

*Financial Statements, Required Supplementary
Information, Supplementary Information, and
Report on Internal Control and Compliance*

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

*Years ended September 30, 2024 and 2023
with Report of Independent Auditors*



**Shape the future
with confidence**

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Financial Statements, Required Supplementary Information,
Supplementary Information, and Report on Internal Control and Compliance

Years ended September 30, 2024 and 2023

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Report of Independent Auditors

The Board of Directors
Marshall Islands Postal Service Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Marshall Islands Postal Service Authority (MIPSA), a component unit of the Republic of the Marshall Islands, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise MIPSA's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of MIPSA at September 30, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 MIPSA 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 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 from 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 MIPSAs ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 MIPSAs 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 MIPSAs 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

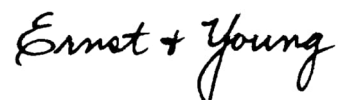
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise MIPSAs basic financial statements. The supplementary information on page 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2026, on our consideration of MIPSAs 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 MIPSAs 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 MIPSAs internal control over financial reporting and compliance.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

May 20, 2026

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis

Years ended September 30, 2024 and 2023

Management of the Marshall Islands Postal Service Authority ("MIPSA") presents this Management's Discussion and Analysis (MD&A) for the fiscal year ended September 30, 2024. This report provides a high-level overview of MIPSA's financial activities, performance metrics, and operational direction, serving as a companion to the independently audited financial statements.

MIPSA was established under the Postal Service Act of 1983 and has operated as an autonomous entity since 2008, following the enactment of the Postal Service Fund (Amendment) Act of 2007. This transition granted MIPSA full fiscal independence from the Government of the Republic of the Marshall Islands (RepMar) Treasury, enabling greater operational agility and direct responsibility for financial and service outcomes.

In 2024, MIPSA operated under abnormal financial conditions driven by several converging factors. The Marshall Islands border reopened in September 2022 following COVID-19 restrictions, and FY2024 was the second full year in which travelers increasingly carried goods directly, particularly to the United States, rather than relying on postal services. This behavioral shift reduced mailing volumes and depressed stamp sales. Concurrently, salaries and wages increased, a transition in management leadership occurred, and no operating subsidy was received from RepMar during the year. Together, these factors produced an operating loss of \$513,312 and a total decrease in net position of \$526,966. Despite these pressures, MIPSA maintained its mandate to deliver cost-effective, reliable, and equitable postal services across all regions of the Republic. This MD&A highlights key financial indicators, explains significant variances, and outlines the fiscal strategies employed to manage revenues, contain costs, and sustain service delivery.

Through disciplined financial oversight, strategic resource deployment, and continued public accountability, MIPSA reaffirms its commitment to upholding long-term financial sustainability and operational excellence in support of national infrastructure and community service.

FINANCIAL HIGHLIGHTS

The assets of MIPSA exceeded its liabilities at the close of business for the year, resulting in a net position of \$764,611, a decrease of \$526,966 (40.8%) from \$1,291,577 in the prior year.

In the fiscal year ending September 30, 2024, MIPSA recorded total operating revenues of \$723,310, primarily from stamp sales, permit imprints and postal box rentals, which together accounted for approximately 99.6% of total operating revenues. Concurrently, MIPSA incurred total operating expenses of \$1,236,622, driven primarily by increased salaries, wages, and benefits, which rose by \$127,457 over the prior year. No operating subsidy was received from RepMar during FY2024. In FY2023, RepMar provided \$223,054 in operational support that partially offset that year's operating deficit.

Marshall Islands Postal Service Authority
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Management's Discussion and Analysis, continued

FINANCIAL HIGHLIGHTS, CONTINUED

The combined effect of reduced mailing volumes, increased personnel costs, a management leadership transition, and the complete absence of a RepMar subsidy produced a total decrease in net position of \$526,966. MIPSAs liquidity position at year-end remained positive, with cash of \$833,194 representing an estimated runway of approximately 19 months based on the average monthly operating deficit of \$42,776.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to MIPSAs financial statements for the fiscal year ended September 30, 2024, with comparative information for 2023 and 2022. These statements provide a comprehensive view of MIPSAs financial performance, condition, and operational results.

MIPSA's financial statements are comprised of the following four (4) components: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements.

MIPSA operates as a single proprietary fund, using fund accounting to ensure compliance with financial reporting and legal requirements. Proprietary funds are like business enterprises in that they generate revenue by charging customers for services rendered, typically as operating revenue. In addition to operating revenue, proprietary funds may receive non-operating revenue, such as government grants or subsidies, which help support ongoing operations. These statements have been prepared in accordance with generally accepted accounting principles (GAAP) for governmental entities, ensuring accuracy, transparency, and comparability.

The Statement of Net Position presents MIPSAs assets, liabilities, and the resulting net position at year-end. The net position is calculated as the difference between total assets and total liabilities, which serves as an important indicator of MIPSAs financial strength and ability to meet both short-term and long-term obligations.

The Statement of Revenues, Expenses, and Changes in Net Position reflects MIPSAs financial activities for the fiscal year. It provides detailed information on operating revenues and expenses, as well as non-operating income, such as government subsidies. The resulting change in net position provides insight into MIPSAs operational performance and financial outcomes for the year.

The Statement of Cash Flows summarizes the cash inflows and outflows during the fiscal year. It categorizes cash flows into three activities:

- Operating activities: Cash generated or used in core operations.
- Non-capital financing activities: Cash related to grants, subsidies, or other financing activities.
- Capital and financing activities: Cash used or generated through the acquisition and sale of capital assets and lease repayments.

Marshall Islands Postal Service Authority
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Management's Discussion and Analysis, continued

OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

The Statement of Cash Flows helps users assess MIPSAs liquidity and its ability to manage cash resources efficiently.

The Notes to the Financial Statements provide essential context for the figures presented in the core financial statements. The notes offer detailed information on accounting policies, capital assets, commitments, and other key disclosures necessary for a complete understanding of MIPSAs financial position and operations.

