

*Financial Statements and Required Supplementary
Information*

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

*Year ended September 30, 2024
with Report of Independent Auditors*



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

Financial Statements

Year ended September 30, 2024

Contents

Report of Independent Auditors.....1
Management’s Discussion and Analysis4

Audited Basic Financial Statements

Governmental Funds Balance Sheet/Statement of Net Position.....9
Statement of Governmental Fund Revenues, Expenditures and
Change in Fund Balance/Statement of Activities10
Notes to Financial Statements.....11

Required Supplementary Information

Budgetary Comparison Schedule – Governmental Funds22

Report of Independent Auditors on Compliance and on Internal Control

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*.....23

Report of Independent Auditors

Board of Trustees
Mount Carmel Academy Charter School

Opinion

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 year ended September 30, 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, 2024, and the respective change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 22 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 August 22, 2025 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.

Ernst + Young LLP

August 22, 2025

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

Management's Discussion and Analysis

Year ended September 30, 2024

The following narrative overview and analysis presents information on the financial activities of Mount Carmel Academy Charter School (MCS) for the fiscal year ended September 30, 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 37-42: Chapter XI: Section 17. 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. MCS also procured medical and dental insurance for its employees at the end of August 2024 which was scheduled to take effect for the next fiscal year. 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 \$149,606.
- Enrollment for School Year 2023-2024 ranged between 326 and 400 students which is within the authorized limit of 400 students set forth in Public Law 37-42: Chapter XI: Section 17.

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

At the end of fiscal year 2024, more than half of MCS' positive cash flow is a result of MCS' fundraising efforts and events. 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 its first fiscal year-end is \$149,606.

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, 2024:

Statement of Net Position

	<u>2024</u>
Assets:	
Current assets	\$ 306,732
Capital asset, net	<u>2,088,947</u>
Total assets	<u>2,395,679</u>
 Liabilities and Net Position:	
Current liabilities	98,418
Long-term liability	<u>2,147,655</u>
Total liabilities	<u>2,246,073</u>
 Net Position:	
Unrestricted	<u>149,606</u>
Total net position	<u>\$ 149,606</u>

Current assets consist of cash, accounts receivable and prepaid expense. Cash at the end of FY2024 was \$158,356. Accounts receivable was \$147,614. Prepaid expense was \$762. Accounts payable and accrued expenses totaled \$98,418 which include unpaid utilities, materials, rent and other authorized expenses at the end of FY2024. MCS finished FY2024 with a total net position of \$149,606.

The Charter School Council ("Council") approved MCS' application for 400 students in SY 2023-2024. P.L. 37-42 provided funding to MCS in the School Year 2023-2024, in the amount of \$3M which is calculated by multiplying Seven Thousand Five Hundred (\$7,500) per student by four hundred (400) students. The staffing pattern provided allows MCS to educate and service 400 students. MCS facilities are able to accommodate at least 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' revenues and expenses for the year ended September 30, 2024.

Statement of Activities

	<u>2024</u>
Revenues:	
Per pupil allocations	\$2,337,378
Other revenues	<u>145,117</u>
Total revenues	2,482,495
Expenses:	
Salaries and wages	1,500,868
Utilities	156,626
Amortization expense	149,211
Repair & maintenance	133,175
Interest expenses on lease	89,497
Event expenses	71,644
Capital outlays	70,919
Advertising and marketing	48,134
Supplies	47,640
Professional fees	25,050
Printing	14,939
Rent	7,350
Insurance	6,264
Subscriptions	3,054
Miscellaneous	<u>8,518</u>
Total expenses	2,332,889
Change in net position	149,606
Net position, beginning of year	<u>---</u>
Net position, end of year	<u>\$ 149,606</u>

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

Management's Discussion and Analysis, continued

MCS has always hired highly qualified teachers who have both experience and degrees in various fields. The student population at MCS approached roughly 400 students during the School Year 2023 - 2024. The school plans on increasing the number of enrolled students to as much as 500-550 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 also raised compensation levels across the board. Therefore, payroll accounted for one of MCS' largest expense this year.

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 Hiton or Thelma Alfonso at Mount Carmel School at 34A Calle Marterres St, Agat, Guam 96928 or by telephone at (671) 565-5128.

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

Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash	\$ 158,356	\$ ---	\$ 158,356
Accounts receivable	147,614	---	147,614
Prepaid expenses	762	---	762
Capital asset, net	<u>---</u>	<u>2,088,947</u>	<u>2,088,947</u>
 Total assets	 <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	\$ 98,418	\$ ---	\$ 98,418
Long term liability:			
Due within one year	---	89,632	89,632
Due after one year	<u>---</u>	<u>2,058,023</u>	<u>2,058,023</u>
 Total liabilities	 <u>98,418</u>	 <u>2,147,655</u>	 <u>2,246,073</u>
 Fund balance: unassigned	 <u>208,314</u>	 (<u>208,314</u>)	
 Total liabilities and fund balance	 <u>\$ 306,732</u>		
Net position:			
Unrestricted		(<u>58,708</u>)	<u>149,606</u>
 Total net position		 \$(<u>58,708</u>)	 <u>\$ 149,606</u>

See accompanying notes.

