

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

**Majuro Resort, Inc.**

(A Component Unit of the Republic of the Marshall Islands)

*Years ended September 30, 2023 and 2022  
with Report of Independent Auditors*



**Shape the future  
with confidence**

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

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

Years ended September 30, 2023 and 2022

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## Report of Independent Auditors

Board of Directors  
Majuro Resort, Inc.

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of Majuro Resort, Inc. (MRI), a component unit of the Republic of the Marshall Islands, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise MRI'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 MRI as of September 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof 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 MRI 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 MRI's 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 MRI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MRI's ability to continue as a going concern for a reasonable period of time.

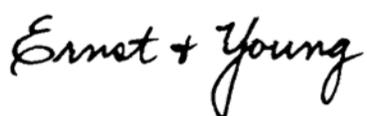
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2025, on our consideration of MRI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MRI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MRI's internal control over financial reporting and compliance.

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

December 2, 2025

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis

Years ended September 30, 2023 and 2022

This section of the Majuro Resort, Inc. (MRI) annual financial report presents our discussion and analysis of MRI's financial performance for the fiscal year that ended on September 30, 2023. The discussion and analysis should be read in conjunction with the audited financial statements, which follow this section.

**Financial Highlights**

Total assets increased by \$104,367 or 4.9% from \$2,147,039 in 2022 to \$2,251,406 in 2023, which was represented by an increase in current and other assets of \$81,785 or 6.4% from \$1,276,916 in 2022 to \$1,358,701 in 2023 and an increase in capital assets of \$22,582 or 2.6% from \$870,123 in 2022 to \$892,705 in 2023. The increase in current and other assets primarily represents a net increase in receivables of \$297,681 or 110% from \$270,731 in 2022 to \$568,412 in 2023 offset by a decrease in cash balances of \$223,285 or 24% from \$940,863 in 2022 to \$717,578 in 2023.

Total liabilities decreased by \$85,326 or 3.8% from \$2,248,748 in 2022 to \$2,163,422 in 2023, which was represented by a decrease in current and other liabilities. The decrease in current and other liabilities primarily represents a decrease in unearned revenues of \$252,624 or 91% from \$278,918 in 2022 to \$26,294 in 2023 offset by an increase in trade and accrued liabilities by \$167,298 from \$1,449,830 in 2022 to \$1,617,128 in 2023. As a result of these movements, there was an increase in net position of \$189,693 or 186% from negative net position of \$101,709 in 2022 to positive net position of \$87,984 in 2023.

Total operating revenues for 2023 were \$4,951,831, which represented an increase of \$1,009,337 or 25.6% compared to \$3,942,622 for 2022. The increase in operating revenues is due to an increase in rooms revenue, which increased by \$648,914 or 56.8% from \$1,142,508 for 2022 to \$1,791,422 for 2023 while food and beverage revenue increased by \$599,938 or 22.9% from \$2,616,750 for 2022 to \$3,216,688 for 2023.

Total operating expenses for 2023 were \$5,038,720, which represented an increase of \$400,736 or 8.6% compared to \$4,637,984 for 2022. The increase in operating expenses is due to an increase in cost sales, which increased by \$416,507 or 17.8% from \$2,340,474 in 2022 to \$2,756,981 for 2023.

Total nonoperating revenues for 2023 were \$297,600, which represented a decrease of \$119,500 or 28.7% compared to \$417,100 for 2022.

Total nonoperating expenses for 2023 were \$21,018, which represented a decrease of \$14,019 or 40% compared to \$35,037 for 2022.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**Financial Analysis, continued**

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of MRI's financial condition. MRI's net position reflects the difference between assets and liabilities.

A summary of MRI's Statements of Net Position is presented below:

