

Re: Messages & Communications Doc. No. 38GL-26-2020 through 2029.

From Guam Legislature Clerks <clerks@guamlegislature.gov>
 Date Fri 3/6/2026 4:52 PM
 To 38th Committee On Rules <committeonrules@guamlegislature.gov>
 Cc Rennae Vanessa C. Meno <rennae.meno@guamlegislature.gov>

Håfa Adai,

Received, and thank you.



Elijah Untalan
Clerks Office

I Mina'trentai Ocho na Liheslaturan Guåhan
 Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910
 Voice: (671) 472-3465/3460 Fax: (671) 472-3524
guamlegislature.gov

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 Thank you

From: 38th Committee On Rules <committeonrules@guamlegislature.gov>
 Sent: Friday, March 6, 2026 3:53 PM
 To: Guam Legislature Clerks <clerks@guamlegislature.gov>
 Cc: Frank Blas Jr. <speakerblas@guamlegislature.gov>
 Subject: Messages & Communications Doc. No. 38GL-26-2020 through 2029.

Håfa Adai Clerks Office,

Please see attached, Messages & Communications Doc. No. 38GL-26-2020 through 2029 for processing:

✓	38GL-26-2020	Guam Power Authority	Petition to the Consolidated Commission on Utilities to amend the Position of Assistant General Manager-Operations*
✓	38GL-26-2021	Department of Public Health and Social Services	Guam Board of Examiners for Optometry Board Meeting Packet for February 24, 2026*
✓	38GL-26-2022	Office of Public Accountability - Guam	Mount Carmel Academy Charter School FY2025 Financial Statements, Reports on Compliance and Internal Controls, Management Letter and the Auditor's Communication with Those Charged with Governance*
✓	38GL-26-2023	Guam Housing Corporation	Board Meeting Packet for February 27, 2026*
✓	38GL-26-2024	Guam Ethics Commission	Prior Year Obligations to pay Camacho Calvo Law Group LLC in the total amount of \$4,136.84; to pay Phillips and Bordallo, P.C. in the total amount of \$1,172.50 to pay Docomo Pacific Inc. in the total amount of \$1,020.00*
✓	38GL-26-2025	Department of Administration	Income Tax Refund Efficient Payment Trust Fund Report and accompanying bank statement for February 2026*
✓	38GL-26-2026	Office of the Governor of Guam	Appointment and Supporting Documents for Pale' Eric Forbes, Member (History-Representative), Guam Historic Preservation Review Board.
✓	38GL-26-2027	Guam Power Authority	Documents Relative to Small Purchases and Sole Source and Emergency Purchases for the month of February 2026*
✓	38GL-26-2028	Guam Customs and Quarantine Agency	Prior Year Obligations to pay the Port Authority of Guam in the total amount of \$4,227.21.
✓	38GL-26-2029	Judiciary of Guam	Judicial Council of Guam Regular Meeting Packet for February 19, 2026*

Kindly reply to this emailPlease retrieve Doc. No. 38GL-26-2026 through 2029 from link below:

[Messages & Communications Physical Scanned Copy - Google Drive](#)

Kindly reply to this email



Si Yu'os ma'åse',
Marie Crisostomo
 Committee on Rules Assistant
COMMITTEE ON RULES

Vice Speaker V. Anthony Ada, Chairperson
I Mina'trentai Ocho Na Liheslaturan Guåhan
 38th Guam Legislature

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Messages and Communications 38GL-26-2022*

2 messages

Speaker Frank Blas Jr. <speakerblas@guamlegislature.gov>
To: 38th Committee On Rules <committeeonrules@guamlegislature.gov>, Sabrina Salas Matanane <office.senatorbri@guamlegislature.gov>

Wed, Mar 4, 2026 at 11:23 AM

Håfa Adai,

Please see attached M&C Doc. No. 38GL-26-2022

38GL-26-2022	Office of Public Accountability	Mount Carmel Academy Charter School FY2025 Financial Statements, Reports on Compliance and Internal Controls, Management Letter and the Auditor's Communication with Those Charged with Governance*
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*Si Yu'os Ma'åse'**Bernice Rivera*

Administrative Assistant

**Office of Speaker Frank F. Blas, Jr.**I Mina'trentai Ocho na Liheslaturan Guåhan 38th Guam Legislature

Guam Congress Building, 163 Chalan Santo Papa, Hagatña

(671)969-6456

speakerblas@guamlegislature.gov

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----- Forwarded message -----

From: **Office of Public Accountability - Guam** <admin@guamopa.com>


Date: Wed, Mar 4, 2026 at 8:00 AM

Subject: Transmittal: Mount Carmel Academy Charter School FY 2025 Financial Audit Reports

To: Chris Barnett <malafunkshun@guamlegislature.gov>, Senator Telo T. Taitague <senatortelot@gmail.com>, Shelly Vargas Calvo <officeofsenatorshellycalvo@guamlegislature.gov>, William Parkinson <senator.parkinson@guamlegislature.gov>, Eulogio Shawn Gumataotao <office.senatorshawn@guamlegislature.gov>, Senator Sabina F. Perez <office.senatorperez@guamlegislature.gov>, Vincent Borja <vince.borja@guamlegislature.gov>, Tina Muna Barnes <senator.munabarnes@guamlegislature.gov>, Jesse Lujan <senator.lujan@guamlegislature.gov>, Therese Tertaje <senatorterlajeguam@gmail.com>, Christopher Dueñas <senator.duenas@guamlegislature.gov>, Sabrina Salas Matanane <office.senatorbri@guamlegislature.gov>, Joe S. San Agustin <senatorjoessanagustin@gmail.com>, V. Anthony Ada <vicespeakertonyada@guamlegislature.gov>, Office of Senator Frank Blas, Jr. <speakerblas@guamlegislature.gov>, Governor of Guam <governor@guam.gov>, Lt. Governor of Guam <joshua.tenorio@guam.gov>

Cc: Benjamin Cruz <bjcruz@guamopa.com>, Ren Jalandoni <rjalandoni@guamopa.com>*Håfa Adai!*

The Office of Public Accountability has released the Mount Carmel Academy Charter School FY 2025 Financial Highlights, Financial Statements, Report on Internal Control and Compliance, Letter to Those Charged With Governance, and Management Letter. You may visit our website at www.opaguam.org to download the reports.

*Si Yu'os Ma'ase!***5 attachments** **4. MCS FY25 Final ML.pdf**
29K **3. MCS FY25 Final FS.pdf**
106K **1. MCS FY25 Final FH.pdf**
117K **2. MCS FY25 Final ARC.pdf**
2046K **38GL-26-2022.pdf**
1132K

38th Committee On Rules <committeeonrules@guamlegislature.gov>
To: "Speaker Frank Blas Jr." <speakerblas@guamlegislature.gov>

Wed, Mar 4, 2026 at 5:12 PM

Håfa Adai,

Received, and thank you.