In addition to these core financial statements, MIPSAs also presents supplementary schedules, including a Combining Schedule of Operating Income (Loss) by Station for the year ended September 30, 2024.

FINANCIAL ANALYSIS

Summary Statements of Net Position

Net position may, over time, serve as a useful indicator of a governmental entity's financial condition. The Summary Statement of Net Position illustrated below provides insight into MIPSAs financial resources and obligations.

Summary Statements of Net Position
As of September 30

	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
Assets:					
Current and other assets	\$ 874,140	\$ 1,383,367	\$ (509,227)	(36.8)%	\$ 1,463,261
Capital and leased assets	318,672	282,665	36,007	12.7%	262,310
Total assets	1,192,812	1,666,032	(473,220)	(28.4)%	1,725,571
Liabilities:					
Current and other liabilities	428,201	374,455	53,746	14.4%	393,035
Net position:					
Net investment in capital assets	88,432	78,578	9,854	12.5%	70,310
Unrestricted	676,179	1,212,999	(536,820)	(44.3)%	1,262,226
Total net position	\$ 764,611	\$ 1,291,577	\$ (526,966)	(40.8)%	\$ 1,332,536

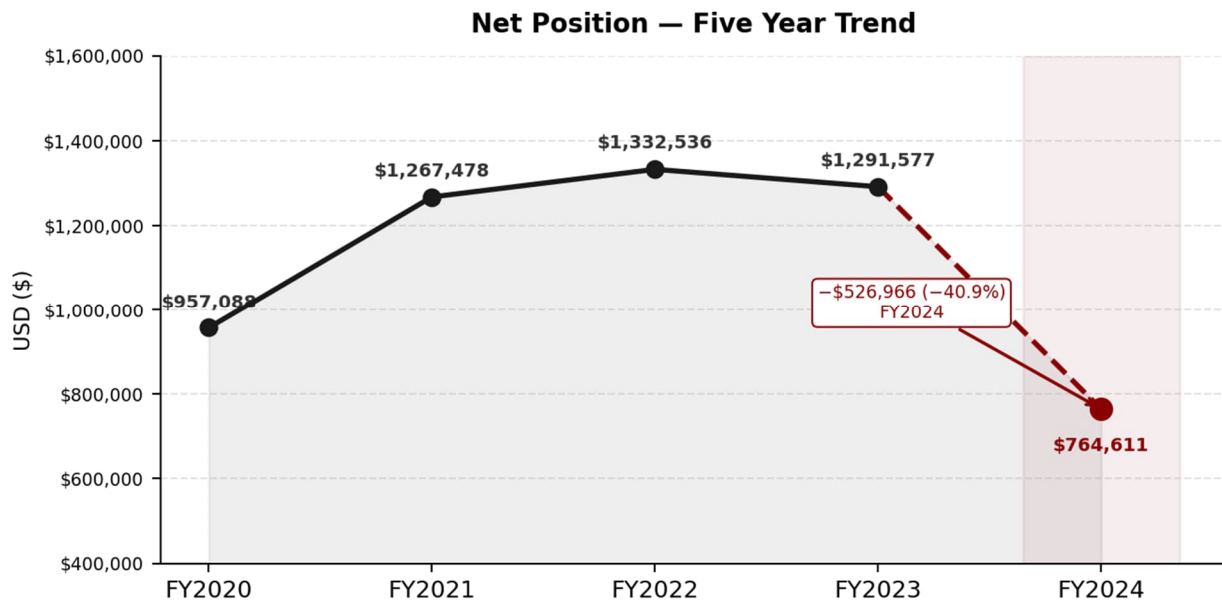
Marshall Islands Postal Service Authority
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Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS, CONTINUED

Summary Statements of Net Position, continued

At the close of business on September 30, 2024, MIPSAs total assets were \$1,192,812, while total liabilities amounted to \$428,201. As a result, MIPSAs net position was \$764,611, a decline of \$526,966 (40.8%) from the 2023 balance of \$1,291,577.



MIPSA's net position is comprised of:

- Unrestricted net position of \$676,179, which is available to finance ongoing operations; and
- Net investment in capital assets totaling \$88,432, reflecting the book value of capital infrastructure net of accumulated depreciation and amortization.

The \$526,966 decline in net position reflects the convergence of multiple pressures during FY2024: reduced mailing volumes resulting from behavioral changes following the reopening of the Marshall Islands border in September 2022, increased personnel costs, a management leadership transition, and the complete absence of a RepMar operating subsidy. In FY2023, a \$223,054 RepMar contribution partially offset that year's operating shortfall. With no comparable support in FY2024 and an operating loss of \$513,312, MIPSAs unrestricted net position fell from \$1,212,999 to \$676,179. Despite this significant erosion, MIPSAs maintained a positive net position with no external debt.

Marshall Islands Postal Service Authority
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Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS, CONTINUED

Summary Statements of Net Position, continued

Total assets of MIPSAs decreased by \$473,220 (or 28.4%) from \$1,666,032 in 2023 to \$1,192,812 in 2024. This decline is driven primarily by a reduction in cash due to operating outflows exceeding revenues received during the year. Current and other assets decreased by \$509,227 (or 36.8%) from \$1,383,367 in 2023 to \$874,140 in 2024, with cash falling from \$1,345,350 to \$833,194. Capital assets, net of depreciation and amortization, increased by \$36,007 (or 12.7%) from \$282,665 in 2023 to \$318,672 in 2024, reflecting capital acquisitions of \$47,697 which exceeded annual depreciation and amortization expense of \$89,676 when combined with new lease asset recognition. Total liabilities of MIPSAs increased by \$53,746 (or 14.4%) from \$374,455 in 2023 to \$428,201 in 2024. This increase was driven by higher affiliate payables and new lease obligations recognized during the year, partially offset by reductions in accrued annual leave.