**Summary Statements of Net Position**  
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
<b>Assets:</b>					
Current and other assets	\$ 1,358,701	\$ 1,276,916	\$ 81,785	6.4%	\$ 921,894
Capital assets	892,705	870,123	22,582	2.6%	891,586
<b>Total assets</b>	<b>2,251,406</b>	<b>2,147,039</b>	<b>104,367</b>	<b>4.9%</b>	<b>1,813,480</b>
<b>Liabilities:</b>					
Current and other liabilities	1,643,422	1,728,748	(85,326)	(4.9)%	1,298,762
Long-term debt	520,000	520,000	---	0.0%	303,000
<b>Total liabilities</b>	<b>2,163,422</b>	<b>2,248,748</b>	<b>(85,326)</b>	<b>(3.8)%</b>	<b>1,601,762</b>
<b>Net position:</b>					
Net investment in capital assets	892,705	870,123	22,582	2.6%	891,586
Unrestricted	(804,721)	(971,832)	167,111	(17.2)%	(679,868)
<b>Total net position</b>	<b>\$ 87,984</b>	<b>\$ (101,709)</b>	<b>\$ 189,693</b>	<b>(186.5)%</b>	<b>\$ 211,718</b>

A summary of MRI's Statements of Revenues, Expenses, and Changes in Net Position is presented below:

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

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
<b>Operating:</b>					
Operating revenues	\$ 4,951,831	\$ 3,942,494	\$ 1,009,337	25.6%	\$ 3,059,622
Operating expenses	5,038,720	4,637,984	400,736	8.6%	3,659,125
<b>Operating loss</b>	<b>(86,889)</b>	<b>(695,490)</b>	<b>608,601</b>	<b>(87.5)%</b>	<b>(599,503)</b>
<b>Nonoperating:</b>					
Nonoperating revenues	297,600	417,100	(119,500)	(28.7)%	298,766
Nonoperating expenses	(21,018)	(35,037)	14,019	(40.0)%	(3,120)
	276,582	382,063	(105,481)	(27.6)%	295,646
<b>Change in net position</b>	<b>\$ 189,693</b>	<b>\$ (313,427)</b>	<b>\$ 503,120</b>	<b>(160.5)%</b>	<b>\$ (303,857)</b>

See accompanying notes.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Management’s Discussion and Analysis, continued

**Financial Analysis, continued**

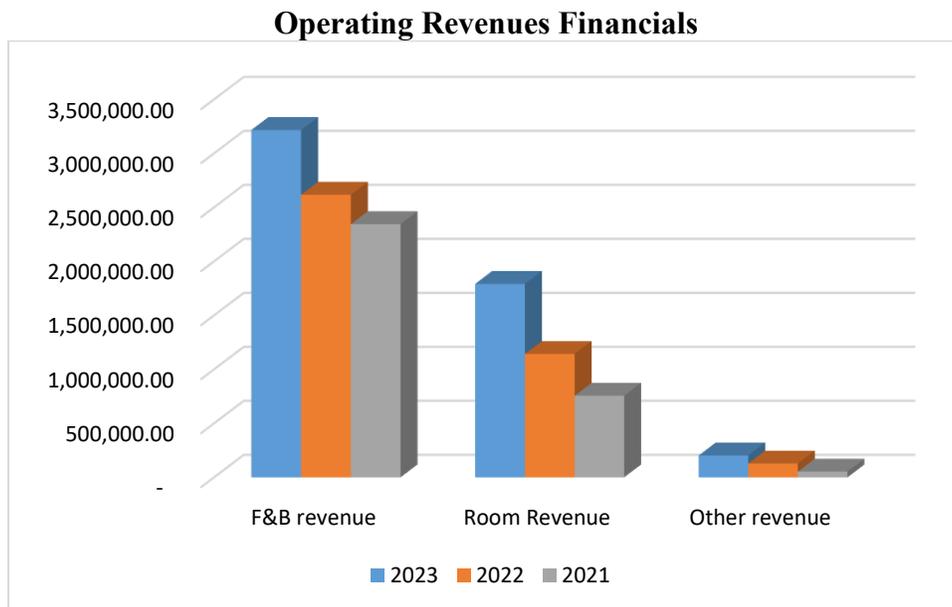
The Statements of Revenues, Expenses and Changes in Net Position identify various revenue and expense items that impact the change in net position. A summary of operating revenues follows:

**Summar of Schedule of Operating Revenues**  
Years Ended September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Food and beverage	\$ 3,216,688	\$ 2,616,750	\$ 599,938	22.9%	\$ 2,344,863
Room	1,791,422	1,142,508	648,914	56.8%	756,048
Other	202,286	127,734	74,552	58.4%	53,446
	5,210,396	3,886,992	1,323,404	34.0%	3,154,357
Bad debts (recovery)	258,565	(55,502)	314,067	(565.9)%	94,735
	<u>\$ 4,951,831</u>	<u>\$ 3,942,494</u>	<u>\$ 1,009,337</u>	25.6%	<u>\$ 3,059,622</u>

Gross operating revenues for 2023 showed an increase of \$1,323,404 from \$3,886,992 in 2022 to \$5,210,396 in 2023. Room revenue for 2023 increased by \$648,914 or 56.8% from 2022 while food and beverage revenue for 2023 increased by \$599,938 or 22.9% from 2022. The occupancy ratio in 2023 increased to 52.6% from 51.25% in 2022 with an increase in average room rate from \$42.43 in 2022 to \$64.73 in 2023.