Si Yu'os ma'åse',

Marie Crisostomo

Committee on Rules Assistant

COMMITTEE ON RULES

Vice Speaker V. Anthony Ada, Chairperson

I Mina'trentai Ocho Na Liheslaturan Guåhan

38th Guam Legislature

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Speaker Frank Blas Jr. <speakerblas@guamlegislature.gov>

Transmittal: Mount Carmel Academy Charter School FY 2025 Financial Audit Reports

2 messages

Office of Public Accountability - Guam <admin@guamopa.com> Wed, Mar 4, 2026 at 8:00 AM
 To: Chris Barnett <malafunkshun@guamlegislature.gov>, "Senator Telo T. Taitague" <senatortelot@gmail.com>, Shelly Vargas Calvo <officeofsenatorshellycalvo@guamlegislature.gov>, William Parkinson <senator.parkinson@guamlegislature.gov>, Eulogio Shawn Gumataotao <office.senatorshawn@guamlegislature.gov>, "Senator Sabina F. Perez" <office.senatorperez@guamlegislature.gov>, Vincent Borja <vince.borja@guamlegislature.gov>, Tina Muna Barnes <senator.munabarnes@guamlegislature.gov>, Jesse Lujan <senator.lujan@guamlegislature.gov>, Therese Terlaje <senatorterlajeguam@gmail.com>, Christopher Dueñas <senator.duenas@guamlegislature.gov>, Sabrina Salas Matanane <office.senatorbri@guamlegislature.gov>, "Joe S. San Agustin" <senatorjoessanagustin@gmail.com>, "V. Anthony Ada" <vicespeakertonyada@guamlegislature.gov>, "Office of Senator Frank Blas, Jr." <speakerblas@guamlegislature.gov>, Governor of Guam <governor@guam.gov>, "Lt. Governor of Guam" <joshua.tenorio@guam.gov>
 Cc: Benjamin Cruz <bjcruz@guamopa.com>, Ren Jalandoni <rjalandoni@guamopa.com>





Håfa Adai!

The Office of Public Accountability has released the Mount Carmel Academy Charter School FY 2025 Financial Highlights, Financial Statements, Report on Internal Control and Compliance, Letter to Those Charged With Governance, and Management Letter. You may visit our website at www.opaguam.org to download the reports.

Si Yu'os Ma'ase!

Doc Type: 38GL-26-2022
 OFFICE OF THE SPEAKER
 FRANK F. BLAS, JR.
 March 4, 2026
 Time: 8:00 AM
 Received: *PK*

4 attachments

-  **4. MCS FY25 Final ML.pdf**
29K
-  **3. MCS FY25 Final FS.pdf**
106K
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117K
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2046K

Speaker Frank Blas Jr. <speakerblas@guamlegislature.gov> Wed, Mar 4, 2026 at 8:54 AM
 To: Office of Public Accountability - Guam <admin@guamopa.com>
 Cc: Chris Barnett <malafunkshun@guamlegislature.gov>, "Senator Telo T. Taitague" <senatortelot@gmail.com>, Shelly Vargas Calvo <officeofsenatorshellycalvo@guamlegislature.gov>, William Parkinson <senator.parkinson@guamlegislature.gov>, Eulogio Shawn Gumataotao <office.senatorshawn@guamlegislature.gov>, "Senator Sabina F. Perez" <office.senatorperez@guamlegislature.gov>, Vincent Borja <vince.borja@guamlegislature.gov>, Tina Muna Barnes <senator.munabarnes@guamlegislature.gov>, Jesse Lujan <senator.lujan@guamlegislature.gov>, Therese Terlaje <senatorterlajeguam@gmail.com>, Christopher Dueñas <senator.duenas@guamlegislature.gov>, Sabrina Salas Matanane <office.senatorbri@guamlegislature.gov>, "Joe S. San Agustin" <senatorjoessanagustin@gmail.com>, "V. Anthony Ada" <vicespeakertonyada@guamlegislature.gov>, Governor of Guam <governor@guam.gov>, "Lt. Governor of Guam" <joshua.tenorio@guam.gov>, Benjamin Cruz <bjcruz@guamopa.com>, Ren Jalandoni <rjalandoni@guamopa.com>

Håfa Adai,

Confirming receipt of your email.

Si Yu'os Ma'åse'

Bernice Rivera

Administrative Assistant



Office of Speaker Frank F. Blas, Jr.

I Mina'trentai Ocho na Liheslaturan Guahan 38th Guam Legislature

Guam Congress Building, 163 Chalan Santo Papa, Hagatña

(671)969-6456

speakerblas@guamlegislature.gov

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38GL-26-2022
Messages and Communications

RECEIVED
COMMITTEE ON RULES
March 4, 2026

11:23 a.m.
Marie Crisostomo

Financial Highlights
Mount Carmel Academy Charter School Financial Audit
Fiscal Year 2025

March 4, 2026

The Mount Carmel Academy Charter School (MCS) is a component unit of the Government of Guam (GovGuam) as the only converted private catholic school to an academy charter school by the GovGuam General Fund. Enrollment for School Year (SY) 2024-2025 ranged between 500 and 529 students, which is within the authorized limit of 550 students. MCS received an unmodified opinion in its Fiscal Year (FY) 2025 ended September 30, 2025 financial statements and report on compliance from independent auditors Ernst & Young LLP (EY). EY did not identify any deficiencies in internal control that they considered to be material weaknesses.

Current assets include cash, accounts receivable, and prepaid expenses. At the end of FY 2025, cash stood at \$265 thousand (K), accounts receivable totaled \$82K, and prepaid expenses were \$6K. Accounts payable and accrued expenses came to \$285K, covering unpaid bills for utilities, materials, rent, and other approved costs at year-end. Overall, MCS closed FY 2025 with a total net position of \$106K.

Revenues and Expenditures

For FY 2025, MCS received and reported a total of \$2.9 million (M) in non-contribution related revenues from GovGuam, which is a \$601K increase (or 26%), compared to its FY 2024 total of \$2.3M. Salaries and wages account for their largest expense year over year with a total of \$2.3M in FY 2025, an increase of \$810K (or 54%), in comparison to its FY 2024 total of \$1.5M. Upon MCS' conversion to a charter school, enrollment increased and MCS required additional faculty and staff to serve its students. Due to MCS' educational mandates, they raised and maintained compensation levels across the board.

Report on Internal Control and Management Letter

For FY 2025, EY did not identify any deficiencies in internal control that they considered to be material weaknesses in the Report on Internal Control Over Financial Reporting and On Compliance. A separate management letter included one other matter that was brought to MCS management's attention regarding GASB Statement No. 87, Leases.

GASB Statement No. 87 Leases

EY found that MCS initially overlooked evaluating two lease agreements under GASB Statement No. 87, Leases. As of September 30, 2025, these leases should have been recorded with a lease asset of \$107K and a lease liability of \$108K. MCS management was aware that the lease agreements were within the scope of GASB Statement No. 87, Leases. Therefore, EY recommended that MCS management develop an implementation plan to evaluate the impact and develop processes for any new GASB Statements in order to ensure its proper adoption.

