

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

College of Micronesia-FSM
(A Component Unit of the Federated States of
Micronesia National Government)

Year ended September 30, 2025



**Shape the future
with confidence**



Shape the future
with confidence

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June 30, 2026

The Board of Regents
College of Micronesia-FSM

We have performed an audit of the financial statements of College of Micronesia-FSM (the College), a component unit of the FSM National Government, 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 June 30, 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 Regents (the Board) with additional information regarding the scope and results of the audit that may assist the Board in overseeing the financial reporting and disclosure processes which the management of the College 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 5, 2026, 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 College'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.

We issued an unmodified opinion on the College's financial statements as of and for the year ended September 30, 2025.

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

Our audit strategy is consistent with the plan communicated during the April 2026 meeting.

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

None.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

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 College'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**
- **Financial statement disclosures**

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

A discussion of significant accounting policies and estimates has been included in Note 3 of the financial statements.

Related party relationships and transactions

We noted no significant matters regarding the College's relationships and transactions with related parties other than disclosed in Note 11 to the financial statements.

Significant unusual transactions

We are not aware of any significant unusual transactions entered into by the College.

New accounting pronouncements

We have not identified issues regarding management's planned application of new accounting pronouncements.

Independence matters

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

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the April 2026 meeting and at the update status meetings during the audit.

- Fraud and noncompliance with laws and regulations (illegal acts)
- Tips or complaints regarding the College's financial reporting
- Significant unusual transactions
- Subsequent events

Significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management

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.

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

None.

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

Current period uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if they are immaterial to the current period financial statements. Refer to the "Management Representations Letter" in Appendix A.

Deficiencies in internal control over financial reporting

In planning and performing our audit of the financial statements of the College as of and for the year ended September 30, 2025, we considered its internal control over financial reporting as a basis for designing our auditing procedures 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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control. Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies might exist that were not identified.

Given these limitations, we did not identify any material weaknesses.

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.

Other information included in annual report

There was no other information available as of the date of our audit report.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the audit services to other EY firms, who may deal with the College or its affiliates directly, although EY alone will remain responsible to you for the audit services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the audit services. In addition, third-party service providers may perform services for EY in connection with the audit services.

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.

Engagement team's involvement with preparation of the financial statements

Under GAS 2018 Revision, Chapter 3 Ethics, Independence and Professional Judgment, Paragraphs 3.73-74 explains that the audit team should make consideration of management's ability to effectively oversee the non-audit services to be provided. 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 College's trial balance with our understanding that the College's underlying books and records are maintained by the College's accounting department and that the final trial balance prepared by the College is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the College.
- The College's Comptroller 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 Regents and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Ernst + Young LLP

Appendix

A – Management Representations Letter

A – Management Representations Letter



COLLEGE OF MICRONESIA-FSM

P.O. Box 159, Kolonia, Pohnpei FM 96941
Phone: (691) 320-2480 Fax: (691) 320-2479

June 30, 2026

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

In connection with your audits of the financial statements of College of Micronesia-FSM (the “College”) as of September 30, 2025 and 2024 and for the periods 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 College of Micronesia-FSM and the respective changes in financial position and cash flows, thereof, and the related notes (collectively referred to hereafter as the “basic financial statements”), 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 5, 2026, for the preparation and fair presentation of the financial statements in accordance with US GAAP applied on a basis consistent with that of the preceding periods, except for the effects of adopting new accounting standards.

In preparing the financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College’s ability to continue as a going concern for twelve months beyond the financial statement date, including consideration of any currently known information that may raise substantial doubt shortly thereafter.

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. 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

A – Management Representations Letter, continued

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 College 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 January 29, 2026 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 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 comprise the basic financial statements, in each case or in the aggregate, and (2) ransom ware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

We recognize that we are responsible for the College's compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to it. We have identified and disclosed to you all laws and regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have provided you with all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency.

We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements (including those related to supplementary information), summarized in the accompanying schedule, accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit and to the supplementary information.

A – Management Representations Letter, continued

In addition, to the extent that uncorrected misstatements (including those related to supplementary information) have been subsequently identified in the current period that affect prior period financial statements and/or supplementary information, we have evaluated the effect of correcting prior period financial statements and/or supplementary information and believe that the effects of the uncorrected misstatements summarized in the accompanying schedule, are immaterial, both individually and in the aggregate, to both the current and prior period financial statements for each opinion unit and supplementary information.

Refer to the “Schedule of Uncorrected Misstatements” in Appendix A.

Financial reporting entity and net position

The basic financial statements include all fiduciary activities as required by the Governmental Accounting Standards Board (GASB) Statement No. 84.

We have identified and properly classified all funds and activities in accordance with GASB Statement No. 54—as amended. 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.

Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved. We properly recognized, in accordance with our policy, whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Internal control

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

There have been no significant changes in internal control since the latest statement of net position date.