The following graph shows the major components of revenue for financial periods 2023, 2022 and 2021.



Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Management’s Discussion and Analysis, continued

**Financial Analysis, continued**

**Statement of Hotel Occupancy Performance**

The following table shows a comparison of financial and statistical information affecting the room revenue performance for the years 2023, 2022, 2021, 2020 and 2019.

Occupancy Performance	2023	2022	2021	2020	2019
% of total occupancy	52.60%	51.25%	32.89%	34.79%	52.32%
Average rate	\$64.80	\$42.41	\$43.73	\$68.20	\$71.14
% of paid occupancy	52.57%	51.23%	23.53%	34.58%	52.17%
Average rate	\$64.73	\$42.43	\$31.21	\$68.45	\$71.35

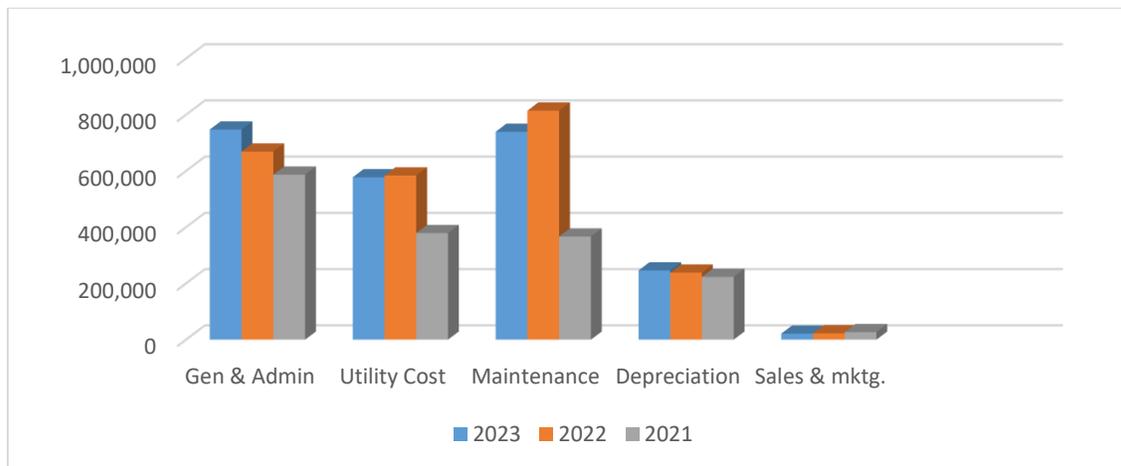
The total occupancy ratio in 2023 was 52.6% as compared to 51.25% in 2022 and 32.89% in 2021. The hotel paid occupancy rate for 2023 of 52.57% has increased as compared to 51.23% for 2022 while the average paid room rate for 2023 of \$64.73 has increased as compared to 2022 of \$42.43.

**Operating Expenses**

Total operating expenses for 2023 were \$5,038,720, which represented an increase of \$400,736 or 8.6% compared to \$4,637,984 for 2022. Utility costs decreased by \$6,396 from \$583,816 in 2022 to \$577,420 in 2023, which was due to a prior year adjustment by MEC from May to September, 2021. Maintenance costs decreased by \$75,093 from \$814,531 in 2022 to \$739,438 in 2023, which was due to repair and maintenance costs associated with the building crack repair project. This project was partially subsidized by RepMar with a subsidy of \$297,600.

The following graph shows the major components of operating expenses for financial periods 2023, 2022 and 2021.

**Operating Expenses Financials**



Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**Capital Assets and Debt**

Net capital assets decreased by \$51,000 or 5.9% from \$870,123 in 2022 to \$819,123 in 2023. This decrease was the result of an increase in accumulated depreciation of \$246,171 offset by capital asset additions of \$195,171.