For more details, refer to MCS' FY 2025 Financial Statements, Report on Internal Control Over Financial Reporting and On Compliance, Report on Internal Control Over Financial Reporting, Management Letter, and Auditor's Communication With Those Charged With Governance at www.opaguam.org and www.mtcarmelguam.com.

*The Auditor's Communication With Those Charged
With Governance*

Mount Carmel Academy Charter School
(A Non-Profit Organization)

Year ended September 30, 2025





February 27, 2026

Board of Trustees
Mount Carmel Academy Charter School

We have performed an audit of the financial statements of Mount Carmel Academy Charter School (the Academy), as of and for the year ended September 30, 2025, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated February 27, 2026.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Board of Trustees with additional information regarding the scope and results of the audit that may assist the Board (or those charged with governance) in overseeing the financial reporting and disclosure processes which the management of the Academy is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated March 4, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements and required supplementary information are the responsibility of the Academy's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements 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 entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also 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, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the October 2025 meeting.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Academy's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year.

We have provided a discussion of significant accounting policies and our views regarding significant accounting estimates and financial statement disclosures and related matters in Note 1 of the basic financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Academy's relationships and transactions with related parties to the financial statements.

Changes to the terms of the audit with no reasonable justification for the change

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Academy.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

Refer to the “Management Representations Letter” in Appendix A.

Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial

None.

Significant deficiencies and material weaknesses in internal control over financial reporting

No material weaknesses have been identified.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the October 2025 meeting and at the update status meetings during the audit.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

New accounting pronouncements

No issues have been identified with regard to management’s planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

There are no significant matters arising from the audit that required us to subcontract portions of the Audit Services to other EY firms and that required participation of personnel from an affiliate of EY or another EY firm or any of their respective affiliates, of from independent third-party service providers.

Representations we are requesting from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix A.

Engagement team’s involvement with preparation of the financial statements

Under GAS 2018 Revision, Chapter 3 General Standards, Paragraph 3.87-3.90 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management’s ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management’s ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- The preparation of the financial statements is based on the Academy’s trial balance with our understanding that the Academy’s underlying books and records are maintained by the Academy’s accounting department and that the final trial balance prepared by the Academy is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Academy.
- The Academy’s Accounting Manager has the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

This communication is intended solely for the information and use of the Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Appendix

A – Management Representations Letter

A – Management Representations Letter



The Mount Carmel Alumni & Endowment Foundation
and

MT CARMEL ACADEMY CHARTER SCHOOL
P.O. BOX 7830, Agat, Guam 96928
Tel: (671) 565-5128 · Fax: (671) 565-3539



February 27, 2026

231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning Guam 96913

In connection with your audits of the basic financial statements of Mount Carmel Academy Charter School (the Academy) as of September 30, 2025 and 2024 and for the years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the Academy and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund in accordance with accounting principles generally accepted in the United States of America (US GAAP).

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

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated March 4, 2025 for the preparation and fair presentation of the financial statements in accordance with US GAAP.

In preparing the basic financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for one year after the basic financial statement date.

We acknowledge our responsibility for the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Tradition, Heritage, Spirit & Pride!

P.O. Box 7830 • Agat, Guam 96928 • Tel: (671) 565-5128 • office@mtcarmelguam.com

A – Management Representations Letter, continued



The Mount Carmel Alumni & Endowment Foundation
and

MT CARMEL ACADEMY CHARTER SCHOOL
P.O. BOX 7830, Agat, Guam 96928
Tel: (671) 565-5128 · Fax: (671) 565-3539



We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters. This responsibility includes identifying the use of new technologies or techniques in preparing such information (e.g., the use of generative artificial intelligence), and additional details you may require regarding the use of any such technologies and techniques in order to perform your audit procedures.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the Academy from whom you determined it necessary to obtain evidence.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

From August 22, 2025 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements of any opinion unit that comprises the basic financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Corrected misstatements

We are in agreement with the audit adjustments you have proposed (Appendix A) and have been posted the adjusting journal entries to the Academy's books.

Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current period financial statements.

Tradition, Heritage, Spirit & Pride!

P.O. Box 7830 • Agat, Guam 96928 • Tel: (671) 565-5128 • office@mtcarmelguam.com

A – Management Representations Letter, continued



The Mount Carmel Alumni & Endowment Foundation
and

MT CARMEL ACADEMY CHARTER SCHOOL
P.O. BOX 7830, Agat, Guam 96928
Tel: (671) 565-5128 · Fax: (671) 565-3539



Internal control

We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting.

Minutes, contracts and internal audit reports

There are no meetings of the Board of Trustees from October 1, 2024 to February 27, 2026.

We also have made available to you all significant agreements and contracts, including amendments, and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that have a material effect on the financial statements.

We also have made available to you all internal audit reports (or reports from similar functions) that were issued to management during the year that address internal control over financial reporting.

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including fair value measurements, are reasonable and supportable.

Ownership and pledging of assets

Except for assets accounted for in accordance with GASB Statements No. 87, 94 and 96—as amended, for which we were provided a right-to-use another entity’s nonfinancial asset (the underlying asset), the Academy has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Academy has satisfactory title appear in the statements of net position.

Receivables and revenues

Adequate provision has been made for any receivable as of the statement of net position dates that may not be collectible, including any losses, costs and expenses that may be incurred related to the collection of those receivables.

Revenues and other governmental fund financial resources are recognized in the period in which they became both measurable and available to finance expenditures of the fiscal period.

Tradition, Heritage, Spirit & Pride!

P.O. Box 7830 • Agat, Guam 96928 • Tel: (671) 565-5128 • office@mtcarmelguam.com

A – Management Representations Letter, continued



The Mount Carmel Alumni & Endowment Foundation
and

MT CARMEL ACADEMY CHARTER SCHOOL
P.O. BOX 7830, Agat, Guam 96928
Tel: (671) 565-5128 · Fax: (671) 565-3539



Leases

We have identified and accounted for all contracts that meet the criteria to be accounted for as a lease under GASB Statement No. 87—as amended. We have appropriately considered any modifications, termination or purchase options in the contract.

To measure the lease liability, we used the rate the lessor charges to us or the rate implicit in the lease. When the interest rate could not be readily determined, we then estimated our incremental borrowing rate (IBR). We believe our IBR is a reasonable estimate and represents an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets (asset groups) to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

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A – Management Representations Letter, continued



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Events of default under debt agreements

No events of default have occurred with respect to any of the Academy's debt agreements.

