

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

Republic of the Marshall Islands
Multisectoral Early Childhood Development
Project II - Grant Number E032-MH
(Financed by the International Development Association)

Year ended September 30, 2024



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with confidence**



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Ernst & Young (RMI), Inc.
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December 19, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Multisectoral Early Childhood Development Project II (the Project) financed by the World Bank's International Development Association - Grant Number E032-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated December 19, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated April 15, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the April 2025 meeting with Management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

No corrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2024.

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

Refer to the "Management Representations Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated December 19, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the April 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified regarding management's planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

This communication is intended solely for the information and use of those charged with governance, the Project's management and the Office of the Auditor-General, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

The signature is written in a cursive, handwritten style. It reads "Ernst & Young" with a stylized ampersand and a long, sweeping tail on the word "Young".

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Multisectoral Early Childhood Development Project II

December 19, 2025

Appendix

A - Management Representations Letter

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

December 19, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audits of the financial statement of the Republic of the Marshall Islands (RMI) Multisectoral Early Childhood Development II (the Project) financed by the World Bank's International Development Association - Grant Number E032-MH, which comprises the statements of cash receipts and disbursements for the years ended September 30, 2024 and 2023, and the related notes to the financial statement, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated April 15, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Management's responsibilities, continued

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current period financial statement.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Internal control, continued

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

There have been no significant changes in internal control since September 30, 2024.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the years ended September 30, 2024 and 2023, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

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

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

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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

Purchase commitments

At September 30, 2024 and 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2024 and 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Non-compliance with laws and regulations, including fraud, continued

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project’s affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project’s audit.

Conflicts of interest

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

Going concern

In preparing the financial statement, we evaluated the entity’s ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “Supplementary Information”):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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

Additional representations

- We recognize that we are responsible for the Project’s compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Additional representations

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the years ended September 30, 2024 and 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Other matters, continued

- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2024, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'ayako'.

Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services

*Financial Statement, Supplementary and Other
Information, and Report on Internal Control and
Compliance*

**Republic of the Marshall Islands
Multisectoral Early Childhood Development
Project II - Grant Number E032-MH**
(Financed by the International Development Association)

*Year ended September 30, 2023
with Report of Independent Auditors*



Shape the future
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Republic of the Marshall Islands
Multisectoral Early Childhood Development Project II -
Grant Number E032-MH
(Financed by the International Development Association)

Year ended September 30, 2023

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Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) Multisectoral Early Childhood Development Project II (the Project) financed by the World Bank's International Development Association - Grant Number E032-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the year ended September 30, 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Project'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Schedule of Grant Drawdowns on page 8, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 9 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

The logo for Ernst + Young, written in a black, cursive script font.

October 23, 2025

Republic of the Marshall Islands
RMI Multisectoral Early Childhood Development Project II -
Grant Number E032-MH
(Financed by the International Development Association)

Statement of Cash Receipts and Disbursements

Year ended September 30, 2023

Cash receipts:	
IDA grant drawdowns	\$ 2,246,420
Interest	318
Total cash receipts	2,246,738
Cash disbursements:	
Component 1: Improve Coverage of Essential RMNCH-N Services	455,028
Component 2: Improve Coverage of Stimulation and Early Learning Activities	421,961
Component 3: Social Assistance for Early Years' Families	775,165
Component 4: Strengthening the Multisectoral ECD System and Project Management	375,191
Total cash disbursements	2,027,345
Net change	\$ 219,393

Republic of the Marshall Islands
Multisectoral Early Childhood Development Project II -
Grant Number E032-MH
(Financed by the International Development Association)

Notes to Financial Statement

Year ended September 30, 2023

1. Organization

On August 3, 2022, the Republic of Marshall Islands (RMI) through the Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of the RMI Multisectoral Early Childhood Development Project II (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR 19,600,000 (\$27,000,000) under IDA Grant No. E032-MH to cover eligible expenditures up to the closing date of December 31, 2026.

The objectives of the Project are to improve coverage of multisectoral early childhood development services in the Republic of the Marshall Islands and in case of an Eligible Crisis or Emergency, respond promptly and effectively.