Summary Statements of Revenues, Expenses, and Changes in Net Position

A summary of MIPSAs's Statements of Revenues, Expenses, and Changes in Net Position for the year ended September 30, 2024, compared with 2023 and 2022, is presented below:

Summary Statements of Revenues, Expenses and Changes in Net Position
Years ended September 30

	2024	2023	\$ Change 2024-2023	% Change 2024-2023	2022
Operating:					
Operating revenues	\$ 723,310	\$ 834,303	\$ (110,993)	(13.3)%	\$ 976,981
Operating expenses	(1,236,622)	(1,075,497)	(161,125)	15.0%	(1,080,585)
Operating loss	(513,312)	(241,194)	(272,118)	112.8%	(103,604)
Nonoperating:					
Nonoperating revenues	-	223,054	(223,054)	(100.0)%	197,059
Nonoperating expenses	(13,654)	(22,819)	9,165	(40.2)%	(28,397)
	(13,654)	200,235	(213,889)	(106.8)%	168,662
Change in net position	\$ (526,966)	\$ (40,959)	\$ (486,007)	1186.6%	\$ 65,058

Current-year activities resulted in a decrease in MIPSAs's net position of \$526,966. The Summary Statements of Revenues, Expenses, and Changes in Net Position above have been prepared to reflect the financial results for the year and to illustrate the calculation of MIPSAs's net position.

Changes in total net position as presented in the Statements of Net Position are based on the financial activity detailed in the Statements of Revenues, Expenses, and Changes in Net Position. This statement outlines the revenues earned by MIPSAs, both operating and nonoperating, as well as the expenses incurred during the fiscal year. It also captures other sources and uses of funds, such as government subsidies and financing costs, to present the overall financial performance for the year ended September 30, 2024 in comparison with 2023 and 2022.

Marshall Islands Postal Service Authority
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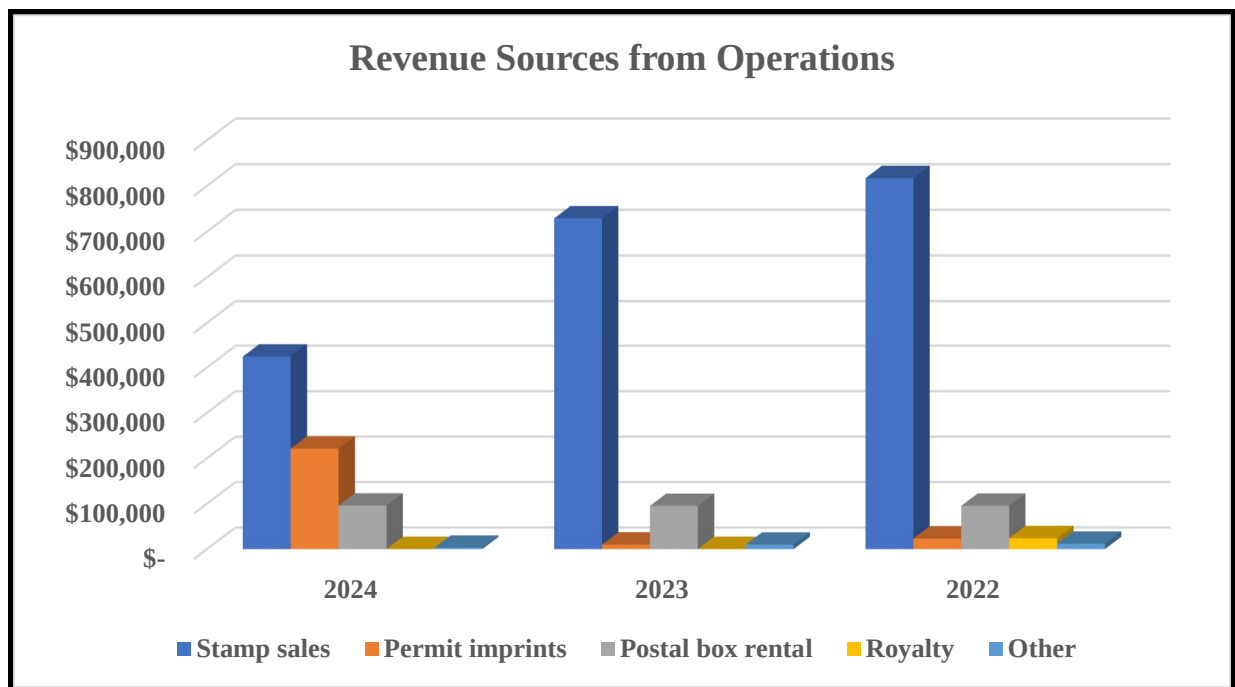
Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS, CONTINUED

Revenue Sources

MIPSA's revenues reported at the end of the year amounted to \$723,310 in 2024, a decrease of \$110,993 (or 13.3%) from \$834,303 in 2023. Approximately 70% or \$519,968 of MIPSA's operating revenues generated during 2024 came from stamp sales and postal box rental fees, which represented 56.9% and 12.9%, respectively, of total operating revenues for the year.

The chart below illustrates the composition of MIPSA's revenue sources from operations for fiscal years 2024, 2023 and 2022.



Stamp sales remain MIPSA's primary source of revenue, supporting both domestic and international mail services. In 2024, stamp sales declined by \$304,912, or 41.8%, compared to the previous fiscal year. This decline is primarily attributable to the behavioral shift following the reopening of the Marshall Islands' border in September 2022. As travel resumed after COVID-19 restrictions were lifted, customers increasingly carried goods directly, particularly to the United States, rather than relying on postal services for delivery. FY2024 was the second full year in which this pattern reduced mailing volumes and suppressed stamp sales. The trend compounds a similar downward trajectory observed in FY2023.

Marshall Islands Postal Service Authority
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Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS, CONTINUED

Revenue Sources, continued

Postal box rentals remained essentially flat at \$95,850, compared to \$95,078 in 2023. Physical capacity constraints across MIPSAs station network continue to limit growth in this revenue stream. No RepMar operating subsidy was received in 2024, compared to \$223,054 in nonoperating revenue received from RepMar in 2023. Despite the absence of government support, MIPSAs maintained operations. MIPSAs net position declined to \$764,611, down from \$1,291,577 in 2023.