As of the latest statement of net position date, we have remediated or otherwise eliminated all significant deficiencies or material weaknesses communicated to the board of directors that were un-remediated in prior periods.

Minutes, contracts and internal audit reports

The dates of meetings of directors, committees of directors and important management committees from the beginning of the period covered by the basic financial statements to the date of this letter are as follows:

- December 2024
- April 2025
- June 2025
- August 2025
- December 2025

A – Management Representations Letter, continued

We have made available to you all minutes of the meetings of directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We have also 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 materially affect the basic 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.

Certain risk disclosures

There are no risks related to vulnerabilities due to material concentrations or constraints in accordance with the GASB Statement No. 102, *Certain Risk Disclosures*.

Ownership and pledging of assets

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 College has satisfactory title appear on the statements of net position.

Receivables and revenues

Adequate provision has been made for any receivable as of the latest 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.

Inventories

Inventories, including goods that are defective, slow-moving, obsolete or unusable, are stated at amounts not in excess of their estimated market values.

Physical counts and measurements of inventories were made by competent employees under the supervision of management and book records were appropriately adjusted after giving recognition to cut-off for materials received and products shipped.

Adequate provision has been made for losses under firm purchase commitments for goods or inventory. There have been no reductions of the selling prices of finished goods subsequent to the latest statement of net position dates and none are contemplated.

A – Management Representations Letter, continued

Deposits, investment securities, and investment derivative risk disclosures

Information about deposits, investment securities, and derivative transactions is presented and disclosed in accordance with the GASB requirements. Those balances with credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk have been properly disclosed in the basic financial statements.

Leases

We have identified and accounted for all contracts (including any modifications thereto) that meet the criteria to be accounted for as a lease under GASB No. 87—as amended. We have appropriately considered any renewal, termination or purchase options in those contracts. We also believe other relevant assumptions (e.g., economic life, fair value, and residual value) made for purposes of accounting for lease arrangements are reasonable and supportable estimates.

Subscription-Based Information and Technology Arrangements (SBITA)

We have identified and accounted for all contracts that meet the criteria to be accounted for as a SBITA under GASB Statement, 96—as amended. We have appropriately considered any modifications or terminations in the contract.

Prepayments

We believe that all material expenses for which recognition will be recognized in future periods are recoverable.

Capital assets, including intangible assets

Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and, if applicable, depreciated.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation techniques have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72—as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72—as amended.

We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the basic financial statements and believe this information to be reliable and consistent with the requirements of GASB Statement No. 72—as amended.

A – Management Representations Letter, continued

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 and disclosures have been 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 basic financial statements.

Contingencies and other liabilities

There are no un-asserted claims or assessments, including those our lawyers have advised us of, which are probable of assertion and must be disclosed in accordance with GASB Statement No. 62—as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statements.

There are no other liabilities considered material, individually or in the aggregate, that are required to be accrued or disclosed. There are also no other gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62—as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies that are not in conformity with the provisions of GASB Statement No. 62—as amended.

We have not consulted legal counsel concerning litigation, claims or assessments.

Oral or written guarantees

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

A – Management Representations Letter, continued

Purchase commitments

As of September 30, 2025 and 2024, the College 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.

Classification and allocation of revenues and expenses

We have distinguished between operating and non-operating revenues and expenses based on our policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and we apply the policy consistently from period to period.

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.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible for determining that the College's activities are conducted in accordance with laws and regulations, and provisions of contracts and grant agreements, and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, and provisions of contracts and grant agreements, 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, and provisions of contracts and grant agreements 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 College'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") that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the College.

Independence

We have communicated to you the names of the College's affiliates, as defined 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 College.

A – Management Representations Letter, continued

We are not aware of any business relationship between the College 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 College’s audits.

Conflicts of interest

There are no instances where any director, officer or employee of the College has an interest in an entity with which the College does business that would be considered a “conflict of interest.” Such an interest would be contrary to College policy.

Compensated absences

The assumptions used in our compensated absence balance represent our best estimates as of the statement of net position dates. We have applied consistent and appropriate assumptions and evaluated the accuracy and completeness of the data used in making the accounting estimate.

Effects of adopting new accounting standards

As discussed in Note 3 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the following amendments to the codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 103
- GASB Statement No. 104
- GASB Statement No. 105

The College 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.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the management’s discussion and analysis on pages 4 through 13, which have been measured and presented in accordance with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement.

There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

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

A – Management Representations Letter, continued

Supplementary Information

We are responsible for the presentation of the Schedule of Expenditures of Federal Awards (“the SEFA”) in accordance with the Uniform Guidance, 2 CFR 200.510(b). We believe the SEFA, including its form and content, is presented in accordance with the Uniform Guidance, 2 CFR 200.510(b). There have been no changes in the methods of measurement or presentation of the SEFA from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the SEFA.