A summary of MRI's capital assets is presented below:

**Summary Schedule of Capital Assets**  
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Buildings and structures	\$ 2,975,276	\$ 2,975,276	\$ ---	0.0%	\$ 2,975,276
Furniture and fixtures	2,334,485	2,188,470	146,015	6.7%	1,972,035
Motor vehicles	516,293	487,423	28,870	5.9%	487,423
Office equipment	279,242	265,522	13,720	5.2%	265,366
Other equipment	116,444	109,878	6,566	6.0%	109,428
	6,221,740	6,026,569	195,171	3.2%	5,809,528
Accumulated depreciation	(5,402,617)	(5,156,446)	(246,171)	4.8%	(4,917,942)
	<u>\$ 819,123</u>	<u>\$ 870,123</u>	<u>\$ (51,000)</u>	(5.9)%	<u>\$ 891,586</u>

Capital asset acquisitions in 2023 included \$146,015 in furniture and fixtures purchases to replace damaged items in rooms, the restaurant and the kitchen. For additional information concerning capital assets, please see Note 3 to the accompanying financial statements.

No change in long-term debt occurred in 2023, which remained at \$520,000 at September 30, 2023 and 2022.

In 2022, MRI obtained a loan from the Marshall Islands Development Bank (MIDB) in the amount of \$520,000 for the purpose of providing working capital and to fund certain building structure renovations. For additional information concerning long-term debt, please see Note 4 to the accompanying financial statements.

Management's Discussion and Analysis for the year ended September 30, 2022 is set forth in the report on the audit of MRI's financial statements dated October 16, 2024. The Discussion and Analysis explains the major factors impacting the 2022 financial statements and may be obtained from the contact information below.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

**Economic Factors and Next Year's Performance**

Since the opening of the international borders, MIR is expecting more local and international travelers to return on the Islands to stay in the hotel.

The following factors may have a great impact on next year's operations:

- 1.) PIHOA will having an executive board meeting in the Marshall Islands this coming November 2-6, 2025, confirmed 25 rooms for the delegates.
- 2.) Marshall Islands Libraries, Museum and Archives is hosting the 34<sup>th</sup> Pacific Islands Association of Libraries, Museum and Archives Conference (PIALA) on November 21-29, 2025, confirmed 25 rooms for the participants.
- 3.) Marshall Islands Resort is constructing 6 units of Bungalows and will be located in front of building 1 beach area, which is expected to finish within the next six months and will be available for occupancy.

**Additional Financial Information**

The discussion and analysis is designed to provide MRI's customers and other interested parties with an overview of MRI's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Majuro Resort, Inc. General Manager at P.O. Box 3279, Majuro, MH 96960.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Statements of Net Position

	September 30,	
	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 717,578	\$ 940,863
Receivables:		
Trade	428,663	242,211
Affiliates	671,518	322,604
Other	38,971	18,091
	<u>1,139,152</u>	<u>582,906</u>
Less allowance for doubtful accounts	( 570,740 )	( 312,175 )
Total receivables, net	<u>568,412</u>	<u>270,731</u>
Inventories	43,517	36,735
Prepaid expenses	29,194	28,587
Total current assets	<u>1,358,701</u>	<u>1,276,916</u>
Noncurrent assets:		
Deposits for capital asset acquisition	73,582	---
Capital assets, net of accumulated depreciation	819,123	870,123
Total noncurrent assets	<u>892,705</u>	<u>870,123</u>
	<u>\$ 2,251,406</u>	<u>\$ 2,147,039</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Current portion of loan payable	\$ 14,879	\$ ---
Accounts payable	64,249	82,054
Payable to affiliates	877,356	759,980
Accrued taxes payable	496,297	491,839
Unearned revenues	26,294	278,918
Other accrued liabilities	179,226	115,957
Total current liabilities	<u>1,658,301</u>	<u>1,728,748</u>
Loan payable	<u>505,121</u>	<u>520,000</u>
	<u>2,163,422</u>	<u>2,248,748</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	892,705	870,123
Unrestricted	( 804,721 )	( 971,832 )
Total net position	<u>87,984</u>	<u>( 101,709 )</u>
	<u>\$ 2,251,406</u>	<u>\$ 2,147,039</u>