Effects of adopting new accounting standards

We have not completed the process of evaluating the effects that will result from adopting the amendments to the codification provided in the following Governmental Accounting Standards Board (GASB) Statements as discussed in Note 2:

- GASB Statement No. 103
- GASB Statement No. 104

The Academy is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Oral or written guarantees

There are no oral or written guarantees including guarantees of the debt of others.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis and budgetary comparison information for the general fund, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Purchase commitments

As of September 30, 2025 and 2024, the Academy had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2025 and 2024 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

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A – Management Representations Letter, continued



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Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Academy's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Academy's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Academy.

Independence

We have communicated to you the names of the Academy's affiliates, as described in the AICPA Code of Professional Conduct ET section 1.224.020 *State and Local Government Client Affiliates*, officers and directors, or individuals who serve in such capacity for the Academy.

We are not aware of any business relationship between the Academy and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an "EY Firm"), other than one pursuant to which an EY Firm performs professional services.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Academy's audits.

Conflicts of interest

There are no instances where any officer or employee of the Academy has an interest in a company with which the Academy does business that would be considered a "conflict of interest." Such an interest would be contrary to Academy policy.

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A – Management Representations Letter, continued



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Other representation

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the basic financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.
- The basic financial statements properly classify all funds and activities in accordance with GASB Statement No. 54—as amended.
- All funds that meet the quantitative criteria in GASB Statement No. 34, as amended and GASB Statement No. 37, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.
- Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.
- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and, if applicable, depreciated.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.
- We are following either our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more

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A – Management Representations Letter, continued



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than one resource classification is available or are following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.

- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Subsequent events

Subsequent to September 30, 2025, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Academy's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, and changes in financial position the Academy. Please refer to Appendix B.

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A – Management Representations Letter, continued



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We understand that your audits were conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and were, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of the Academy and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Michael Phillips, Chief Executive Officer

Darleen E.H. Phillips, Chief Financial Officer

Thelma Alfonso, Accounting Manager

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A – Management Representations Letter, continued



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Appendices

A - Corrected Misstatements

B - Subsequent Events

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A – Management Representations Letter, continued



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Appendix A - Corrected Misstatements

Communication schedule for corrected misstatements

Entity:

Period ended:

Currency:

Corrected misstatements		Analysis of misstatements Debit/(Credit)									
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period		
(misstatements are recorded as journal entries with a description)			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	
AJE 1	LRE 00	To record the initial recognition of the MEC lease agreement									
		Lease asset, net		56,363							
		Amortization expense							9,394		
		Interest expense on lease							576		
		Due after one year					8,224				
		Due after one year				(56,363)					
		Lease asset, net		(9,394)							
		Rent								(9,800)	
AJE 2	LRE 00	To reclassify the non current portion of the MEC lease agreement									
		Due after one year				27,863					
		Due within one year			(27,863)						
AJE 3	LRE 00	To record the initial recognition of the CM lease agreement									
		Lease asset, net		77,653							
		Amortization expense							17,256		
		Interest expense on lease							1,802		
		Due after one year					16,598				
		Due after one year				(77,653)					
		Lease asset, net		(17,256)							
		Rent								(18,400)	
AJE 4	LRE 00	To reclassify the non current portion of the CM lease agreement									
		Due after one year				25,392					
		Due within one year			(25,392)						
Total of corrected misstatements before income tax			0	107,366	(63,255)	(54,939)	0	0	828		
Financial statement amounts			353,579	2,203,289	(435,668)	(2,015,902)	(149,608)		43,999		
Effect of corrected misstatements on F/S amounts			0.0%	4.9%	12.2%	2.7%	0.0%		1.9%		

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A – Management Representations Letter, continued



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Appendix B - Subsequent Events

Question	
1	Are there any subsequent events that occurred that may affect the financial statements other than those that are already been communicated?
2	Have there been any business combinations, acquisitions of significant assets, segment disposals, disposals of significant assets or extraordinary, unusual or infrequently occurring transactions, except as disclosed in the financial statements? Have any other significant unusual transactions been entered into?
3	Have any significant contingent liabilities or commitments arisen, except as disclosed in the financial statements?
4	Have any significant changes occurred in trends in sales/revenues or costs that could affect accounting estimates (e.g., valuation of receivables or inventories, realization of deferred charges, provisions for warranties or employee benefits or unearned income)?
5	Have any significant changes occurred, or are pending, in the capital accounts, long term debt, including debt covenants and compliance with them, or working capital, except as disclosed in the financial statements?
6	Have any significant changes occurred in the status of items, including contingent liabilities and commitments that were accounted for on the basis of tentative, preliminary or inconclusive data?
7	Have any significant unusual or non-recurring adjustments been recorded (or are necessary)?
8	Have any communications, written or oral, occurred with regulatory agencies with which the entity files financial statements?
9	Have there been any changes in the entity's related parties?
10	Have any significant new related party transactions occurred?
11	Have any other events occurred, other than those disclosed in response to the previous questions or those reflected or disclosed in the financial statements that could have a material effect on the audited financial statements?
12	Are there any significant new contracts or agreements (including amendment) and written communications with any regulatory agencies that could have an effect on the audited financial statements other than those that are already been provided to EY (if any).
13	Did MCACS provide all of minutes of BOT meeting that were held subsequent to the balance sheet date?
14	Are you aware of any fraud or suspected fraud affecting MCACS involving (1) management, (2) employees who have significant roles in internal control or (3) others, when the fraud could have a material effect on the financial statements?
15	Are you aware of any allegations of financial improprieties, including fraud or suspected fraud (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), when such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of MCACS?
16	Are you aware of any close relationship, or business employment or other relationships that could bear EY independence such as business/financial relationship, litigation with EY, family relationship/employment, loans, cooperative arrangements and others?
17	Are you aware of any cash receipt records for significant or unusually large amounts that may pertain to proceeds of loans, significant sales of productive assets or other unusual items?
18	Are you aware of any cash disbursement records for that may pertain to unusual payments, payments of liabilities not recorded as of the balance sheet date or other unusual items?
19	Are you aware of any significant time lag that may pertain to collections on accounts receivable, credit memoranda issues for sales returns and allowances?
20	Are you aware of any journal entries that would have a material effect on the financial statements as of the balance sheet date?

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*Financial Statements and Required Supplementary
Information*

Mount Carmel Academy Charter School
(A Non-Profit Organization)

*Years ended September 30, 2025 and 2024
with Report of Independent Auditors*



Mount Carmel Academy Charter School
(A Non-Profit Organization)

Financial Statements

Years ended September 30, 2025 and 2024

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Report of Independent Auditors

Board of Trustees
Mount Carmel Academy Charter School

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of Mount Carmel Academy Charter School (the Academy), as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund activities of the Academy at September 30, 2025 and 2024, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Academy 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 of material misstatement, whether due to fraud or error.

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 Academy's ability to continue as a going concern for 12 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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 GAAS and *Government 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 GAAS and *Government 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 Academy'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 Academy'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 through 8 and the Budgetary Comparison Schedule – Governmental Funds on page 23 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2026 on our consideration of the Academy'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 solely 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 effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

The logo for Ernst & Young LLP is written in a black, cursive script font. The words "Ernst" and "Young" are connected by a plus sign, and "LLP" follows "Young".

