

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

**Maga'låhen Hurao-CHamoru Academy
Charter School**
(A Non-Profit Organization)

*Year ended September 30, 2025
with Report of Independent Auditors*



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Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

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

Year ended September 30, 2025

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

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Report of Independent Auditors

The Board of Directors
Maga'låhen Hurao-CHamoru Academy Charter School

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 the Academy'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 Responsibility 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 and the Budgetary Comparison Schedule – Governmental Funds on page 24 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 March 6, 2026, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Ernst + Young LLP

March 6, 2026

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis

Year ended September 30, 2025

The Management's Discussion and Analysis (MD&A) of Maga'låhen Hurao CHamoru Academy Charter School (the School or MH) provides an overview of the School's financial activities for the fiscal year ended September 30, 2025. This discussion and analysis should be read in conjunction with the School's financial statements and accompanying notes. This MD&A focuses on the current year's activities, resulting changes, and currently known facts.

Fiscal year 2025 represents the School's inaugural year of operations. Maga'låhen Hurao CHamoru Academy Charter School opened its doors in August 2024 as Guam's first CHamoru language and culture immersion charter school, marking a historic milestone in the preservation and perpetuation of CHamoru language and indigenous culture through public education. Fiscal year 2024 reflects a partial year of pre-operational and start-up activities; accordingly, the comparative data presented for fiscal year 2024 is limited and reflects only those startup period transactions.

SCHOOL OVERVIEW

Mission

Maga'låhen Hurao CHamoru Academy Charter School is dedicated to producing and empowering young indigenous and non-indigenous minds through culturally rich and inclusive CHamoru Medium Education, fostering academic excellence, CHamoru values and traditions, cultural pride, and holistic growth. As the island's pioneering CHamoru-medium charter school, MH delivers an educational program that integrates the CHamoru language as the primary medium of instruction while honoring and transmitting indigenous cultural practices, values, and knowledge systems to the next generation.

Enrollment

During its inaugural year, MH demonstrated remarkable enrollment growth. Beginning school year 2024-2025 with 91 students in grades K3 through 5th grade, enrollment grew to 174 students at the start of school year 2025-2026, representing a 91% increase. The School is authorized to serve up to 200 students and continues to work toward full capacity as it expands grade offerings.

Governance

The School completed a governance transition during fiscal year 2025. From August 2024 through April 2025, the Chief Hurao, Inc. Board of Directors served as the transitional governing board, as contemplated in the approved charter application. In May 2025, an independent Board of Directors assumed governance responsibilities. The seven-member board includes four independent members, constituting a majority, with three officers serving on both the Chief Hurao Academy (CHA) and MH boards.

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

SCHOOL OVERVIEW, continued

Staffing and Program Expansion

During fiscal year 2025, MH significantly expanded its staffing and program offerings to meet growing enrollment demand. The School added 11 staff positions, including instructional and support personnel. Program expansions included adding an additional Pre-K3 class, an additional Pre-K4 class, and launching a new 6th grade program. These investments position the School for continued growth while maintaining the quality of its CHamoru immersion educational programming.

Facility

The School operates in a facility leased from the Business Technology Endowment Foundation in Barrigada.

FINANCIAL HIGHLIGHTS

The following are the key financial highlights for the School's inaugural fiscal year ending September 30, 2025:

- Net position at fiscal year end: \$218,668
- Total revenues: \$1,379,749 (99.5% from Government of Guam appropriations)
- Total expenses: \$1,368,497
- Change in net position: \$11,252
- General Fund fund balance: \$184,247

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three components: (1) Management's Discussion and Analysis; (2) Basic Financial Statements; and (3) Notes to the Financial Statements.

The government-wide financial statements use the accrual basis of accounting and report all revenues and expenses regardless of when cash is received or paid. The Statement of Net Position presents the School's assets and liabilities, with the difference reported as net position. The Statement of Activities shows how net position changed during the fiscal year.

The governmental fund financial statements use the modified accrual basis of accounting, focusing on near-term inflows and outflows of spendable resources. The School maintains a single governmental fund—the General Fund. A reconciliation between the fund statements and government-wide statements is provided in the basic financial statements.