See accompanying notes.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Hotel operations:		
Operating revenues:		
Food and beverage	\$ 3,216,688	\$ 2,616,750
Rooms	1,791,422	1,142,508
Other	<u>202,286</u>	<u>127,734</u>
Total revenues	5,210,396	3,886,992
(Provision for) recovery of doubtful accounts	( 258,565 )	55,502
Net revenues	<u>4,951,831</u>	<u>3,942,494</u>
Cost of sales:		
Food and beverage	2,209,263	1,959,369
Rooms	533,725	364,063
Other	<u>13,993</u>	<u>17,042</u>
Total cost of sales	<u>2,756,981</u>	<u>2,340,474</u>
Gross profit	<u>2,194,850</u>	<u>1,602,020</u>
Operating expenses:		
General and administrative	747,354	669,049
Maintenance	739,438	814,531
Utility costs	577,420	583,816
Depreciation	246,171	238,504
Sales and marketing	<u>21,395</u>	<u>22,636</u>
Total operating expenses	<u>2,331,778</u>	<u>2,328,536</u>
Operating loss from hotel operations	( 136,928 )	( 726,516 )
Nonhotel operations:		
Operating revenues:		
Management fee	<u>50,039</u>	<u>31,026</u>
Operating loss	( 86,889 )	( 695,490 )
Nonoperating revenues (expenses):		
Contributions from RepMar	297,600	417,100
Interest expense	( 21,018 )	( 35,037 )
Total nonoperating revenues, net	<u>276,582</u>	<u>382,063</u>
Change in net position	189,693	( 313,427 )
Net position at beginning of year	( 101,709 )	211,718
Net position at end of year	<u>\$ 87,984</u>	<u>\$( 101,709 )</u>

See accompanying notes.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Statements of Cash Flows

	Year ended September 30,	
	2023	2022
Cash flows from operating activities:		
Cash received from customers	\$ 4,451,565	\$ 4,276,776
Cash payments to suppliers for goods and services	( 3,073,070 )	( 2,833,400 )
Cash payments to employees for services	( 1,609,609 )	( 1,446,657 )
Net cash used in operating activities	( 231,114 )	( 3,281 )
Cash flows from noncapital financing activities:		
Contributions from RepMar	297,600	417,100
Net change in loans payable	---	217,000
Interest paid	( 21,018 )	( 35,037 )
Net cash provided by noncapital financing activities	276,582	599,063
Cash flows from capital and related financing activities:		
Acquisition of capital assets	( 268,753 )	( 175,731 )
Net change in cash	( 223,285 )	420,051
Cash at beginning of year	940,863	520,812
Cash at end of year	<u>\$ 717,578</u>	<u>\$ 940,863</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$( 86,889 )	\$( 695,490 )
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	246,171	238,504
Provision for (recovery of) doubtful accounts	258,565	( 55,502 )
Changes in assets and liabilities:		
Receivables:		
Trade	( 186,452 )	53,166
Affiliates	( 348,914 )	26,735
Other	( 20,880 )	( 61 )
Inventories	( 6,782 )	( 5,103 )
Prepaid expenses	( 607 )	4,484
Accounts payable	( 270,429 )	257,545
Payable to affiliates	117,376	164,542
Other accrued liabilities	67,727	7,899
Net cash used in operating activities	<u>\$( 231,114 )</u>	<u>\$( 3,281 )</u>

*See accompanying notes.*

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

Years ended September 30, 2023 and 2022

## 1. Organization

Majuro Resort, Inc. (MRI) dba Marshall Islands Resort, a component unit of the Republic of the Marshall Islands (RepMar), was formed on November 8, 1995, as a corporation. The primary business of MRI is the operation of a 150-room hotel on Majuro Atoll in the Republic of the Marshall Islands. MRI is governed by a seven-member Board of Directors appointed by the Cabinet of RepMar. MRI'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 MRI 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 - and 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 34*, establish financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB Statement No. 34, equity is presented in the following net position categories:

- 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 MRI is subject to externally imposed stipulations that can be fulfilled by actions of the MRI pursuant to those stipulations or that expire with the passage of time. MRI has no restricted net position as of September 30, 2023 and 2022.
- 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 MRI's policy to use unrestricted resources first, then restricted resources as they are needed.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**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.