Permit imprints increased significantly by \$211,353, from \$9,990 in 2023 to \$221,343 in 2024. This increase is primarily attributable to unavailability of lower-denomination stamps at the Uliga headquarters station. Royalty income remained at zero for the second consecutive year, as no payments have been received from the Inter-Governmental Philatelic Corporation (IGPC) since January 2023.

A summary of operating revenues of MIPSAs by funding source for the year ended September 30, 2024 compared with 2023 and 2022 is presented below:

Summary Schedule of Operating Revenues by Source
Years ended September 30

			\$ Change	% Change	
	2024	2023	2024-2023	2024-2023	2022
Operating revenues:					
Stamp sales	\$ 424,118	\$ 729,030	\$ (304,912)	(41.8)%	\$ 817,098
Permit imprints	221,343	9,990	211,353	2115.6%	23,255
Postal box rentals	95,850	95,078	772	0.8%	95,336
Royalty	-	-	-		24,000
Other	2,974	9,796	(6,822)	(69.6)%	11,722
Bad debt recovery (expense)	(20,975)	(9,591)	(11,384)	118.7%	5,570
	<u>\$ 723,310</u>	<u>\$ 834,303</u>	<u>\$ (110,993)</u>	(13.3)%	<u>\$ 976,981</u>

Expense Distribution

Total costs incurred as of the close of business on September 30, 2024, amounted to \$1,236,622. Of this amount, MIPSAs incurred \$804,495 in employee salaries, wages and other benefits expense and \$89,676 in depreciation and amortization expense. Together, these two categories represent approximately 72% of total operating expenses, underscoring MIPSAs continued commitment to staffing and infrastructure maintenance as core cost centers.

Marshall Islands Postal Service Authority
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Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS, CONTINUED

Expense Distribution, continued

A summary of operating expenses of MIPSAs for the year ended September 30, 2024 compared with 2023 and 2022 is presented below:

Summary Schedule of Operating Expenses
Years ended September 30

			\$ Change	% Change	
	2024	2023	2024-2023	2024-2023	2022
Operating expenses:					
Salaries, wages and benefits	\$ 804,495	\$ 677,038	\$ 127,457	18.8%	\$ 721,964
Depreciation and amortization	89,676	95,284	(5,608)	(5.9)%	88,517
Utilities	42,901	28,683	14,218	49.6%	27,579
Supplies and materials	41,330	33,414	7,916	23.7%	43,117
Domestic freight	37,882	35,908	1,974	5.5%	29,014
Other	220,338	205,170	15,168	7.4%	170,394
	<u>\$ 1,236,622</u>	<u>\$ 1,075,497</u>	<u>\$ 161,125</u>	15.0%	<u>\$ 1,080,585</u>

Capital Assets and Debt

During fiscal year 2024, MIPSAs acquired equipment and other fixed assets totaling \$47,697, including upgrades to operational and delivery infrastructure, together with right-to-use assets totaling \$77,986. At year-end, MIPSAs reported net capital assets of \$98,392 and net leased assets of \$220,280. These investments support MIPSAs's service delivery capacity, particularly in facility use and logistics. MIPSAs recorded depreciation and amortization expense of \$89,676 during the year. A summary of capital and leased asset balances and changes for 2024 is provided below, with comparisons to prior years.

Summary Schedule of Capital Assets
As of September 30

			\$ Change	% Change	
	2024	2023	2024-2023	2024-2023	2022
Capital and leased assets:					
Motor vehicles	\$ 380,226	\$ 346,255	\$ 33,971	9.8%	\$ 295,760
Right-to-use assets	355,580	277,594	77,986	28.1%	225,235
Furniture and equipment	184,260	170,534	13,726	8.0%	159,945
	920,066	794,383	125,683	15.8%	680,940
Accumulated depreciation and amortization	(601,394)	(511,718)	(89,676)	17.5%	(418,630)
	<u>\$ 318,672</u>	<u>\$ 282,665</u>	<u>\$ 36,007</u>	12.7%	<u>\$ 262,310</u>

Marshall Islands Postal Service Authority
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Management's Discussion and Analysis, continued

Capital Assets and Debt, continued

For additional information concerning capital assets, please refer to Note 4 of the accompanying financial statements.

MIPSA has adopted GASB Statement No. 87 for leases, resulting in the recognition of a right-of-use (ROU) asset and a corresponding lease liability. The ROU asset represents MIPSA's right to use the underlying leased asset over the term of the lease and is initially measured at an amount equal to the lease liability, adjusted for any lease payments made at or before the commencement date and any applicable initial direct costs. The lease liability represents the present value of future lease payments and is recorded as a long-term liability in the statement of net position. During 2024, MIPSA recognized additional lease liabilities totaling \$74,406, reflecting lease modifications and new lease agreements entered during the fiscal year. Lease liabilities represent MIPSA's only long-term debt, with current and noncurrent portions totaling \$230,240 at September 30, 2024. For additional information concerning leases, please refer to Notes 5 and 6 of the accompanying financial statements.

ECONOMIC OUTLOOK

MIPSA continues to explore technology-driven solutions to meet growing demand without expanding its physical footprint. With increasing population density and limited facility space, many locations have reached capacity in terms of rentable postal boxes. While physical expansion would place strain on limited capital resources, MIPSA is instead pursuing virtual PO Box services as a sustainable alternative. This approach enables broader service access while minimizing infrastructure and overhead costs.