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The following table presents a condensed comparative Statement of Net Position:

Condensed Statements of Net Position
September 30, 2025 and 2024

| | <u>FY 2025</u> | <u>FY 2024</u> |
|--|-------------------------|-------------------------|
| Assets: | | |
| Cash | \$132,574 | \$ --- |
| Receivables | 529,393 | 250,000 |
| Other assets | 8,333 | 8,333 |
| Capital assets, net | <u>202,284</u> | <u>318,990</u> |
| Total assets | <u>872,584</u> | <u>577,323</u> |
| Liabilities: | | |
| Accounts payable and other liabilities | 88,995 | 111,982 |
| Due to related party | 397,058 | --- |
| Lease liability | <u>167,863</u> | <u>257,925</u> |
| Total liabilities | <u>653,916</u> | <u>369,907</u> |
| Net position: | | |
| Net investment in capital assets | 34,421 | 61,065 |
| Unrestricted | <u>184,247</u> | <u>146,351</u> |
| Total net position | <u>\$218,668</u> | <u>\$207,416</u> |

Total assets increased by \$295,261 (51.1%) from \$577,323 in fiscal year 2024 to \$872,584 in fiscal year 2025. This growth was primarily driven by the recognition of \$132,574 in cash, growth in receivables from \$250,000 to \$529,393 due to expanded per-pupil appropriations for the full year of operations.

Total liabilities increased by \$284,009 (76.8%) from \$369,907 to \$653,916. Current liabilities reflect accounts payable and accrued expenses associated with the first full year of school operations, including salaries, contractual services, and operational costs. These include accounts payable and other liabilities (\$88,995), due to related party (\$397,058), and the lease liability (\$167,863). The lease liability decreased from \$257,925 to \$167,863 as lease payments were made during the year.

The School's total net position increased by \$11,252 from \$207,416 at the end of fiscal year 2024 to \$218,668 at the end of fiscal year 2025.

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Statement of Activities

The following table presents a condensed comparative Statement of Activities:

Condensed Statements of Activities
Years Ended September 30, 2025 and 2024

| | <u>FY 2025</u> | <u>FY 2024</u> |
|-----------------------------------|--------------------------|-------------------------|
| Revenues: | | |
| Government of Guam appropriations | \$1,372,434 | \$250,000 |
| Other revenues | <u>7,315</u> | <u>---</u> |
| Total revenues | <u>1,379,749</u> | <u>250,000</u> |
| Expenses: | | |
| Instructional services | 398,083 | --- |
| Support services | <u>970,414</u> | <u>42,584</u> |
| Total expenses | <u>1,368,497</u> | <u>42,584</u> |
| Change in net position | 11,252 | 207,416 |
| Net position, beginning of year | <u>207,416</u> | <u>---</u> |
| Net position, end of year | <u>\$ 218,668</u> | <u>\$207,416</u> |

Total revenues increased by \$1,129,749 from \$250,000 in fiscal year 2024 to \$1,379,749 in fiscal year 2025. This increase reflects the School's transition from the pre-operational startup period to its first full year of educational operations. Fiscal year 2024 revenues consisted solely of the initial Government of Guam appropriation of \$250,000 to fund startup activities. Fiscal year 2025 revenues were driven primarily by per-pupil appropriations of \$1,372,434, based on per-pupil funding authorized by Public Law.

Total expenses increased by \$1,325,913 from \$42,584 in fiscal year 2024 to \$1,368,497 in fiscal year 2025. Fiscal year 2024 expenses were limited to the initial opening of operations. Fiscal year 2025 expenses reflect a full year of school operations.

GENERAL FUND FINANCIAL ANALYSIS

The School's General Fund reported revenues of \$1,379,749 and expenditures of \$1,341,853, resulting in a net change in fund balance of \$37,896. Combined with the beginning fund balance of \$146,351, the ending fund balance was \$184,247.

Maga'låhen Hurao-CHamoru Academy Charter School
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Management's Discussion and Analysis, continued

GENERAL FUND FINANCIAL ANALYSIS, continued

The difference between governmental fund balance (\$184,247) and government-wide net position (\$218,668) results from differences in measurement focus and basis of accounting. Capital assets and long-term liabilities are reported in the government-wide statements but not in the fund statements. A reconciliation is provided in the basic financial statements.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of September 30, 2025, capital assets (net of accumulated depreciation and amortization) totaled \$202,284, consisting of:

- Leasehold improvements: \$39,065 (net of \$31,250 accumulated depreciation)
- Right-of-use lease asset: \$163,219 (net of \$116,585 accumulated amortization)

This represents a decrease of \$126,885 from the fiscal year 2024 net capital asset balance of \$329,169, due to continued depreciation and amortization.