February 27, 2026

Mount Carmel Academy Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis

Years ended September 30, 2025 and 2024

The following narrative overview and analysis presents information on the financial activities of Mount Carmel Academy Charter School (MCS) for the fiscal years ended September 30, 2025 and 2024. Readers are encouraged to review this information alongside the audited financial report.

A. Financial Highlights

MCS' basic financial statements provide these insights into the results of this fiscal year's operations.

MCS received revenues based on invoiced expenses to the Government of Guam. The amounts ultimately remitted were based on actual enrollment and not authorized students as provided in Public Law 37-125, Chapter II, Part II, Section 3. MCS also continued its annual fundraising efforts to cover costs associated with its Project Based Learning Model for awarding student winners of its signature educational fairs such as its Business Fair, Favorite Author Fair, Science Fair and other academic achievements.

The following narrative lists a few significant events and expenses. MCS acquired Mount Carmel Catholic Schools assets and was the only major capital outlay in its first charter year. MCS continued to operate under prior contracts for photocopying, payroll, and internet/phone services. To accommodate our growing population, MCS leased space in Agat to store files, equipment, materials and other necessary items for MCS' seasonal events. In addition, MCS was able to procure mats for its Mixed Martial Arts Dojos and a few musical instruments as it begin to upgrade these areas of MCS' curriculum.

- MCS' net position at the close of fiscal year is \$105,697.
- Enrollment for School Year 2024-2025 ranged between 500 and 529 students which is within the authorized limit of 550 students set forth in Public Law P.L. 37-125, Chapter II, Part II, Section 3.

Mount Carmel Academy Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

B. Overview of the Financial Statements

This analysis introduces MCS' basic financial statements. MCS' basic financial statements are comprised of three components: (1) government-wide financial statements ; (2) general fund financial statements ; and (3) notes to the basic financial statements.

1. Government-Wide Financial Statements

The government-wide financial statements present a broad overview of MCS' finances, using a format comparable to that of a private sector business.

The Statement of Net Position shows MCS' net position—total assets minus total liabilities—which helps assess its financial health.

The Statement of Activities shows how MCS' net position changed over the year, including all revenue and expenses, regardless of cash flow timing.

2. General Fund Financial Statements

MCS' continues to provide quality education while subsidizing its expenses through its fundraisers.

3. Notes to Financial Statements

The notes accompanying the financial statements furnish supplementary information that is vital for a comprehensive understanding of the information presented in the financial statements.

C. Government-Wide Financial Analysis

Net position reflects a charter school's financial standing over time. For MCS, the net position at fiscal year end is \$105,697.

Mount Carmel Academy Charter School
(A Non-Profit Organization)

Management’s Discussion and Analysis, continued

Figure 1 provided a summary of MCS’s net position as of September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Assets:		
Current assets	\$ 353,578	\$ 306,732
Capital asset, net	<u>2,203,289</u>	<u>2,088,947</u>
Total assets	<u>2,556,867</u>	<u>2,395,679</u>
Liabilities and Net Position:		
Current liabilities	284,953	98,418
Long-term liabilities	<u>2,166,217</u>	<u>2,147,655</u>
Total liabilities	<u>2,451,170</u>	<u>2,246,073</u>
Net Position:		
Net investment in capital assets	37,072	---
Unrestricted	<u>68,625</u>	<u>149,606</u>
Total net position	<u>\$ 105,697</u>	<u>\$ 149,606</u>

Current assets consist of cash, accounts receivable and prepaid expenses. Cash at the end of FY2025 was \$265,121. Accounts receivable was \$82,337. Prepaid expense was \$6,120. Accounts payable and accrued expenses totaled \$284,953 which include unpaid utilities, materials, rent and other authorized expenses at the end of FY2025. MCS finished FY2025 with a total of net position of \$105,697

The Charter School Council (“Council”) approved MCS’ application for 550 students in SY 2024-2025. P.L. 37-125 provided funding to MCS in the School Year 2024-2025, in the amount of \$3.12M which is calculated by multiplying Seven Thousand Eight Hundred (\$7,800) per student by four hundred (400) students. Also, P.L. 37-124 provided additional funding to MCS in the amount of \$187,500 for additional one hundred fifty (150) students. The staffing pattern provided allows MCS to educate and service 550 students.

Mount Carmel Academy Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

Figure 2 provides a summary and analysis of MCS's revenues and expenses for the years ended September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Revenues:		
Per pupil allocation	\$2,937,916	\$2,337,378
Other revenues	<u>190,261</u>	<u>145,117</u>
Total revenues	3,128,177	2,482,495
Expenses:		
Salaries and wages	2,311,081	1,500,868
Amortization expense	175,861	149,211
Utilities	168,881	156,626
Event related expenses	141,601	71,644
Interest expense on lease	96,346	89,497
Repairs and maintenance	62,226	133,175
Advertising and marketing	50,408	48,134
Supplies	37,646	47,640
Professional fees	34,200	25,050
Rent	21,900	7,350
Printing	20,492	14,939
Depreciation	19,105	---
Insurance	9,783	6,264
Subscriptions	3,812	3,054
Capital outlays	---	70,919
Miscellaneous	<u>18,744</u>	<u>8,518</u>
Total expenses	3,172,086	2,332,889
Change in net position	(43,909)	149,606
Net position, beginning of year	<u>149,606</u>	<u>---</u>
Net position, end of year	<u>\$ 105,697</u>	<u>\$ 149,606</u>

MCS has always hired highly qualified teachers who have both experience and degrees in various fields. The student population at MCS approached roughly 529 students during the School Year 2024 - 2025. The school plans on increasing the number of enrolled students to as much 550 in the coming school years.

Upon MCS' conversion to a charter school, enrollment increased and MCS required additional faculty and staff to service its students. MCS' educational mandates, MCS raised and maintained compensation levels across the board. Therefore, payroll accounts for one of MCS' largest expense year over year.

Mount Carmel Academy Charter School
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Management's Discussion and Analysis, continued

D. General Fund Budget Analysis and Highlights

Financial Analysis of General Fund

Prior to the start of MCS' fiscal year, MCS adopted an annual budget that is submitted to the Guam Academy Charter School Council. The Council, in turn, submits the budget from the charter schools to the Legislature. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with MCS' budget. Please refer to the accompanying Required Supplementary Information for additional information regarding MCS's budget.

E. Capital Asset and Long-term Debt

Capital Asset

MCS' capital asset pertains to right-to-use asset relating to lease. Please refer to Notes 3 and 4 to the accompanying financial statements for additional information regarding MCS' capital asset and lease arrangement.

Long-term Debt

MCS' long-term debt pertains to lease liability. Please refer to Notes 4 and 5 to the accompanying financial statements for additional information regarding MCS' lease liability and long-term obligation.