Looking ahead, technology will play a central role in enhancing service delivery, customer interaction, and operational efficiency. By investing in digital platforms and service automation, MIPSA can respond to growing demand, streamline internal processes, and maintain financial stability amid ongoing budget constraints. Compared to \$95,078 in 2023, postal box rental revenue reached \$95,850 in 2024, with growth remaining flat due to continued physical capacity constraints. MIPSA is pursuing a Virtual PO Box program as the primary path to expanding this revenue stream without additional physical infrastructure investment. MIPSA has initiated cost-containment measures and continues to work with RepMar to secure adequate operating support for future fiscal years. MIPSA operates under a core philosophy of excellence, integrity, and accountability, driven by its leadership and management to support the ongoing economic development of the Marshall Islands.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of MIPSA's finances for all those with an interest in the Post Office's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Postmaster General, Post Office, Majuro MH 96960.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Statements of Net Position

	September 30, 2024	2023
Assets		
Current assets:		
Cash	\$ 833,194	\$ 1,345,350
Receivables:		
Postal box rental	92,107	78,404
Royalties	12,000	18,000
Affiliates	15,000	3,200
Other	721	386
	119,828	99,990
Less allowance for doubtful accounts	(92,107)	(77,345)
	27,721	22,645
Inventory	5,627	6,126
Prepaid expenses	7,598	9,246
Total current assets	874,140	1,383,367
Capital assets, net of accumulated depreciation	98,392	94,644
Lease assets, net	220,280	188,021
Total assets	\$ 1,192,812	\$ 1,666,032
Liabilities and Net Position		
Current liabilities:		
Accounts payable - affiliates	\$ 64,127	\$ 39,269
Accounts payable - trade	31,827	31,599
Accrued payroll	41,108	34,099
Unearned revenues	23,800	23,748
Current portion of accrued annual leave	5,153	15,274
Current portion of lease liabilities	43,284	44,742
Total current liabilities	209,299	188,731
Noncurrent liabilities:		
Accrued annual leave, net of current portion	31,946	24,921
Lease liabilities, net of current portion	186,956	160,803
Total noncurrent liabilities	218,902	185,724
Total liabilities	428,201	374,455
Commitments and contingencies		
Net position:		
Net investment in capital assets	88,432	78,578
Unrestricted	676,179	1,212,999
Total net position	764,611	1,291,577
	\$ 1,192,812	\$ 1,666,032

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Statements of Revenues, Expenses and Changes in Net Position

Years ended September 30, 2024 and 2023

	Year ended September 30,	
	2024	2023
Operating revenues:		
Stamp sales	\$ 424,118	\$ 729,030
Permit imprints	221,343	9,990
Postal box rentals	95,850	95,078
Other	<u>2,974</u>	<u>9,796</u>
Total operating revenues	744,285	843,894
Less allowance for bad debts	(<u>20,975</u>)	(<u>9,591</u>)
Total net operating revenues	<u>723,310</u>	<u>834,303</u>
Operating expenses:		
Salaries, wages and other benefits	804,495	677,038
Depreciation and amortization	89,676	95,284
Utilities	42,901	28,683
Supplies and materials	41,330	33,414
Domestic freight	37,882	35,908
Travel	35,926	32,123
Communications	33,868	26,372
Training	29,142	28,469
Petroleum, oil and lubricants	21,354	19,431
Charter boat	14,583	23,875
Insurance	11,890	10,271
Board sitting fees	11,650	9,589
Audit fee	11,300	---
Repair and maintenance	9,274	13,162
Contractual services	1,320	1,560
Miscellaneous	<u>40,031</u>	<u>40,318</u>
Total operating expenses	<u>1,236,622</u>	<u>1,075,497</u>
Loss from operations	(<u>513,312</u>)	(<u>241,194</u>)
Nonoperating (expenses) revenues :		
Contributions from RepMar	---	223,054
Interest expense	(<u>13,654</u>)	(<u>22,819</u>)
Total nonoperating (expenses) revenues, net	(<u>13,654</u>)	<u>200,235</u>
Change in net position	(<u>526,966</u>)	(<u>40,959</u>)
Net position at beginning of year	<u>1,291,577</u>	<u>1,332,536</u>
Net position at end of year	<u>\$ 764,611</u>	<u>\$ 1,291,577</u>

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Statements of Cash Flows

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 718,286	\$ 853,712
Cash payments to suppliers for goods and services	(315,218)	(302,248)
Cash payments to employees for services	(800,582)	(709,125)
Net cash used in operating activities	(397,514)	(157,661)
Cash flows from capital and related financing activities:		
Acquisition and deposits of capital assets	(47,697)	(45,780)
Principal paid on lease	(53,291)	(38,814)
Interest paid on lease	(13,654)	(22,819)
Cash used in capital and related financing activities	(114,642)	(107,413)
Cash flows from noncapital financing activities:		
Contributions received from RepMar	---	223,054
Net change in cash	(512,156)	(42,020)
Cash at beginning of year	<u>1,345,350</u>	<u>1,387,370</u>
Cash at end of year	\$ <u>833,194</u>	\$ <u>1,345,350</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$(513,312)	\$(241,194)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization expense	89,676	95,284
Bad debts expense	20,975	9,591
Changes in assets and liabilities:		
Accounts receivable	(26,051)	9,904
Inventory	499	1,128
Prepaid expenses	1,648	(249)
Accounts payable	228	7,671
Payable to affiliates	24,858	(7,623)
Accrued payroll	7,009	(28,931)
Accrued annual leave	(3,096)	(3,156)
Unearned revenue	<u>52</u>	<u>(86)</u>
Net cash used in operating activities	\$(<u>397,514</u>)	\$(<u>157,661</u>)

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

Years ended September 30, 2024 and 2023

1. Organization

The Marshall Islands Postal Service Authority (“MIPSA”), a component unit of the Republic of the Marshall Islands (RepMar), was created by the Postal Service Act of 1983 for the purpose of establishing an effective and efficient postal service for the Republic. MIPSA provides both domestic and international mail services from six service outlets - the Uliga, Delap and Airport postal stations located on Majuro Atoll, the Ebeye postal station located on Kwajalein Atoll, the Jabor postal station located on Jaluit Atoll and the Wotje postal station located on Wotje Atoll.