Please refer to Note 5 to the accompanying financial statements for additional information on capital assets.

Long-Term Debt

As of September 30, 2025, the School's long-term obligations consisted of a lease liability related to the facility lease. The total lease liability at year end was \$167,863, representing the present value of remaining lease payments. This obligation is being amortized over the lease term through monthly payments.

Please refer to Note 6 to the accompanying financial statements for additional information on long-term debt.

RELATED PARTY TRANSACTIONS

MH has transactions with Chief Hurao Academy, Inc. (CHA), a related nonprofit organization. Chief Hurao, Inc. served as the applicant organization for the School's charter, and its Board of Directors served as the School's Transitional Board from August 2024 through April 2025. As of September 30, 2025, three of seven board members serve on both organizations, with four independent members constituting a majority of the School's Board.

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

RELATED PARTY TRANSACTIONS, continued

During fiscal year 2025, the School contracted with CHA for curriculum development and teacher training services totaling \$325,000. CHA also provided bridge financing to support startup operations before Government of Guam appropriations were received. As of September 30, 2025, the outstanding bridge loan balance was \$193,852. The loan is non-interest bearing.

These transactions are disclosed in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As of September 30, 2025, the School had receivables of \$529,393 from the Government of Guam, representing appropriations earned but not yet received. Management expects collection of this receivable.

The School's financial planning for fiscal year 2026 and beyond is influenced by several economic and operational factors:

Enrollment Growth: The School projects continued enrollment growth as it adds grade levels and additional classes. For fiscal year 2026, the School plans continued grade expansion through FY27. Enrollment growth directly impacts per-pupil appropriation revenues.

Per-Pupil Funding: The School's primary revenue source is the Government of Guam per-pupil appropriation of \$7,800. Changes in this funding rate or delays in appropriation disbursements could significantly impact the School's financial position.

Staffing Needs: As enrollment grows, the School will need to hire additional qualified CHamoru language immersion teachers and support staff.

Facility Planning: The School's current lease arrangement provides adequate space for near-term operations. As enrollment approaches the 200-student capacity, management will evaluate facility needs to accommodate continued growth.

Grant and Partnership Opportunities: The School continues to pursue grant opportunities and community partnerships to supplement Government appropriations and enhance educational programming.

For fiscal year 2026, the School anticipates continued enrollment growth and has prepared its budget accordingly.

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Angelana Iriarte
Chief Operations Officer
Maga'låhen Hurao CHamoru Academy Charter School
196 Bejong St.
Barrigada, Guam 96913

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2025

| | <u>General Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Net Position</u> |
|---|--------------------------|---------------------------------|--------------------------------------|
| Assets: | | | |
| Cash | \$ 132,574 | \$ --- | \$ 132,574 |
| Accounts receivable - due from GovGuam | 529,393 | --- | 529,393 |
| Other assets | 8,333 | --- | 8,333 |
| Lease asset - building, net | --- | 163,219 | 163,219 |
| Depreciable capital assets, net | --- | 39,065 | 39,065 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | \$ <u>670,300</u> | <u>202,284</u> | <u>872,584</u> |
| Liabilities and Fund Balance/Net Position: | | | |
| Accounts payable and other liabilities | \$ 88,995 | --- | 88,995 |
| Due to related party | 397,058 | --- | 397,058 |
| Long term liability: | | | |
| Due within one year | --- | 94,274 | 94,274 |
| Due after one year | --- | 73,589 | 73,589 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | <u>486,053</u> | <u>167,863</u> | <u>653,916</u> |
| Fund balance: unassigned | <u>184,247</u> | (<u>184,247</u>) | |
| Total liabilities and fund balances | \$ <u><u>670,300</u></u> | | |
| Net position: | | | |
| Net investment in capital assets | | 34,421 | 34,421 |
| Unrestricted | | <u>184,247</u> | <u>184,247</u> |
| Total net position | | \$ <u><u>218,668</u></u> | \$ <u><u>218,668</u></u> |

See accompanying notes.