Requests for Information

This financial report is intended to provide a general overview of MCS' finances and to show accountability for the money MCS receives. If you have questions about this report or need additional information, contact Darleen E.H Phillips or Thelma Alfonso at Mount Carmel School at 32A Calle Marteres St, Agat, Guam 96928 or by telephone at (671) 565-5128.

Mount Carmel Academy Charter School
(A Non-Profit Organization)

Governmental Funds Balance Sheets/Statements of Net Position

	September 30,					
	2025			2024		
	General Fund	Adjustments	Statement of Net Position	General Fund	Adjustments	Statement of Net Position
Assets:						
Cash	\$ 265,121	\$ ---	\$ 265,121	\$ 158,356	\$ ---	\$ 158,356
Accounts receivable	82,337	---	82,337	147,614	---	147,614
Prepaid expenses	6,120	---	6,120	762	---	762
Capital assets:						
Lease asset, net	---	2,047,102	2,047,102	---	2,088,947	2,088,947
Depreciable capital assets, net	---	79,200	79,200	---	---	---
Other capital asset	---	76,987	76,987	---	---	---
Total assets	\$ <u>353,578</u>	\$ <u>2,203,289</u>	\$ <u>2,556,867</u>	\$ <u>306,732</u>	\$ <u>2,088,947</u>	\$ <u>2,395,679</u>
Liabilities and Fund Balance/Net Position:						
Accounts payable and accrued expenses	\$ 284,953	\$ ---	\$ 284,953	\$ 98,418	\$ ---	\$ 98,418
Long term liability:						
Due within one year	---	150,715	150,715	---	89,632	89,632
Due after one year	---	2,015,502	2,015,502	---	2,058,023	2,058,023
Total liabilities	<u>284,953</u>	<u>2,166,217</u>	<u>2,451,170</u>	<u>98,418</u>	<u>2,147,655</u>	<u>2,246,073</u>
Fund balance: unassigned	<u>68,625</u>			<u>208,314</u>		
Total liabilities and fund balances	\$ <u>353,578</u>			\$ <u>306,732</u>		
Net position:						
Invested in capital asset		37,072	37,072		---	---
Unrestricted		---	68,625		(58,708)	149,606
Total net position		\$ <u>37,072</u>	\$ <u>105,697</u>		\$ (58,708)	\$ <u>149,606</u>

See accompanying notes.

Mount Carmel Academy Charter School
(A Non-Profit Organization)

Statements of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statements of Activities

	Year ended September 30,					
	2025			2024		
	General Fund	Adjustments	Statement of Activities	General Fund	Adjustments	Statement of Activities
Revenues:						
Per pupil allocation	\$ 2,937,916	\$ ---	\$ 2,937,916	\$ 2,337,378	\$ ---	\$ 2,337,378
Other	190,261	---	190,261	145,117	---	145,117
Other financing resources	<u>134,016</u>	<u>(134,016)</u>	<u>---</u>	<u>2,238,158</u>	<u>(2,238,158)</u>	<u>---</u>
 Total revenues	 <u>3,262,193</u>	 <u>(134,016)</u>	 <u>3,128,177</u>	 <u>4,720,653</u>	 <u>(2,238,158)</u>	 <u>2,482,495</u>
Expenditures/expenses:						
Salaries and wages	2,311,081	---	2,311,081	1,500,868	---	1,500,868
Capital outlays	175,292	(175,292)	---	70,919	---	70,919
Utilities	168,881	---	168,881	156,626	---	156,626
Event related expenses	141,601	---	141,601	71,644	---	71,644
Repairs and maintenance	62,226	---	62,226	133,175	---	133,175
Lease expenditure	134,016	(134,016)	---	2,238,158	(2,238,158)	---
Advertising and marketing	50,408	---	50,408	48,134	---	48,134
Supplies	37,646	---	37,646	47,640	---	47,640
Professional fees	34,200	---	34,200	25,050	---	25,050
Rent	21,900	---	21,900	7,350	---	7,350
Printing	20,492	---	20,492	14,939	---	14,939
Miscellaneous	18,744	---	18,744	8,518	---	8,518
Insurance	9,783	---	9,783	6,264	---	6,264
Subscriptions	3,812	---	3,812	3,054	---	3,054
Amortization expense	---	175,861	175,861	---	149,211	149,211
Interest expense on lease	---	96,346	96,346	---	89,497	89,497
Depreciation	---	19,105	19,105	---	---	---
Debt Service						
Interest	96,346	(96,346)	---	89,497	(89,497)	---
Principal	<u>115,454</u>	<u>(115,454)</u>	<u>---</u>	<u>90,503</u>	<u>(90,503)</u>	<u>---</u>
 Total expenditures/expenses	 <u>3,401,882</u>	 <u>(229,796)</u>	 <u>3,172,086</u>	 <u>4,512,339</u>	 <u>(2,179,450)</u>	 <u>2,332,889</u>
 Excess (deficiency) of revenues over (under) expenditures/expenses	 (139,689)			 208,314		
 Change in net position		 95,780	 (43,909)		 (58,708)	 149,606
Fund balance/net position:						
Beginning of year	<u>208,314</u>	<u>(58,708)</u>	<u>149,606</u>	<u>---</u>	<u>---</u>	<u>---</u>
End of year	\$ <u>68,625</u>	\$ <u>37,072</u>	\$ <u>105,697</u>	\$ <u>208,314</u>	\$ <u>(58,708)</u>	\$ <u>149,606</u>

See accompanying notes.

Mount Carmel Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements

Years ended September 30, 2025 and 2024

1. Organization

Mount Carmel Academy Charter School (the “Academy”), a component unit of the Government of Guam, is governed by 17 GCA Chapter 12 (as amended) as Guam’s only converted private catholic school to an academy charter school funded by the Government of Guam General Fund.

The Academy, as a non-profit corporation, is established for the purpose of operating an academy charter school which operates independently from the Guam Public School System for the purposes specifically set forth in 17 GCA §12102.

The Academy is governed by the Mount Carmel Alumni & Endowment Foundation Board of Trustees. The Board of Trustees consists of not less than five (5) members and not more than nine (9) members. At least one (1) member must be a parent or guardian of a student attending the Academy and at least one (1) member must be from the general public with an accounting or finance background. The principal is a non-voting member.

The Charter School Council approved the Academy’s charter for a six (6) year period, unless revoked as authorized in 17 GCA § 12114. The Academy’s charter may be renewed an unlimited number of times, each time for a six (6) year period and is due for renewal in September 2029. Under the charter agreement, the Council will review the Academy once every six years, beginning on the date on which the charter is granted or renewed, to determine whether the charter should be revoked for material violations of laws and the terms of its agreement or if the Academy fails to meet the goals and student academic achievement expectations.