The Project consists of the following parts with respective allocations:

Component 1 - Improve Coverage of Essential RMNCH-N Services	\$ 6,000,000
Component 2 - Improve Coverage of Stimulation and Early Learning Activities	6,000,000
Component 3 - Social Assistance for Early Years Families	9,600,000
Component 4 - Strengthening the multisectoral ECD system and Project management	<u>5,400,000</u>
	<u>\$27,000,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency responsible for carrying out the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$2,000,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by MOFBPS associated with the Project and do not incorporate any accounts related to other non-Project activities of MOFBPS or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
Multisectoral Early Childhood Development Project II -
Grant Number E032-MH
(Financed by the International Development Association)

Notes to Financial Statement, continued

2. Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statement is presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

The Association has made grant proceeds of \$27,000,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2023, remaining commitments associated with unused grant proceeds amount to \$24,972,655.

4. Subsequent Event

MOFBPS has evaluated subsequent events through October 23, 2025, which is also the date the Project's financial statement is available to be issued.

Supplementary and Other Information

Republic of the Marshall Islands
 RMI Multisectoral Early Childhood Development Project II -
 Grant Number E032-MH
 (Financed by the International Development Association)

Schedule of Grant Drawdowns

Year ended September 30, 2023

	WA #	Date Funds Received	Total
Advance	WA# 1	December 13, 2022	\$ 2,000,000
Direct payment	WA# 2	March 14, 2023	246,420
			\$ 2,246,420

Republic of the Marshall Islands
RMI Multisectoral Early Childhood Development Project II -
Grant Number E032-MH
(Financed by the International Development Association)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (August 3, 2022) through September 30, 2023 and for the year ended September 30, 2023

	Total Project Budget	Total Cumulative Project Disbursements						
		Cumulative from August 3, 2022 to September 30, 2022	Year ended September 30, 2023	Cumulative from August 3, 2022 to September 30, 2023	Unspent	Year ended September 30, 2023		
	Total					Budget	Actual	Variance
Implementation costs:								
Component 1: Improve Coverage of Essential RMNCH-N Services	\$ 6,000,000	\$ ---	\$ 455,028	\$ 455,028	\$ 5,544,972	\$ 1,972,082	\$ 455,028	\$ 1,517,054
Component 2: Improve Coverage of Stimulation and Early Learning Activities	6,000,000	---	421,961	421,961	5,578,039	1,088,854	421,961	666,893
Component 3: Social Assistance for Early Years' Families	9,600,000	---	775,165	775,165	8,824,835	989,570	775,165	214,405
Component 4: Strengthening the Multisectoral ECD System and Project Management	5,400,000	---	375,191	375,191	5,024,809	1,365,714	375,191	990,523
Total implementation costs	\$ 27,000,000	\$ ---	\$ 2,027,345	\$ 2,027,345	\$ 24,972,655	\$ 5,416,220	\$ 2,027,345	\$ 3,388,875



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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*

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) Multisectoral Early Childhood Development Project II (the Project) financed by the World Bank's International Development Association - Grant Number E032-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023 and the related notes to the financial statement, and have issued our report thereon dated October 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

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

October 23, 2025

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

Republic of the Marshall Islands
Multisectoral Early Childhood Development
Project II - Grant Number E032-MH
(Financed by the International Development Association)

Year ended September 30, 2023



Shape the future
with confidence

October 23, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Multisectoral Early Childhood Development Project II (the Project) financed by the World Bank's International Development Association - Grant Number E032-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated October 23, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated March 10, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the March 2025 meeting with Management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

No corrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2023.

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

Refer to the "Management Representations Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated October 23, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the March 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified regarding management's planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

Engagement team's involvement with preparation of the financial statements

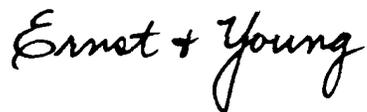
Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

This communication is intended solely for the information and use of those charged with governance, the Project's management and the Office of the Auditor-General, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

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

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Multisectoral Early Childhood Development Project II

October 23, 2025

Appendix

A - Management Representations Letter

A - Management Representations Letter



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

October 23, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the financial statement of the Republic of the Marshall Islands (RMI) Multisectoral Early Childhood Development II (the Project) financed by the World Bank's International Development Association - Grant Number E032-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated March 10, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Management's responsibilities, continued

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current period financial statement.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Internal control, continued

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

There have been no significant changes in internal control since September 30, 2023.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.