The operations of MIPSA were previously accounted for as a separate fund within RepMar’s Ministry of Finance, Banking and Postal Services. Effective October 1, 2008, MIPSA established a separate bank account outside of RepMar’s Treasury for the purpose of receiving and disbursing funds in accordance with the Postal Service Fund (Amendment) Act of 2007. Accordingly, the accompanying financial statements relate solely to those accounting records maintained by MIPSA and do not incorporate any accounts related to MIPSA’s operations that may be accounted for by RepMar’s Treasury or any of RepMar’s other branches, departmental units or component units.

MIPSA is governed by a five-member Board of Directors appointed by the President of RepMar. The Board of Directors, in turn, is responsible for the appointment of the Postmaster General who oversees the day-to-day operations of MIPSA. MIPSA’s financial statements are incorporated into the financial statements of RepMar as a component unit.

2. Summary of Significant Accounting Policies

The accounting policies of MIPSA conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically proprietary funds. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - Management’s Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, establish standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into three net position categories.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

These net position categories are as follows:

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Restricted - net position whose use by MIPSAs is subject to externally imposed stipulations that can be fulfilled by actions of the MIPSAs pursuant to those stipulations or that expire with the passage of time. MIPSAs have no restricted net position as of September 30, 2024 and 2023.
- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use for the same purpose, it is MIPSAs's policy to use unrestricted resources first, then restricted resources as they are needed.

Basis of Accounting

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

Cash

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

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2024, and 2023, the carrying amount of cash was \$833,194 and \$1,345,350, respectively, and the corresponding bank balances were \$834,966 and \$1,350,528, respectively. Of the bank balance amounts, \$731,164 and \$873,636, respectively, was maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining bank deposits of \$103,802 and \$476,882, respectively, were maintained in a financial institution not subject to depository insurance.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash, continued

As of September 30, 2024 and 2023, bank deposits in the amount of \$250,000 were FDIC insured. MIPSAs does not require collateralization of its cash deposits; therefore, bank deposits more than FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Receivables

All receivables are due from businesses and individuals located within the Republic of the Marshall Islands and are interest free and uncollateralized. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to current operations. Accounts are written off using the specific identification method.

Stamp Inventory

Stamp inventory consists of stamps purchased for resale and are valued at the lower of cost (first-in, first-out) or market value.

Prepaid Expenses

Certain payments to vendors or persons for goods and services reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying financial statements.

Capital Assets

Capital assets are recorded at cost net of accumulated depreciation. MIPSAs does not have a capitalization policy for capital assets; however, items with a cost that equals or exceeds \$500 are generally capitalized at the time of acquisition. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

	<u>Estimated Useful Lives</u>
Motor vehicles	4 years
Other furniture and equipment	3 years

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Leases

MIPSA is a party as lessee for various noncancellable long-term leases for office space. MIPSA 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. Leases result in the recognition of right-to-use lease assets and lease liabilities on the statements of net position. Lease assets represent 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.

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. MIPSA has no items that qualify for reporting in this category.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. As of September 30, 2024, and 2023, the accumulated vacation leave liability totals \$37,099 and \$40,195, respectively.

Unearned Income

Unearned income includes amounts received for postal box rental fees prior to the end of the fiscal year but related to the subsequent accounting period.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. MIPSA has no items that qualify for reporting in this category.

Marshall Islands Postal Service Authority
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

During the year ended September 30, 2024, MIPS A 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.
- GASB 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 and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. 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. GASB Statement No. 101 will be effective for the fiscal year ending September 30, 2025.

Marshall Islands Postal Service Authority
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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 to 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. GASB Statement No. 102 will be effective for the 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 addressing 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. GASB Statement No. 103 will be effective for the 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 as-sets 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.

Marshall Islands Postal Service Authority
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

GASB Statement No. 104 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. GASB Statement No. 104 will be effective for the fiscal year ending September 30, 2026.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. GASB Statement No. 105 will be effective for the fiscal year ending September 30, 2027.

Management is evaluating the effect that these Statements, upon implementation, will have on the financial statements.

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. MIPSAs are specifically exempt from this tax.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Royalties

In 2018, MIPSAs entered into a two-year stamp and philatelic center agreement with Inter-Governmental Philatelic Corporation (IGPC) to assist MIPSAs in the design, production, sale and distribution of new postage stamps throughout the world. In return, MIPSAs would be the recipient of royalties as calculated in accordance with the agreement. The agreement was automatically renewable unless otherwise notified in writing by either party three months prior to the expiration date.

Marshall Islands Postal Service Authority
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Notes to Financial Statements, continued

3. Royalties, continued

Commencing January 1, 2020, MIPSAs subsequently renewed the agreement for three additional one year periods, with guaranteed minimum annual royalty payments of \$24,000, which ultimately expired on September 30, 2022. As of September 30, 2024 and 2023, MIPSAs recorded royalty receivables of \$12,000 and \$18,000, respectively, due from IGPC with a corresponding allowance for doubtful accounts of \$12,000 in both years.

4. Capital Assets

Capital asset activities for the years ended September 30, 2024 and 2023, were as follows:

	<u>2024</u>			
	<u>October 1, 2023</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2024</u>
Depreciable capital assets:				
Motor vehicles	\$346,255	\$33,971	\$ ---	\$380,226
Furniture and equipment	<u>170,534</u>	<u>13,726</u>	<u>---</u>	<u>184,260</u>
	516,789	47,697	---	564,486
Less accumulated depreciation	<u>(422,145)</u>	<u>(43,949)</u>	<u>---</u>	<u>(466,094)</u>
	<u>\$ 94,644</u>	<u>\$ 3,748</u>	<u>\$ ---</u>	<u>\$ 98,392</u>
	<u>2023</u>			
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Depreciable capital assets:				
Motor vehicles	\$295,760	\$50,495	\$ ---	\$346,255
Furniture and equipment	<u>159,945</u>	<u>12,785</u>	<u>(2,196)</u>	<u>170,534</u>
	455,705	63,280	(2,196)	516,789
Less accumulated depreciation	<u>(374,552)</u>	<u>(49,789)</u>	<u>2,196</u>	<u>(422,145)</u>
	<u>\$ 81,153</u>	<u>\$13,491</u>	<u>\$ ---</u>	<u>\$ 94,644</u>