Constructions-in-progress

As of September 30, 2025, the National Government of the Federated States of Micronesia (FSMNG) has ongoing construction of the multi-technical unit and student center on the College’s premises which are funded by certain federal awards. The College is not involved in the administration and supervision of these construction projects and FSMNG is fully responsible for complying with grant agreements and federal regulations. The College believes that the title to these properties will be transferred to the College upon completion of the construction works.

Other matters

We have received a draft copy of the financial statements of the College as of and for the years ended September 30, 2025 and 2024. The accuracy and completeness of the financial statements, including footnote disclosures, are the responsibility of the management of the College.

You have assisted in the preparation of the College’s financial statements based on the information in the College’s trial balance and accounting records. It is our understanding that:

- The College’s underlying books and records are maintained by the College’s accounting department and that the final trial balance prepared by the College is complete; and
- Management of the College has designated a competent representative to oversee our services and that there are College personnel with sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements.

We acknowledge that we have reviewed the draft financial statements for accuracy and completeness and we take responsibility for them.

Other information

We confirm that we have not identified any other information as defined in AICPA AU-C 720, *The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports*.

A – Management Representations Letter, continued

Subsequent events

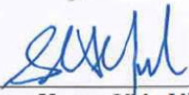
Subsequent to the latest statement of net position date, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the College's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and, where applicable, cash flows of the College.

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 College 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,



Dr. Theresa Koroivulaono, President



Mr. Steven Young-Uhk, Vice President Innovation and Sustainability



Ms. Roselle Togonon, Comptroller

A – Management Representations Letter, continued

Appendix A

Communication schedule for uncorrected misstatements

Entity: College of Micronesia - FSM

Period Ended: 30-Sep-2025

Currency: USD

Uncorrected misstatements		Analysis of misstatements Debit/(Credit)									Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	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		Prior period Debit/(Credit)	Non taxable
		(misstatements are recorded as journal entries with a description.)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)		
Factual misstatements:												
1	C.02.2	To reverse outstanding checks that are stale as of FY2025										
		Cash	116,584									
		Accounts payable			(116,584)							
2	P1.01	To correct understatement in unearned revenue due to difference between the subsidiary ledger and the general ledger								136,626	X	
		Student tuition and fees										
		Unearned revenue			(136,626)							
PY SAD		To close invalid accrued liability account which has a debit balance (GL code 201-5376-000)										
		Miscellaneous expense									197,805	X
		Accrued liabilities										
PY SAD		To correct difference between general ledger and Due from FSM National Government sub-ledger										
		Grants and contracts receivable									121,471	X
		Government grants and contracts										
PY SAD		To adjust the allowance for doubtful accounts from the FSM National Government based on receivables outstanding greater than one year										
		Due from FSMNG: Allowance for doubtful accounts									(114,068)	X
		Government grants and contracts: Bad debts										
PY SAD		To adjust the allowance for doubtful accounts from the US Federal Government based on receivables outstanding greater than one year										
		Federal grants and contracts: Bad debts									153,552	X
		Grants and contracts receivable: Allowance for doubtful										
3	UE1.1	To reverse indirect cost revenues and expenses for external reporting purposes								238,737	X	
		Indirect cost revenues										
		Indirect cost expenses								(238,737)	X	
4	UE1.2.01	This is to reclassify the grant revenue initially recorded in "federal grants and contracts" to "federal capital grants"								161,685	X	
		Federal grants and contracts										
		Federal capital grants								(161,685)	X	

A – Management Representations Letter, continued

Appendix A, continued

Communication schedule for uncorrected misstatements

Uncorrected misstatements		Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	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	Prior period Debit/(Credit)	Non taxable
(misstatements are recorded as journal entries with a description)			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	
Total of uncorrected misstatements before income tax			116,584	0	(253,210)	0	0	0	136,626		358,760
Total of uncorrected misstatements			116,584	0	(253,210)	0	0	0	136,626		358,760
Financial statement amounts			10,462,724	24,290,819	(4,862,083)	(1,289,508)	(28,601,952)		(681,150)		(1,927,865)
Effect of uncorrected misstatements on F/S amounts			1.1%	0.0%	5.2%	0.0%	0.0%		-20.1%		-18.6%
Memo: Total of non-taxable items (marked 'X' above)									136,626		358,760
Uncorrected misstatements before income tax								-20.1%	136,626		358,760
Less: Tax effect of misstatements at current year marginal rate									0		0
Uncorrected misstatements in income tax									0		0
Cumulative effect of uncorrected misstatements after tax but before turnaround								-20.1%	136,626		358,760
Turnaround effect of prior period uncorrected misstatements											
All factual and projected misstatements:									After tax	Memo: Before tax	
Judgmental misstatements (Note 3):									(358,760)	(358,760)	0
Cumulative effect of uncorrected misstatements, after turnaround effect								32.6%	(222,134)		
Current year income before tax									(681,150)		
Current year income after tax									(681,150)		