in net assets	-	<u>(169,558)</u>
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

PALAU INTERNATIONAL CORAL REEF CENTER

Notes to Financial Statements
September 30, 2011 and 2010

(1) Organization

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

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

(2) Summary of Significant Accounting Policies

The accounting policies of the Center conform to accounting principles generally accepted in the United States of America, as applied to government entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. The Center has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Basis of Accounting

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

Cash

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- | | |
|------------|---|
| Category 1 | Deposits that are federally insured or collateralized with securities held by the Center or its agent in the Center's name; |
| Category 2 | Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the Center's name; or |
| Category 3 | Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Center's name and non-collateralized deposits. |

PALAU INTERNATIONAL CORAL REEF CENTER

Notes to Financial Statements
September 30, 2011 and 2010

(2) Summary of Significant Accounting Policies, Continued

Cash, Continued

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Center does not have a deposit policy for custodial credit risk.

For purposes of the statements of net assets and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2011 and 2010, cash was \$272,300 and \$141,051, respectively, and the corresponding bank balances were \$276,762 and \$137,800, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance and were FDIC insured. The Center does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC coverage are uncollateralized. There were no deposit levels in excess of FDIC coverage at September 30, 2011 and 2010.

In line with the Center's Strategic Plan to become self-sustaining, cash of \$141,736 and \$127,766 have been internally restricted as of September 30, 2011 and 2010, respectively. These restricted funds consist of solicited donations and a portion of operating revenues designated by the Board.

Inventories

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

Allowance for Doubtful Accounts

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Current policy is to capitalize items in excess of \$1,000.

Deferred Revenue

Deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. Deferred revenue results from funds received through various grants.

PALAU INTERNATIONAL CORAL REEF CENTER

Notes to Financial Statements
September 30, 2011 and 2010

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan

The Center contributes to the Palau Civil Service Pension Trust Fund (the Fund), a defined benefit, cost-sharing, multi-employer pension plan established and administered by the Republic of Palau. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Republic of Palau Civil Service Pension Trust Fund, P.O. Box 1767, Koror, Palau 96940.

The Fund provides retirement, security and other benefits to employees, and their spouses and dependents, of the Republic of Palau, Republic of Palau State Governments and Republic of Palau agencies, funds and public corporations, which are paid monthly and are two percent of each member's average monthly salary. Normal benefits are the credited total service up to a maximum of thirty years total service. Generally, benefits vest after three years of credited service. Members who retire at or after age 60, or with 25 years of vesting service, are entitled to retirement benefits. RPPL 2-26 is the authority under which benefit provisions are established. Member contribution rates are established by RPPL 2-26 at six percent (6%) of total payroll and matched dollar for dollar by the employer. The Center contributed \$23,411, \$24,711 and \$22,943 to the Fund during the fiscal years 2011, 2010 and 2009, respectively, which were equal to the required contributions for each year.

Under the provisions of RPPL 2-26, the Fund's Board of Trustees adopted a Trust Fund Operation Plan which has the force and effect of law, and which sets forth the procedures for the administration and coverage of the Plan. Amendments to the Plan are subject to the requirements of Title 6 of the Palau National Code. The Center's payroll for the years ended September 30, 2011 and 2010 was covered by the Fund's pension plan. The Fund utilizes the actuarial cost method termed "agreement cost method" with actuarial assumptions used to compute the pension benefit obligation as follows: (a) a rate of return of 8.5% per year on the investment of present and future assets, (b) a 3% increase in employee salaries until retirement, and (c) members are assumed to retire at their normal retirement date.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employment service to date. The measure is intended to assist users to evaluate the Fund's funding status on a going-concern basis, and evaluate progress made in accumulating adequate assets to pay benefits when due.

The Fund's October 1, 2009 actuarial valuation determined the unfunded pension benefit obligation as follows:

Active participants	\$ 56,060,970
Participants in pay status	47,666,805
Participants with vested deferred benefits	<u>1,779,610</u>
Total pension benefit obligation	105,507,385
Net assets available for benefits, at market value	<u>41,254,319</u>
Unfunded benefit obligation	\$ <u>64,253,066</u>

PALAU INTERNATIONAL CORAL REEF CENTER

Notes to Financial Statements
September 30, 2011 and 2010

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

The actuarial valuation did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor.

Compensated Absences

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

Taxes

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

Estimates

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

Operating and Non-Operating Revenues and Expenses

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

Net Assets

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, has required the Center to establish net asset categories as follows:

- Invested in capital assets: capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Restricted: net assets subject to externally imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire by the passage of time. The Center does not have restricted net assets.
- Unrestricted: net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

PALAU INTERNATIONAL CORAL REEF CENTER

Notes to Financial Statements
September 30, 2011 and 2010

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During fiscal year 2011, the Center implemented the following pronouncements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.
- GASB Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

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

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Center.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Center.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Center.

PALAU INTERNATIONAL CORAL REEF CENTER

Notes to Financial Statements
September 30, 2011 and 2010

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Center.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Center.

In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the Center.