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

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

Year ended September 30, 2025

| | <u>General Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Activities</u> |
|---|-------------------------|---------------------------------|------------------------------------|
| Expenditures/expenses: | | | |
| Instructional services: | | | |
| Salaries and wages | \$ 398,083 | \$ --- | \$ 398,083 |
| Support services: | | | |
| Contract services | 328,858 | --- | 328,858 |
| Salaries and wages | 277,424 | --- | 277,424 |
| Amortization expense | --- | 93,268 | 93,268 |
| Student meal supplement | 58,080 | --- | 58,080 |
| Office and classroom equipment | 47,648 | --- | 47,648 |
| Utilities | 38,176 | --- | 38,176 |
| Communication and technology | 29,082 | --- | 29,082 |
| Depreciation expense | --- | 23,438 | 23,438 |
| Insurance | 16,406 | --- | 16,406 |
| Office supplies and software | 14,843 | --- | 14,843 |
| Advertising and marketing | 10,027 | --- | 10,027 |
| Interest expense | --- | 9,938 | 9,938 |
| Small tools and equipment | 7,401 | --- | 7,401 |
| Renovation | 6,033 | --- | 6,033 |
| Repairs and maintenance | 4,550 | --- | 4,550 |
| Miscellaneous | 3,492 | --- | 3,492 |
| Transportation | 1,200 | --- | 1,200 |
| Bank charges and fees | 550 | --- | 550 |
| Rent | 100,000 | (100,000) | --- |
| Total expenditures/expenses | 1,341,853 | 26,644 | 1,368,497 |
| General revenues: | | | |
| Appropriations | 1,372,434 | --- | 1,372,434 |
| Miscellaneous | 3,250 | --- | 3,250 |
| Grant | 2,500 | --- | 2,500 |
| Fundraising | 1,134 | --- | 1,134 |
| | 1,379,318 | --- | 1,379,318 |
| Program revenues: | | | |
| Student meals | 431 | --- | 431 |
| | 1,379,749 | --- | 1,379,749 |
| Excess (deficiency) of revenues over (under) expenditures/expenses | 37,896 | (37,896) | |
| Change in net position | | 11,252 | 11,252 |
| Fund balance/net position: | | | |
| Beginning of year | 146,351 | 61,065 | 207,416 |
| End of year | \$ 184,247 | \$ 34,421 | \$ 218,668 |

See accompanying notes.

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements

Year ended September 30, 2025

1. Organization

Maga'låhen Hurao-CHamoru Academy Charter School (the "Academy") is a non-profit public benefit corporation designed to increase fluency and usage of the CHamoru language among the people of Guam. The Academy is organized exclusively for educational and charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Academy was incorporated under the laws of Guam on June 7, 2024 and began student enrollment during August 2024.

The Academy is established for the purpose of operating an academy charter school which operates independently from the Guam Public School System for the purposes specifically set forth in 17 GCA §12102. The Academy is governed by a Board of Directors. The Directors are elected or selected pursuant to the Charter granted by the Guam Academy Charter Schools Act of 2009 (GACS). The Board of Directors consists of not less than three (3) members and not more than fifteen (15) members. As of September 30, 2025, the Board of Directors consisted of seven (7) members. The Directors must embrace, protect, and perpetuate the mission of the corporation.

The Academy is subject to independent oversight by the Guam Academy Charter School Council (the "Council"). The Council is tasked with monitoring the Academy's operations, compliance with applicable laws and the provisions of the charter granted, the progress of meeting student academic achievement expectations specified in the charter and compliance with annual reporting requirements. The Academy follows the governmental reporting model as used by local education agencies because of the authority of the Council to terminate or revoke the charter with all assets reverting back to the Guam Department of Education (GDOE).

2. Summary of Significant Accounting Policies

The financial statements of the Academy are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing Governmental Accounting and Financial Reporting Principles.

The Academy is a special-purpose government that is engaged in governmental activities. Therefore, the financial statements are prepared in the same manner as general-purpose governments.

Maga'låhen Hurao-CHamoru Academy Charter School
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Academy. These statements include the financial activities of the overall entity. These statements distinguish between the governmental and business-type activities of the Academy. Governmental activities generally are financed through appropriations from the Government of Guam and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Fund Financial Statements

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

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

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

| | |
|--|-------------------|
| Fund balance - governmental funds | \$184,247 |
| Add: | |
| Lease asset, net | 163,219 |
| Depreciable capital assets, net | 39,065 |
| Less: | |
| Lease liability – current | (94,274) |
| Lease liability – noncurrent | (<u>73,589</u>) |
| Net position - governmental activities | <u>\$218,668</u> |

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued

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

| | |
|--|-----------|
| Net change in fund balances – governmental funds | \$ 37,896 |
|--|-----------|