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

5. Leased Assets

Leased asset activities for the years ended September 30, 2024 and 2023, were as follows:

	<u>2024</u>			
	<u>October 1, 2023</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2024</u>
Right-to-use assets	\$277,594	\$77,986	\$ ---	\$355,580
Less accumulated amortization	(89,573)	(45,727)	---	(135,300)
	<u>\$188,021</u>	<u>\$32,259</u>	<u>\$ ---</u>	<u>\$220,280</u>
	<u>2023</u>			
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Right-to-use assets	\$225,235	\$52,359	\$ ---	\$277,594
Less accumulated amortization	(44,078)	(45,495)	---	(89,573)
	<u>\$181,157</u>	<u>\$ 6,864</u>	<u>\$ ---</u>	<u>\$188,021</u>

6. Leases

MIPSA is a lessee under non-cancelable leases for certain office space. The terms of the agreements range from 3 to 10 years generally at fixed monthly payments with no variable payments or escalation clauses. The calculated interest rate used was 13.5%. The following is a summary of principal and interest requirements to maturity for the lease liabilities as of September 30, 2024:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 43,284	\$28,140	\$ 71,424
2026	49,153	22,271	71,424
2027	54,858	15,231	70,089
2028	57,778	7,548	65,326
2029	15,262	2,310	17,572
2030 and above	<u>9,905</u>	<u>1,096</u>	<u>11,001</u>
	<u>\$230,240</u>	<u>\$76,596</u>	<u>\$306,836</u>

Marshall Islands Postal Service Authority
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Notes to Financial Statements, continued

7. Change in Long-term Liabilities

A summary of changes in long-term liabilities for the years ended September 30, 2024 and 2023, are as follows:

	<u>2024</u>				
	<u>October 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2024</u>	<u>Due Within One Year</u>
Accrued annual leave	\$ 40,195	\$ 67,098	\$(70,194)	\$ 37,099	\$ 5,153
Lease liability	<u>205,545</u>	<u>77,986</u>	<u>(53,291)</u>	<u>230,240</u>	<u>43,284</u>
	<u>\$245,740</u>	<u>\$145,084</u>	<u>\$(123,485)</u>	<u>\$267,339</u>	<u>\$48,437</u>
	<u>2023</u>				
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2023</u>	<u>Due Within One Year</u>
Accrued annual leave	\$ 43,351	\$ 60,432	\$(63,588)	\$ 40,195	\$15,274
Lease liability	<u>192,000</u>	<u>52,359</u>	<u>(38,814)</u>	<u>205,545</u>	<u>44,742</u>
	<u>\$235,351</u>	<u>\$112,791</u>	<u>\$(102,402)</u>	<u>\$245,740</u>	<u>\$60,016</u>

8. Related Party Transactions

MIPSA is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities. MIPSA provides postal services to all RepMar-owned and affiliated entities at substantially the same terms and conditions as those provided to third parties. MIPSA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions as of and for the years ended September 30, 2024 and 2023 are as follows:

	<u>2024</u>	
	<u>Expenses</u>	<u>Payables</u>
Marshall Islands Social Security Administration	\$ 74,383	\$33,514
Marshall Islands National Telecommunications Authority	20,868	2,700
Air Marshall Islands, Inc.	31,197	4,537
RMI Ports Authority	5,520	1,470
Marshall Islands Development Bank	7,200	---
Marshall's Energy Company, Inc.	2,400	---
RepMar	<u>---</u>	<u>21,906</u>
	<u>\$141,568</u>	<u>\$64,127</u>

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

8. Related Party Transactions, continued

	2023	
	<u>Expenses</u>	<u>Payables</u>
Marshall Islands Social Security Administration	\$ 65,737	\$28,730
Marshall Islands National Telecommunications Authority	26,372	2,686
Air Marshall Islands, Inc.	35,908	2,748
RMI Ports Authority	3,000	300
Marshall Islands Development Bank	7,200	600
Marshall's Energy Company, Inc.	2,400	200
RepMar	<u>---</u>	<u>4,005</u>
	<u>\$140,617</u>	<u>\$39,269</u>

During the year ended September 30, 2023, the operations of MIPSAs were funded by an appropriation of \$223,054 from the Nitijela of RepMar, which included financial assistance of \$25,995 related to COVID-19. No appropriation was received by MIPSAs from the Nitijela of RepMar during the year ended September 30, 2024. As of September 30, 2024 and 2023, MIPSAs recognized receivables from RepMar for reimbursable audit fees of \$15,000 and \$3,200, respectively.

9. Risk Management

MIPSAs is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. MIPSAs has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. No instances have occurred in the past three years where settlements have exceeded available insurance coverage.

10. Subsequent Event

Subsequent to the reporting period, MIPSAs experienced a temporary suspension of outbound parcel services to the United States from August 29, 2025 to January 19, 2026.

The suspension arose from requirements imposed by the United States Postal Service (USPS) and U.S. Customs authorities. Specifically, USPS advised that RepMar must appoint a Qualified Party responsible for handling tariff and duty collections prior to the acceptance of outbound mail. Additionally, United Airlines, a USPS contractor, requires that all parcels have duties prepaid and verified through a Qualified Party before being loaded for transport. As a result, MIPSAs experienced a substantial decline in revenue during the suspension period. Outbound parcel services resumed on January 20, 2026, following the fulfillment of the necessary compliance requirements, including arrangements for Qualified Party processing.