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

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

Year ended September 30, 2024

	General <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues:			
Per pupil allocation	\$ 2,337,378	\$ ---	\$ 2,337,378
Other	145,117	---	145,117
Other financing resources	<u>2,238,158</u>	(<u>2,238,158</u>)	<u>---</u>
Total revenues	<u>4,720,653</u>	(<u>2,238,158</u>)	<u>2,482,495</u>
Expenditures/expenses:			
Lease expenditure	2,238,158	(2,238,158)	---
Salaries and wages	1,500,868	---	1,500,868
Utilities	156,626	---	156,626
Amortization expense	---	149,211	149,211
Repairs and maintenance	133,175	---	133,175
Interest expense on lease	---	89,497	89,497
Event related expenses	71,644	---	71,644
Capital outlays	70,919	---	70,919
Advertising and marketing	48,134	---	48,134
Supplies	47,640	---	47,640
Professional fees	25,050	---	25,050
Printing	14,939	---	14,939
Rent	7,350	---	7,350
Insurance	6,264	---	6,264
Subscriptions	3,054	---	3,054
Miscellaneous	8,518	---	8,518
Debt Service			
Interest	89,497	(89,497)	---
Principal	<u>90,503</u>	(<u>90,503</u>)	<u>---</u>
Total expenditures/expenses	<u>4,512,339</u>	(<u>2,179,450</u>)	<u>2,332,889</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	208,314	(208,314)	---
Change in net position		149,606	149,606
Fund balance/net position:			
Beginning of year	<u>---</u>	<u>---</u>	<u>---</u>
End of year	\$ <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

Year ended September 30, 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 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 lease asset, net of accumulated amortization.
- 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 statement of net position as of September 30, 2024 are as follows:

Fund balance - governmental funds	\$ 208,314
Add:	
Lease asset, net	2,088,947
Less:	
Lease liability – current	(89,632)
Lease liability – noncurrent	<u>(2,058,023)</u>
Net position - governmental activities	\$ <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 statement of activities for the year ended September 30, 2024 are as follows:

Net change in fund balances – governmental funds	\$ 208,314
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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:

Lease expenditure	2,238,158
Other financing resources	(2,238,158)
Lease principal payments	90,503
Lease amortization	<u>(149,211)</u>
Change in net position of governmental activities	\$ <u>149,606</u>

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

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.

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.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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, 2024, the carrying amount of cash was \$158,356, and the corresponding bank balance was \$164,576. The bank balance is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance.

Receivables

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

Lease

The Academy is a party as lessee for long-term land lease. 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.

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 37-42, the per pupil cost was \$7,500 for the fiscal year ended September 30, 2024. Student enrollment is not to exceed 400 students during School Year 2023-2024.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

The Academy receives approximately 78% 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.

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.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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.

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, 2024, the Academy implemented the following pronouncements.

GASB Statement No. 99, *Omnibus 2022*, which modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures. It also provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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

Recently Adopted Accounting Pronouncements, continued

GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which results in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information is provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements results in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In June 2022, 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. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, 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. Management is evaluating the effect that this Statement, upon implementation, will have on the

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

financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

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.

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

3. Capital Asset

The following is a summary of the changes in capital asset for the year ended September 30, 2024:

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

4. Lease

The Academy leases a lot utilized as a school campus. The lease contract was effective October 1, 2023 for an initial term of 5 years, with an option to extend the lease agreement for up to a total of 15 years. The lease contract includes fixed payments for the annual base rent, ranging from approximately \$180,000 to \$237,500.

The following is a summary of principal and interest requirements to maturity for the lease liability as of September 30, 2024:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 89,632	\$ 93,968	\$ 183,600
2026	97,460	89,812	187,272
2027	105,720	85,297	191,017
2028	114,432	80,406	194,838
2029	123,619	75,116	198,735
2030 - 2034	774,226	280,715	1,054,941
2035 - 2038	<u>842,566</u>	<u>79,965</u>	<u>922,531</u>
	<u>\$2,147,655</u>	<u>\$785,279</u>	<u>\$2,932,934</u>

Mount Carmel Academy Charter School
A Non-Profit Organization)

Notes to Financial Statements, continued

5. Long-Term Obligation

The following is a summary of the changes in long-term obligation for the year ended September 30, 2024:

	Balance October <u>1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance September <u>30, 2024</u>	Due Within <u>One Year</u>
Lease liability	\$ <u>2,238,158</u>	\$ <u>---</u>	\$ <u>(90,503)</u>	\$ <u>2,147,655</u>	\$ <u>89,632</u>

6. Contingencies

Dependency of Government of Guam

The Academy earns substantially all its non-contribution related revenues (94% for the year ended September 30, 2024) 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, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Local Government Appropriations	\$ 3,000,000	\$ 3,000,000	\$ 2,337,378	\$ 662,622
Other	---	---	145,117	(145,117)
Total revenues	<u>3,000,000</u>	<u>3,000,000</u>	<u>2,482,495</u>	<u>517,505</u>
Expenditures:				
Personnel services	2,075,000	2,075,000	1,500,868	574,132
Contractual services	376,600	376,600	230,616	145,984
Office space rental	180,000	180,000	187,350	(7,350)
Capital outlay	150,000	150,000	70,919	79,081
Utilities	120,000	120,000	156,626	(36,626)
Supplies and materials	45,000	45,000	95,759	(50,759)
Equipment	19,000	19,000	23,525	(4,525)
Miscellaneous	34,400	34,400	8,518	25,882
Total expenditures	<u>3,000,000</u>	<u>3,000,000</u>	<u>2,274,181</u>	<u>725,819</u>
Excess of revenues over expenditures	---	---	208,314	(208,314)
Fund balance:				
Beginning of year	---	---	---	---
End of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 208,314</u>	<u>\$(208,314)</u>

Notes to Budgetary Comparison Schedule:

For fiscal year 2024, MCS received 78% 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 FY2024. The variance in office space rental is, due in part, to the annual contractual increases and the lease of additional storage space. 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 FY2024. 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. The variance in utilities is due to the increased cost of power and water.

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, 2024, 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 August 22, 2025.

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

August 22, 2025