**Revenue Recognition**

MRI considers room and related food, beverage and telephone revenues and costs directly related to such revenues to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating.

**Cash**

Custodial credit risk is the risk that in the event of a bank failure, MRI'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. MRI 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 and savings accounts. As of September 30, 2023 and 2022, the carrying amount of cash was \$717,578 and \$940,863, respectively, and the corresponding bank balances were \$776,566 and \$780,300, respectively. Of the bank balances, \$622,342 and \$608,849, respectively were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$154,224 and \$171,451, respectively, were maintained in a financial institution not subject to depository insurance.

As of September 30, 2023 and 2022, bank deposits in the amount of \$250,000 were FDIC insured. MRI does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Receivables**

All receivables are uncollateralized and are due from hotel customers and others located within the Republic of the Marshall Islands and the South Pacific region. 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. Management determines the adequacy of the allowance for uncollectible accounts based upon review of the aged accounts receivable. The allowance is established through a provision for bad debts charged to income. Bad debts are written off against the allowance on the specific identification method.

**Inventories**

Inventories are stated at the lower of cost (average costing) or market (net realizable 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.

**Operating Supplies**

Chinaware, glass, linen, silverware and uniforms are charged to expense in the year of purchase.

**Property, Plant and Equipment**

Property, plant and equipment with a cost that equals or exceeds \$100 are capitalized. Such assets are stated at cost. 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>
Building and structure	24 years
Furniture and fixtures	3 years
Office equipment	3 years
Other equipment	3 years
Motor vehicles	3 years

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**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. MRI has no items that qualify for reporting in this category.

**Unearned Revenues**

Unearned revenues include amounts received for room and meal services prior to the end of the fiscal year but related to the subsequent accounting period.

**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 benefits. As of September 30, 2023 and 2022, the accumulated vacation leave liability amounted to \$128,932 and \$115,612, respectively, and is included within the statements of net position as other accrued liabilities.

**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. MRI has no items that qualify for reporting in this category.

**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 (GRT) of 3% on revenues. MRI is specifically exempt from this tax, however, all goods imported by MRI are subject to tax under the Import Duties Act, 1989.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements**

During the year ended September 30, 2023, MRI implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.
- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement provides clarification of provisions in:
  - 1) GASB Statement No. 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
  - 2) GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

- 3) GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- 1) GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

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

**Upcoming Accounting Pronouncements**

In April 2022, GASB issued Statement No. 99. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) 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 effective for the fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement 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. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for the fiscal year ending September 30, 2024.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for the fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. 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 primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues identified through agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following: a) management's discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for the fiscal year ending September 30, 2026.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

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

Management is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

**Accounting 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.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**3. Capital Assets**

Capital asset activity for the years ended September 30, 2023 and 2022 is as follows:

	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Building and structure	\$2,975,276	\$ ---	\$ ---	\$2,975,276
Furniture and fixtures	2,188,470	146,015	---	2,334,485
Motor vehicles	487,423	28,870	---	516,293
Office equipment	265,522	13,720	---	279,242
Other equipment	<u>109,878</u>	<u>6,566</u>	<u>---</u>	<u>116,444</u>
	6,026,569	195,171	---	6,221,740
Less accumulated depreciation	<u>(5,156,446)</u>	<u>(246,171)</u>	<u>---</u>	<u>(5,402,617)</u>
	<u>\$ 870,123</u>	<u>\$( 51,000)</u>	<u>\$ ---</u>	<u>\$ 819,123</u>
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Building and structure	\$2,975,276	\$ ---	\$ ---	\$2,975,276
Furniture and fixtures	1,972,035	216,435	---	2,188,470
Motor vehicles	487,423	---	---	487,423
Office equipment	265,366	156	---	265,522
Other equipment	<u>109,428</u>	<u>450</u>	<u>---</u>	<u>109,878</u>
	5,809,528	217,041	---	6,026,569
Less accumulated depreciation	<u>(4,917,942)</u>	<u>(238,504)</u>	<u>---</u>	<u>(5,156,446)</u>
	<u>\$ 891,586</u>	<u>\$( 21,463)</u>	<u>\$ ---</u>	<u>\$ 870,123</u>