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

| | |
|--|-----------|
| | (23,438) |
|--|-----------|

In the governmental funds, lease assets additions are reported as expenditure and other financing resources while principal and interest portions are reported as lease services when the lease payments are due. However, in the statement of activities, lease payments reduces the lease liability by the principal portion and lease assets are amortized over shorter of their useful lives or lease term. These amounts consist of:

| | |
|--------------------------|-----------|
| Lease principal payments | 90,062 |
| Lease amortization | (93,268) |

| | |
|---|------------------|
| Change in net position of governmental activities | <u>\$ 11,252</u> |
|---|------------------|

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus/Government-wide and Fund Financial Statements

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

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

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

Net Position and Fund Balance

Net position in the government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law.

The unassigned fund balance has not been assigned to another fund or restricted, committed or assigned to specific purposes within the General Fund.

Budgets

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

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash

For the purpose of presentation in the governmental funds balance sheet/statement of net position, cash consists of cash balances deposited in banks.

Funding

The Academy receives financial support in monthly allotments from the General Fund of the Government of Guam via the Department of Administration (DOA) to finance administrative and general expenditures/expenses on a reimbursable basis. Such expenditures/expenses mainly consist of salaries and wages, contractual wages, supplies and materials, utilities and other operating costs. The actual amounts remitted to the Academy are determined by the DOA's Internal Auditors through the validation of submitted invoices.

Pursuant to Guam Public Law 37-125, the cost per pupil was \$7,800 for the fiscal year ended September 30, 2025. The maximum number of students to be funded by the General Fund is not to exceed 200 students during Fiscal Year (FY) 2025. In FY2025, the maximum number of enrolled students was multiplied by the FY2025 Government of Guam General Appropriations Act approved amount of \$7,800 per student enrollee. For the fiscal year ended September 30, 2025, a total of 176 students, were enrolled and the Academy received government appropriations totaling \$1,372,434. As of September 30, 2025, the Academy recorded a receivable due from GovGuam in the amount of \$529,393 relating to government appropriations.

Fund Raising

The Academy participates in various fundraising activities during the year. Revenues received from these fundraising activities are recognized as fundraising income.

Grants

For the fiscal year ended September 30, 2025, the Academy received a sub-award grant from the U.S. Environmental Protection Agency (EPA) under the Champions of Coastal Resilience: Wetland Education and Restoration of the Pacific Program. The grant provided funding to build capacity in environmental education programs using a train-the-trainer model. The Academy received grants with a total value of \$2,500 for the year ended September 30, 2025, and is presented as grant revenues in the accompanying financial statements.

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Compensated Absences

Permanent employees of the Academy earn paid sick leave and personal leave in accordance with employee contracts and personnel policies. Eligible employees accrue four (4) hours of sick leave and four (4) to six (6) hours of personal leave each pay period based on tenure. Accumulated leave balances are subject to maximum limits of two hundred eight (208) hours of sick leave and two hundred eight (208) hours of personal leave. Accrued leave carries over from year-to-year until the maximum limit is reached. Any unused leave will not be paid to the employee upon separation. As accumulated leave is not payable upon separation, no liability for compensated absences has been recorded as of September 30, 2025.

Income Taxes

The Academy is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Guam Territorial Income Tax Law. Therefore, the Academy has made no provision for income taxes in the accompanying financial statements.

Capital Assets

Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the Academy as assets with an initial cost of more than \$5,000 or the anticipated life or useful value of said property is more than one year. Donated property and equipment are valued at the estimated fair market value as of the date received. Assets funded by federal grants are valued based on the initial cost.

Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives of 3 years.

Deferred Outflows of Resources

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

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Deferred Inflows of Resources

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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.

Recently Adopted Accounting Pronouncements

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

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

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

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

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

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

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 105 will be effective for fiscal year ending September 30, 2026.

3. Economic Dependency

The Academy receives a majority of its annual revenue from the Guam Legislature under the Guam Academy Charter School Funds under a six-year agreement. Under such agreement, the Council will review the Academy every six years, beginning on the date on which the charter is granted or renewed, to determine whether the charter should be revoked for material violations of laws and the terms of agreement or if the Academy fails to meet the goals and student academic achievement expectations.

4. Concentration of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Academy does not have a depository policy for custodial credit risk.

At September 30, 2025, the Academy has a balance of \$132,574, deposited in multiple accounts with a single financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC).