2. Summary of Significant Accounting Policies

The Academy is subject to independent oversight by Guam Academy Charter School Council (the Council). The Council is tasked with monitoring the Academy’s operations, compliance with applicable laws and the provisions of the charter granted; the progress of meeting student academic achievement expectations specified in the charter; and compliance with annual reporting requirements.

The accompanying basic financial statements of the Academy have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

The Academy’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of information.

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Government-wide Financial Statements

The Statement of Net Position presents the Academy's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of right-to-use assets, net of accumulated amortization, depreciable capital assets, net of accumulated depreciation and other assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- Unrestricted net position consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. They often have restrictions that are imposed by management but can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Academy's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include per pupil allocation from Government of Guam and other grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Academy.

Fund Financial Statements

The Academy uses one governmental fund to report on its financial position and results of operations. The operations of this fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for governmental funds. The Academy presents a balance sheet and a statement of revenues, expenditures and changes in fund balances for its governmental fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net position.

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued

Adjustments required to reconcile total governmental fund balance to net position of governmental activities in the statements of net position as of September 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Fund balance - governmental funds	\$ 68,625	\$ 208,314
Add:		
Right-to-use assets, net	2,047,102	2,088,947
Depreciable capital assets, net	79,200	---
Other	76,987	---
Less:		
Lease liability – current	(150,715)	(89,632)
Lease liability – non current	(2,015,502)	(2,058,023)
Net position - governmental activities	<u>\$ 105,697</u>	<u>\$ 149,606</u>

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the statements of activities for the years ended September 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Net change in fund balances – governmental funds	\$(139,689)	\$ 208,314

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. These amounts consist of:

Capital outlays, net	175,292	---
Depreciation expense	(19,105)	---

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued

	<u>2025</u>	<u>2024</u>
<p>In the governmental funds, lease asset addition is reported as expenditure and other financing resource while principal and interest portions are reported as lease services when the lease payments are due. However, in the statement of activities, lease payments reduces the lease liability by the principal portion and lease asset is amortized over lease term. These amounts consist of:</p>		
Lease expenditure	134,016	2,238,158
Other financing resources	(134,016)	(2,238,158)
Lease principal payments	115,454	90,503
Lease amortization	<u>(175,861)</u>	<u>(149,211)</u>
Change in net position of governmental activities	\$(<u>43,909</u>)	\$ <u>149,606</u>

Measurement Focus/Government-wide and Fund Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Academy gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements of the Academy are accounted for using a flow of current financial resources measurement focus. The statement of governmental fund revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus/Government-wide and Fund Financial Statements, continued

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means that the amount of the transaction can be determined and “available” means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Budget

Pursuant to the Guam Academy Charter Schools Act of 2009, the Board of Trustees adopts an annual budget. The annual budget must be submitted to the Council every fiscal year. The Council must submit the budget to the Guam Legislature. Following the appropriation of GDOE’s operating budget for the fiscal year, the amount approved by the Guam Legislature for the operation of the Academy shall be available for expenditure by the Academy’s Board of Trustees.

Cash

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

For purposes of the balance sheet/statement of net position, cash consists of cash balance deposited in bank. As of September 30, 2025 and 2024, the carrying amount of cash was \$265,121 and \$158,356, respectively, and the corresponding bank balance was \$282,949 and \$164,576, respectively. The bank balance is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance.

As of September 30, 2025 and 2024, bank deposits in the amount of \$250,000 and \$164,576, respectively are FDIC insured. The Academy does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Receivables

Accounts receivable primarily represents due from the Government of Guam as of September 30, 2025 and 2024. Management believes that all receivables are fully collectible, therefore, no provision for uncollectible accounts is recorded. As of September 30, 2025 and 2024, the amounts due from the Government of Guam for reimbursable operating costs incurred and billed totaled \$82,337 and \$147,614, respectively.

Lease

The Academy is a party as lessee for long-term land lease and lease of storage/ office space. The Academy determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, land, or equipment in exchange for consideration. Lease results in the recognition of right-to-use lease asset and lease liabilities on the statement of net position. Lease asset represents the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

Capital Assets

Depreciable capital assets with a cost that equals or exceeds \$500 are capitalized. Such assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets. The estimated useful life of all depreciable capital assets is 3 years.

Revenue Recognition

Revenue from per pupil allocations is recognized during the School's operating cycle, which starts in August and ends in June. The Academy receives financial support in monthly allotments from the General Fund of the Government of Guam via the Guam Department of Administration to finance administrative and general expenses on a reimbursable basis. Such expenses mainly consist of salaries and wages, contractual wages, supplies and materials, utilities and other operating expenses.

Pursuant to Guam Public Law 37-125, the per pupil cost was \$7,800 for the fiscal year ended September 30, 2025. Student enrollment is not to exceed 550 students during School Year 2024-2025.

The Academy receives approximately 94% of its annual general fund revenue from the Government of Guam under a 6-year charter agreement. A significant reduction in the level of this support may have an adverse effect on the Academy's operations and activities in the case that the charter is not renewed or is revoked.

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Raising and Donations

The Academy participates in various fundraising activities during the year. Revenues received from these fundraising activities are recognized as fundraising income. In addition, the Academy receives cash donations from private individuals and businesses that are recognized as donations when received.

Income Taxes

The Academy is exempt from Guam income taxes under Section 501(c) (3) of the Guam Territorial Income Tax Laws.

Compensated Absences

Annual and sick leave is a payroll expense. Regular full-time employees are entitled to five (5) days of sick leave and ten (10) days of personal leave per annum. The benefit period for full-time regular employees begins on the anniversary date of hire. Accrued leave for regular full-time employees carry over from year-to-year up to a maximum of 120 hours. Upon separation, any unused sick leave will not be paid to the regular full-time employee.

Faculty/ teachers receive three (3) personal leave days in addition to the extended student holidays (i. e. Easter/Spring, Thanksgiving and Christmas Breaks). The benefit period for faculty/ teachers is the first day of work in August to September 30th. Accrued leave for faculty/ teachers does not carry over from year-to-year. Any unused leave will not be paid to the faculty/ teacher.

Fund Balance

Governmental fund balances are classified as follows:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned, and lastly unassigned amounts of unrestricted fund balance are expended in that order. A formal minimum fund balance policy has not been adopted.

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Estimates

The preparation of financial statements in conformity with GAAP 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 financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

Recently Adopted Accounting Pronouncements

During the year ended September 30, 2025, the Academy implemented the following pronouncements.

GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The implementation of this Statement did not have a material effect on the accompanying financial statements.

GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 105 will be effective for fiscal year ending September 30, 2026.