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**4. Long-term Debt**

Long-term debt as of September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
<p>Note payable to the Marshall Islands Development Bank (MIDB), in the amount of \$520,000, with interest rate of 4% per annum. Interest payments commenced October 30, 2022 in monthly installments of \$1,710 through February 29, 2024. Principal and interest payments in monthly installments of \$3,846 commenced on March 31, 2024, and continue through February 28, 2039. The note is collateralized by a chattel mortgage over \$1.8 million in assets by MRI, the assignment of apartment rental revenues, and a guarantee from RepMar. The purpose of the loan is to provide working capital and to fund certain building structure renovations.</p>	<u>\$520,000</u>	<u>\$520,000</u>

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 14,879	\$ 20,707	\$ 35,586
2025	26,547	19,610	46,157
2026	27,517	18,640	46,157
2027	28,638	17,519	46,157
2028	29,759	16,398	46,157
2029 - 2033	168,214	62,568	230,782
2034 - 2038	205,406	25,377	230,783
2039	<u>19,040</u>	<u>191</u>	<u>19,231</u>
	<u>\$520,000</u>	<u>\$181,010</u>	<u>\$701,010</u>

**Debt Covenants**

The Loan Agreement, dated September 29, 2022, sets forth covenants to ensure payment of debt service. The primary requirements of the agreement are summarized below:

Events of default with finance-related consequences - the Loan Agreement specifies a number of Events of Default and related Remedies.

Acceleration - Upon the occurrence of an Event of Default and is continuing, the bank may, without notice or demand, declare all unpaid principal of and all interest accrued on the loan to be immediately due and payable, and upon such declaration, all such principal and interest shall become immediately due and payable.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**4. Long-term Debt, continued**

A summary of changes in long-term debt for the years ended September 30, 2023 and 2022, are as follows:

	Balance October 1, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2023</u>	Due Within <u>One Year</u>
Note payable:					
MIDB	<u>\$520,000</u>	\$ <u>---</u>	\$ <u>---</u>	<u>\$520,000</u>	<u>\$14,879</u>
	Balance October 1, <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2022</u>	Due Within <u>One Year</u>
Note payable:					
MIDB	<u>\$303,000</u>	<u>\$520,000</u>	<u>\$(303,000)</u>	<u>\$520,000</u>	<u>\$---</u>

**5. Related Party Transactions**

MRI is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including the Marshall Islands Development Bank (MIDB) and the College of Marshall Islands (CMI). MRI's hotel service is provided to RepMar and all RepMar-owned and affiliated entities. Services are provided to these entities at the same rates charged to third parties; however, MRI provides more favorable payment terms to its affiliates than those afforded to third parties. MRI utilizes services from certain affiliated entities at substantially more favorable terms than those incurred from third parties.

A summary of related party transactions as of September 30, 2023 and 2022, and for the years then ended is as follows:

		<u>2023</u>		
	<u>Revenues</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
RepMar	\$ 593,877	\$ 25,576	\$393,586	\$ 49,502
Marshalls Energy Company, Inc.	163,282	464,817	31,781	636,615
Marshall Islands Social Security Administration	10,223	179,011	32	173,024
College of Marshall Islands	403,095	---	113,486	---
Other	<u>132,377</u>	<u>142,837</u>	<u>132,633</u>	<u>18,215</u>
	<u>\$1,302,854</u>	<u>\$812,241</u>	<u>\$671,518</u>	<u>\$877,356</u>

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**5. Related Party Transactions, continued**

	<u>2022</u>			
	<u>Revenues</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
RepMar	\$ 478,956	\$ 171,548	\$149,791	\$ 31,985
Marshalls Energy Company, Inc.	146,100	531,500	335	581,382
Marshall Islands Social Security Administration	11,631	311,756	237	112,563
College of Marshall Islands	765,107	---	24,550	---
Other	<u>148,428</u>	<u>217,762</u>	<u>147,691</u>	<u>34,050</u>
	<u>\$1,550,222</u>	<u>\$1,232,566</u>	<u>\$322,604</u>	<u>\$759,980</u>

Receivables from affiliates are uncollateralized, interest free and have no set repayment terms.

MRI has entered into a revenue sharing agreement with MIDB for the operation and management of Hotel Ebeye and Restaurant, which is owned by MIDB. In accordance with the agreement, MRI shall pay MIDB \$5,000 per month plus 5% of net revenue as calculated in accordance with the agreement. MRI shall receive 95% of net revenue as calculated in accordance with the agreement as a management fee. In addition, MRI shall be reimbursed for certain eligible costs incurred in rendering services under the agreement. During the years ended September 30, 2023 and 2022, MRI recognized management fee revenue associated with this agreement of \$50,039 and \$31,026, respectively.