(3) Due From Grantor Agencies

The Center is a direct recipient of a contract award received from the Australian Institute of Marine Science, the David and Lucile Packard Foundation, the National Oceanic and Atmospheric Administration, The United Nations Office of Project Services, The United Nations Educational, Scientific, and Cultural Organization, Micronesia Conservation Trust, the University of New Hampshire and the University of Hawaii. Excess grant disbursements over receipts are recognized as due from grantor agencies until such funds are received in accordance with grant terms and conditions.

Changes in the due from grantor agency account for the years ended September 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	\$ 15,438	\$ 61,911
Deductions - cash receipts from grantor agency	(415,412)	(301,797)
Additions - program outlays	396,330	293,536
Increase (decrease) in deferred revenue	<u>8,353</u>	<u>(38,212)</u>
Balance at end of year	\$ <u>4,709</u>	\$ <u>15,438</u>

PALAU INTERNATIONAL CORAL REEF CENTER

Notes to Financial Statements
September 30, 2011 and 2010

(4) Inventories

Inventories as of September 30, 2011 and 2010, consist of the following:

	<u>2011</u>	<u>2010</u>
Spare parts	\$ 66,442	\$ 84,371
Merchandise	<u>17,806</u>	<u>17,842</u>
	<u>\$ 84,248</u>	<u>\$ 102,213</u>

(5) Property, Plant and Equipment

Property, plant and equipment as of September 30, 2011 and 2010, consist of the following:

	Estimated <u>Useful Lives</u>	Balance at October <u>1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September <u>30, 2011</u>
Buildings	10 - 30 years	\$ 3,663,840	\$ 10,275	\$ -	\$ 3,674,115
Mechanical, electrical, research, office, exhibit and marine equipment	2 - 15 years	2,152,132	91,625	(103,550)	2,140,207
Aquarium	7 years	1,588,537	-	-	1,588,537
Furniture and fixtures	5 years	175,341	2,249	-	177,590
Computers	5 years	91,952	-	-	91,952
Vehicles	3 years	<u>124,252</u>	<u>2,500</u>	<u>-</u>	<u>126,752</u>
		7,796,054	106,649	(103,550)	7,799,153
Less accumulated depreciation		<u>(5,463,847)</u>	<u>(157,263)</u>	<u>-</u>	<u>(5,621,110)</u>
		<u>\$ 2,332,207</u>	<u>\$ (50,614)</u>	<u>\$ (103,550)</u>	<u>\$ 2,178,043</u>
					Balance at September 30, 2010 (As Restated)
Buildings	10 - 30 years	\$ 3,649,000	\$ 14,840	\$ -	\$ 3,663,840
Mechanical, electrical, research, office, exhibit and marine equipment	2 - 15 years	1,982,512	169,620	-	2,152,132
Aquarium	7 years	1,588,537	-	-	1,588,537
Furniture and fixtures	5 years	175,341	-	-	175,341
Computers	5 years	91,952	-	-	91,952
Vehicles	3 years	<u>118,043</u>	<u>6,209</u>	<u>-</u>	<u>124,252</u>
		7,605,385	190,669	-	7,796,054
Less accumulated depreciation		<u>(5,231,341)</u>	<u>(232,506)</u>	<u>-</u>	<u>(5,463,847)</u>
		<u>\$ 2,374,044</u>	<u>\$ (41,837)</u>	<u>\$ -</u>	<u>\$ 2,332,207</u>

PALAU INTERNATIONAL CORAL REEF CENTER

Notes to Financial Statements
September 30, 2011 and 2010

(6) Note Payable

	<u>2011</u>	<u>2010</u>
During the year ended September 30, 2011, accounts payable to the Palau Public Utilities Corporation were converted to a note payable, non-interest bearing, due over sixty-three months beginning April 2011, with a fixed monthly payment of \$2,006.	\$ 114,318	\$ -
Less current installment	<u>(24,067)</u>	<u>-</u>
Long-term debt	\$ <u>90,251</u>	\$ <u>-</u>

Total future repayments for the years ending September 30 are as follows:

Years ending

2012	\$ 24,067
2013	24,067
2014	24,067
2015	24,067
2016	<u>18,050</u>
	\$ <u>114,318</u>

(7) Republic of Palau

During the years ended September 30, 2011 and 2010, the Center received appropriations for operations of \$387,000 through RPPLs 8-18 and 8-29 and \$382,500 through RPPL 8-8, respectively.

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

(8) Risk Management

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

PALAU INTERNATIONAL CORAL REEF CENTER

Notes to Financial Statements
September 30, 2011 and 2010

(9) Restatement

The financial statements as of and for the year ended September 30, 2010 have been restated to reflect unrecorded property, plant and equipment from grant awards and to reduce deferred revenue for unrecorded grant revenues of prior years. The following accounts have been restated for the year ended September 30, 2010:

	<u>As Originally Stated</u>	<u>As Restated</u>
Property, plant and equipment, net	\$ 2,300,311	\$ 2,332,207
Deferred revenue	\$ 144,761	\$ 112,017
Net assets at beginning of year	\$ 2,341,173	\$ 2,405,813