3. Capital Assets

The following is a summary of the changes in capital assets for the years ended September 30, 2025 and 2024:

	2025			
	October 1, 2024	Additions	Transfers and Deletions	September 30, 2025
Depreciable capital assets:				
Computers	\$ ---	\$ 33,400	\$ ---	\$ 33,400
Office furniture	---	37,236	---	37,236
School equipment	<u>---</u>	<u>27,669</u>	---	<u>27,669</u>
	---	98,305	---	98,305
Less accumulated depreciation	<u>---</u>	<u>(19,105)</u>	<u>---</u>	<u>(19,105)</u>
	<u>---</u>	<u>79,200</u>	<u>---</u>	<u>79,200</u>
Lease asset:				
Right-to-use assets	2,238,158	134,016	---	2,372,174
Less accumulated amortization	<u>(149,211)</u>	<u>(175,861)</u>	<u>---</u>	<u>(325,072)</u>
	<u>2,088,947</u>	<u>(41,845)</u>	<u>---</u>	<u>2,047,102</u>
	<u>\$2,088,947</u>	<u>\$ 37,355</u>	<u>\$ ---</u>	<u>\$2,126,302</u>

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

3. Capital Assets, continued

	2024			
	<u>October 1, 2023</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>September 30, 2024</u>
Lease asset:				
Right-to-use assets	\$2,238,158	\$ ---	\$ ---	\$2,238,158
Less accumulated amortization	<u>---</u>	<u>(149,211)</u>	<u>---</u>	<u>(149,211)</u>
	<u>\$2,238,158</u>	<u>\$(149,211)</u>	<u>\$---</u>	<u>\$2,088,947</u>

4. Lease

The Academy has leases for certain use of lot as a school campus and certain space for storage/office. The terms of the agreements range from 2 to 15 years generally at fixed monthly payments with no variable payments. The calculated interest rate used was 4.46%.

The following is a summary of principal and interest requirements to maturity for the lease liabilities as of September 30, 2025:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 150,715	\$ 93,557	\$ 244,272
2027	151,544	86,673	238,217
2028	123,547	80,490	204,037
2029	123,619	75,116	198,735
2030	133,304	69,406	202,710
2031 - 2035	831,034	245,034	1,076,068
2036 - 2038	<u>652,454</u>	<u>40,602</u>	<u>693,056</u>
	<u>\$2,166,217</u>	<u>\$690,878</u>	<u>\$2,857,095</u>

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

5. Long-Term Obligations

The following is a summary of the changes in long-term obligations for the years ended September 30, 2025 and 2024:

	Balance October 1, 2024	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2025	Due Within <u>One Year</u>
Lease liabilities	<u>\$2,147,655</u>	<u>\$134,016</u>	<u>\$(115,454)</u>	<u>\$2,166,217</u>	<u>\$150,715</u>
	Balance October 1, 2023	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2024	Due Within <u>One Year</u>
Lease liabilities	<u>\$2,238,158</u>	<u>\$ ---</u>	<u>\$(90,503)</u>	<u>\$2,147,655</u>	<u>\$ 89,632</u>

6. Contingencies

Dependency on Government of Guam

The Academy earns substantially all its non-contribution related revenues (94% for the year ended September 30, 2025) from a per pupil revenue assessment from the Government of Guam. Substantial changes in per pupil reimbursements will have an adverse impact on the Academy's ability to operate due to its funding dependency on the Government of Guam.

Required Supplementary Information

Mount Carmel Academy Charter School
(A Non-Profit Organization)

Budgetary Comparison Schedule – Governmental Funds
(Unaudited)

Year ended September 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local Government Appropriations	\$ 4,290,000	\$ 4,290,000	\$ 2,937,916	\$ 1,352,084
Other	---	---	324,277	(324,277)
Total revenues	4,290,000	4,290,000	3,262,193	1,027,807
Expenditures:				
Personnel Services	2,655,646	2,655,646	2,311,081	344,565
Contractual Services	627,764	627,764	180,921	446,843
Capital Outlay	322,000	322,000	175,292	146,708
Office Space Rental	183,600	183,600	367,716	(184,116)
Utilities	173,000	173,000	168,881	4,119
Equipment	140,000	140,000	---	140,000
Miscellaneous	97,490	97,490	18,744	78,746
Supplies and Materials	85,000	85,000	179,247	(94,247)
Workers' compensation	5,500	5,500	-	5,500
Total expenditures	4,290,000	4,290,000	3,401,882	888,118
Excess of revenues over expenditures	---	---	(139,689)	139,689
Fund balance:				
Beginning of year	---	---	208,314	(208,314)
End of year	\$ ---	\$ ---	\$ 68,625	\$(68,625)

Notes to Budgetary Comparison Schedule:

For fiscal year 2025, MCS received 68% of its appropriations. The variance between the appropriated revenue and actual revenue is based on the calculation of the number of actually enrolled students and the submission of expenses for payment to the government of Guam.

Some of the main reasons for the variance in the contractual services was due to the fact that MCS' maintenance staff carried out tasks (A/C cleaning/grounds keeping/custodian services) initially intended to be contract services. MCS continued with its current vendors under the terms of its contracts with the Catholic school and those costs did not increase during FY2025. The variance in office space rental is, due in part, to the annual contractual increases and the lease of two additional office spaces in FY2025. MCS entered into a contract with the Archdiocese of Agana to lease its current facilities for an initial five (5) year contract with two (2) five (5) year options to extend. The variance in personnel services is attributable to intended faculty/staff remained vacant at the end of FY2025. The capital outlay variance is attributable to the actual net book value of assets acquired by the charter school from the catholic school as a result of the conversion.



Report of Independent Auditors 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*

Board of Trustees
Mount Carmel Academy Charter School

We have audited, 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 (*Government Auditing Standards*), the financial statements of Mount Carmel Academy Charter School (the Academy), which comprise the statement of financial position as of September 30, 2025, and the related statement of activities for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated February 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Academy’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy’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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of 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.

Ernst + Young LLP

February 27, 2026

Management Letter

Mount Carmel Academy Charter School
(A Non-Profit Organization)

Year ended September 30, 2025





February 27, 2026

Board of Trustees
Mount Carmel Academy Charter School

In planning and performing our audit of the financial statements of the Mount Carmel Academy Charter School (the Academy) as of and for the year ended September 30, 2025, 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, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 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 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.

During our audit, we noted the following other matters that should be brought to your attention:

GASB Statement No. 87 *Leases*

Condition:

The Academy did not initially assess two lease contracts in accordance with GASB Statement No. 87, *Leases*. Unrecorded lease asset and lease liability related to these lease contracts as of September 30, 2025 amounted to \$107,366 and \$108,194, respectively. Management was aware that the lease agreements were within the scope of GASB Statement No. 87, *Leases*, however, were overlooked during the financial statement closing process.

Recommendation:

We recommend Academy management develop an implementation plan to evaluate the impact and develop processes for any new GASB Statements in order to ensure its proper adoption.

This communication is intended solely for the information and use of the Academy's management and the Board of Trustees, others within the organization, and the Office of Public Accountability and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matter or to respond to any questions, at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Ernst + Young LLP". The signature is written in a cursive, flowing style.