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

5. Capital and Lease Assets

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

| | <u>Beginning Balance</u> <u>October 1, 2024</u> | <u>Additions</u> | | <u>Ending Balance</u> <u>September 30, 2025</u> |
|---------------------------------|--|-------------------|--|--|
| Depreciable capital assets: | | | | |
| Leasehold improvements | \$ 70,315 | \$ --- | | \$ 70,315 |
| Less accumulated depreciation | (7,812) | (23,438) | | (31,250) |
| Depreciable capital assets, net | <u>\$ 62,503</u> | <u>\$(23,438)</u> | | <u>\$ 39,065</u> |
| Lease asset: | | | | |
| Building | \$279,804 | \$ --- | | \$279,804 |
| Less accumulated amortization | (23,317) | (93,268) | | (116,585) |
| Lease asset, net | <u>\$256,487</u> | <u>\$(93,268)</u> | | <u>\$163,219</u> |

6. Lease

The Academy leases a portion of the real property utilized as school campus. The lease contract was effective on July 1, 2024 for a term of 3 years. The lease contract includes fixed monthly base rent amounting to \$8,333.

The lease contract was amended to include the reimbursement or payment to the landlord for its cost related to power and water usage to the premises. For the fiscal year ended September 30, 2025, rent payments totaled \$100,000.

The opening and closing balance of the lease liability for the year ended September 30, 2025 are as follows:

| | |
|-------------------|------------------|
| Beginning balance | \$257,925 |
| Principal payment | (90,062) |
| Ending balance | <u>\$167,863</u> |

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

6. Lease, continued

A summary of future lease payments is as follows:

| Year ending <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|------------------|-----------------|------------------|
| 2026 | \$ 94,274 | \$5,726 | \$100,000 |
| 2027 | <u>73,589</u> | <u>1,411</u> | <u>75,000</u> |
| | <u>\$167,863</u> | <u>\$7,137</u> | <u>\$175,000</u> |

7. Related Party Transaction

Chief Hurao, Inc., a related nonprofit organization, was authorized to provide emergency financial support to the Academy during its first fiscal year in operation from August 2024 through approximately September 2025, or until such time as the Academy established independent banking operations and received government appropriations sufficient for operations. In addition, the Academy engaged Chief Hurao, Inc. to perform professional services related to CHamoru-medium curriculum development and teacher training from November 1, 2024 to September 30, 2025. As of September 30, 2025, payables totaled to \$397,058 is recorded as due to related party.

Required Supplementary Information

Maga'låhen Hurao-CHamoru Academy Charter School
(A Non-Profit Organization)

Budgetary Comparison Schedule – Governmental Funds
(Unaudited)

Year ended September 30, 2025

| | <u>Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Budget</u> |
|---|-----------------------------|---------------------------|---------------------------------|
| Expenditures: | | | |
| Regular Salaries/Increments/Special Pay | \$ 688,189 | \$ 627,502 | \$ 60,687 |
| Contractual services | 279,400 | 386,938 | (107,538) |
| Benefits | 265,121 | 64,411 | 200,710 |
| Office space rental | 100,000 | 100,000 | --- |
| Equipment | 50,000 | 47,648 | 2,352 |
| Power | 48,000 | 38,176 | 9,824 |
| Miscellaneous | 27,700 | 25,852 | 1,848 |
| Supplies and materials | 19,290 | 22,244 | (2,954) |
| Water/Sewer | 12,000 | --- | 12,000 |
| Telephone/Internet | 9,600 | 29,082 | (19,482) |
| Drug testing | 700 | --- | 700 |
| | <u>1,500,000</u> | <u>1,341,853</u> | <u>158,147</u> |
| Total expenditures | | | |
| Revenues: | | | |
| Appropriations | 1,500,000 | 1,372,434 | (127,566) |
| Other revenues | <u>---</u> | <u>7,315</u> | <u>7,315</u> |
| | <u>1,500,000</u> | <u>1,379,749</u> | <u>(120,251)</u> |
| Total revenues | | | |
| Excess of revenues over expenditures | <u>\$ ---</u> | <u>\$ 37,896</u> | <u>\$ 37,896</u> |



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

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

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
Maga'låhen Hurao-CHamorú Academy Charter School

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Maga'låhen Hurao-CHamorú Academy Charter School ("the Academy"), which comprise the statement of financial position as of September 30, 2025, and the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated March 6, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

March 6, 2026