Supplementary Information

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Combining Schedule of Operating Income (Loss) By Station

Years ended September 30, 2024 and 2023

	<u>Uliga</u>	<u>Delap</u>	<u>Ebeye</u>	<u>Airport</u>	<u>Jabor</u>	<u>Wotje</u>	<u>Total</u>
Operating revenues:							
Stamp sales	\$ 232,395	\$ 111,083	\$ 35,751	\$ 25,696	\$ 14,129	\$ 5,064	\$ 424,118
Permit imprints	218,532	2,550	261	---	---	---	221,343
Postal box rentals	57,909	5,951	24,498	3,053	2,597	1,842	95,850
Other	2,320	353	197	94	10	---	2,974
Allowance for bad debts	(8,688)	(1,028)	(6,885)	(1,822)	(1,544)	(1,008)	(20,975)
Total operating revenues	<u>502,468</u>	<u>118,909</u>	<u>53,822</u>	<u>27,021</u>	<u>15,192</u>	<u>5,898</u>	<u>723,310</u>
Operating expenses:							
Salaries, wages and other benefits	623,271	---	116,632	---	34,260	30,332	804,495
Depreciation and amortization	54,524	8,849	16,648	---	4,925	4,730	89,676
Utilities	35,401	---	6,000	1,500	---	---	42,901
Supplies and materials	40,263	---	797	---	---	270	41,330
Domestic freight	30,995	55	673	---	4,942	1,217	37,882
Travel	35,926	---	---	---	---	---	35,926
Communications	30,052	---	3,816	---	---	---	33,868
Training	29,142	---	---	---	---	---	29,142
Petroleum, oil and lubricants	20,407	---	888	---	59	---	21,354
Charter boat	---	---	14,583	---	---	---	14,583
Insurance	11,890	---	---	---	---	---	11,890
Board sitting fees	11,650	---	---	---	---	---	11,650
Audit fee	11,300	---	---	---	---	---	11,300
Repair and maintenance	8,421	---	853	---	---	---	9,274
Contractual services	1,320	---	---	---	---	---	1,320
Miscellaneous	40,720	10	321	(1,020)	---	---	40,031
Total operating expenses	<u>985,282</u>	<u>8,914</u>	<u>161,211</u>	<u>480</u>	<u>44,186</u>	<u>36,549</u>	<u>1,236,622</u>
Operating income (loss)	<u>\$(482,814)</u>	<u>\$ 109,995</u>	<u>\$(107,389)</u>	<u>\$(26,541)</u>	<u>\$(28,994)</u>	<u>\$(30,651)</u>	<u>\$(513,312)</u>

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*

The Board of Directors
Marshall Islands Postal Service Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Marshall Islands Postal Service Authority (MIPSA), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise MIPSA's basic financial statements, and have issued our report thereon dated May 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MIPSA'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 MIPSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MIPSA'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

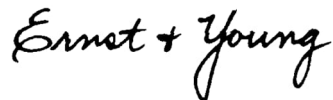
As part of obtaining reasonable assurance about whether MIPSAs financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

MIPSA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on MIPSAs response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. MIPSAs response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result 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.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

May 20, 2026

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Responses

Year ended September 30, 2024

Finding No. 2024-001

GASB Statement No. 87 Lease Modifications

Criteria: In accordance with GASB Statement No. 87, *Leases*, a lease modification is an amendment that changes the terms (e.g., price, term, or scope) of a contract often requiring remeasurement of the lease liability and asset. Modifications are treated as separate leases if they add underlying assets, while those reducing the right-to-use are treated as full or partial terminations.

Condition: During the year ended September 30, 2024, modifications to certain leases occurred. Management did not assess these modifications to determine if the modifications represented a separate new lease or a remeasurement of an existing lease resulting in the understatement of the lease liability and the corresponding right-to-use asset. An audit adjustment was proposed to correct this misstatement. This matter was identified as a finding in prior year.

Cause: Management did not implement a process to review and update lease schedules when modifications occurred.

Effect: Failure to properly assess lease modifications increases the risk that lease liabilities, and related right-to-use assets may be materially misstated.

Recommendation: We recommend management establish internal control policies and procedures to identify and evaluate all lease amendments, renewals, extensions, terminations, and other modifications for compliance with GASB Statement No. 87. Procedures should include documented review of lease changes, timely reassessment of lease terms and payment obligations, recalculation of lease liabilities and right-to-use assets when required, and retention of supporting documentation evidencing management's evaluation and conclusions.

Auditee Response and Corrective Action Plan: Management concurs with the finding and recommendation. During FY2024, certain lease modifications were made and not formally evaluated to determine the accounting impact under GASB Statement No. 87. As a result, lease liabilities and related right-to-use assets were not remeasured in a timely manner.

The issue occurred because MIPSAs did not have a formal process in place to identify, review, and document lease amendments, renewals, extensions, or other modifications for GASB 87 compliance purposes. Management also notes that MIPSAs has limited internal accounting resources and does not currently have personnel with specialized expertise in GASB Statement No. 87 lease accounting requirements.

Marshall Islands Postal Service Authority, Inc.
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Responses, continued

Finding No. 2024-001, continued

Auditee Response and Corrective Action Plan, continued: To address this matter, management has begun implementing the following corrective actions during FY2026:

1. Establish written internal procedures for reviewing all lease agreements and lease modifications for compliance with GASB Statement No. 87.
2. Require all lease amendments, renewals, extensions, and terminations to be reported to executive management for review and coordination with external auditors or accounting advisors, when necessary, before finalizing the accounting treatment.
3. Maintain and regularly update a centralized lease tracking schedule that includes lease terms, payment obligations, modification dates, and reassessment requirements.
4. Perform documented evaluations of all lease modifications to determine whether remeasurement, termination accounting, or separate lease treatment is required under GASB Statement No. 87.
5. Management will identify and engage external accounting resources with knowledge of GASB Statement No. 87, when necessary, to assist with lease reassessments and accounting treatment.
6. Retain supporting documentation and management review records for all lease reassessments and accounting conclusions.
7. Management will also review existing lease agreements to determine whether any additional reassessments are required.