On January 3, 2022, MRI executed a facility use agreement with CMI for the provision of room and meal services to CMI students for the months of January 2022 through December 2022 totaling \$938,432. As of September 30, 2022, MRI recorded unearned revenue associated with this agreement of \$252,272. Further, during the years ended September 30, 2023 and 2022, MRI recognized revenue of \$252,272 and \$686,160, respectively, associated with this agreement.

During the years ended September 30, 2023, and 2022, MRI received cash operating subsidies from RepMar of \$297,600 and \$417,100, respectively.

**6. Risk Management**

MRI 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. MRI has elected to purchase general liability and commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. MRI does not maintain property insurance; and fire, lightning and typhoon insurance for its hotel building and contents. In the event of an insurable loss, MRI may be self-insured to a material extent.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

## 7. Commitment and Contingencies

### Commitment

MRI leases the land on which the hotel is situated at \$10,212 per year plus 2.5% of gross revenue earned. These payments are suspended until such time as any person or entity other than RepMar or any agency thereof holds 75% of the ownership of the lessee, or its successor in the interest in the hotel. The lease also requires that 5% of the initial outstanding shares of the lessee or its successor be issued to the lessor. Neither MRI nor RepMar have issued shares to the lessor as of September 30, 2023 and 2022.

### Contingencies

The accompanying financial statements have been prepared in accordance with GAAP, which contemplates the continuation of MRI as a going concern. During the years ended September 30, 2023 and 2022, MRI reported operating losses of \$86,889 and \$695,490, respectively, and used a substantial amount of working capital in its operations resulting in a working capital deficiency of \$299,600 and \$451,832 as of September 30, 2023 and 2022, respectively. Management acknowledges that it is currently dependent on RepMar for cash funding to maintain MRI as a going concern. Although RepMar has provided funding in the past, MRI does not have a formal agreement with RepMar to provide funds in the future. Management believes that the continuation of MRI's operations is dependent upon the future financial support of RepMar, deferment in payment of certain liabilities, and/or significant improvements in operations.

In view of these matters, realization of a major portion of the assets in the accompanying statement of net position as of September 30, 2023, is dependent upon continued operations of MRI, which, in turn, is dependent upon MRI's ability to provide service to its customers and the success of future operations. Management believes that actions presently being undertaken to revise MRI's operating requirements, including the generation of positive cash flows from operations, and increasing occupancy rates and average room rates, provide the opportunity for MRI to continue as a going concern.

MRI did not file sales and local government taxes prior to August 2014, which may not have complied with applicable ordinances of the Majuro Atoll Local Government (MALGOV). As of September 30, 2023 and 2022, MRI had outstanding sales taxes of \$148,528 and \$147,892, respectively, and local government taxes of \$347,769 and \$343,947, respectively, which are reported as accrued taxes payable in the accompanying statements of net position.

Majuro Resort, Inc.  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**8. Subsequent Events**

*Marshalls Energy Company, Inc. (MEC)*

On January 11, 2024, MRI executed an interest-free promissory note with MEC in the amount of \$419,890 for the purpose of settling delinquent billings for utility services. Repayment commences January 11, 2024 in monthly installments of \$7,000 through December 31, 2028.

*Majuro Atoll Local Government (MALGOV)*

On September 18, 2025, MRI executed an interest-free promissory note with MALGOV in the amount of \$486,660 for the purpose of settling unpaid tax obligations. Penalties and interest totaling \$162,175 were waived and will not be collected. MRI shall make monthly payments ranging from \$3,000 to \$5,000.



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## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors  
Majuro Resort, Inc.

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 Majuro Resort, Inc. (MRI), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise MRI's basic financial statements, and have issued our report thereon dated December 2, 2025.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MRI'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 MRI's internal control. Accordingly, we do not express an opinion on the effectiveness of MRI's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

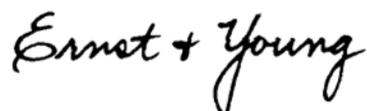
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of MRI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MRI'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.

December 2, 2025