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A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the year ended September 30, 2023, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

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

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

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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

Purchase commitments

At September 30, 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.



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A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Non-compliance with laws and regulations, including fraud, continued

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project’s affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project’s audit.

Conflicts of interest

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

Going concern

In preparing the financial statement, we evaluated the entity’s ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “Supplementary Information”):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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

Additional representations

- We recognize that we are responsible for the Project’s compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Additional representations

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the years ended September 30, 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Other matters, continued

- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2023, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services

*Financial Statement, Supplementary and Other Information,
and Report on Internal Control and Compliance*

**Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience
Program - Grant Numbers D183-MH, D569-MH, E322-MH
and TF0B2404**

(Jointly financed by the International Development Association
and the Green Climate Fund)

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



**Shape the future
with confidence**

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH, E322-MH and TF0B2404
(Jointly financed by the International Development Association
and the Green Climate Fund)

Years ended September 30, 2024 and 2023

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Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) Pacific Resilience Project II under the Pacific Resilience Program (the Project) jointly financed by the World Bank's International Development Association and the Green Climate Fund, which comprises the statements of cash receipts and disbursements for the years ended September 30, 2024 and 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the years ended September 30, 2024 and 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

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 Statement section of our report. We are required to be independent of the Project 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.

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Project'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Combining Statement of Cash Receipts and Disbursements and the Schedule of Grant Drawdowns on pages 9 and 10, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

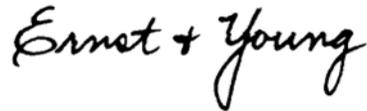
Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 11 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

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

December 19, 2025

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH, E322-MH and TF0B2404
(Jointly financed by the International Development
Association and the Green Climate Fund)

Statements of Cash Receipts and Disbursements

	Year ended September 30,	
	2024	2023
Cash receipts:		
IDA grant drawdowns	\$ 1,177,858	\$ 3,357,715
GCF grant drawdowns	10,876,126	1,212,223
Interest	473	311
Total cash receipts	12,054,457	4,570,249
Cash disbursements:		
Component 1: Institutional Strengthening, Early Warning and Preparedness	3,706,529	2,727,680
Component 2: Strengthening Coastal Resilience	8,431,089	1,215,859
Component 3: Contingency Emergency Response	---	---
Component 4: Project Management	473,223	527,945
Total cash disbursements	12,610,841	4,471,484
Net change	\$(556,384)	\$ 98,765

See accompanying notes.

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH, E322-MH and TF0B2404
(Jointly financed by the International Development Association
and the Green Climate Fund)

Notes to Financial Statement

Years ended September 30, 2024 and 2023

1. Organization

On June 30, 2017, the Republic of Marshall Islands (RMI) through the RMI Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of the Pacific Resilience Project II under the Pacific Resilience Program (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR14,500,000 (\$19,631,000) under IDA Grant No. D183-MH to cover eligible expenditures up to the initial closing date of February 12, 2024.

The objectives of the Project are to strengthen early warning systems, climate resilient investment in shoreline protection, and to provide immediate and effective response to an eligible crisis or emergency.

The Financing Agreement was amended and restated on May 13, 2020, and the following additional agreements were signed:

- Additional Financing whereby the Association agreed to extend to the Recipient an additional grant for the amount equivalent to SDR11,200,000 (US\$15,367,000) under IDA Grant No. D569-MH to cover eligible expenditures up to the closing date of February 12, 2024.
- Green Climate Fund (GCF) financing whereby the World Bank agreed to extend to the Recipient a non-reimbursable grant in the amount of US\$25,000,000 under GCF Grant No. TF0B2404 to cover eligible expenditures up to the closing date of February 12, 2024.

The Financing Agreement was further amended on May 23, 2024, and the following additional agreement was signed:

- Additional Financing whereby the Association agreed to extend to the Recipient an additional grant for the amount equivalent to SDR11,400,000 (US\$15,000,000) under IDA Grant No. E322-MH to cover eligible expenditures up to the closing date of June 30, 2026.

On February 12, 2024, the Association approved an extension of the closing date for GCF Grant No. TF0B2404 to December 31, 2025, and for IDA Grant No. D183-MH and IDA Grant No. D569-MH to June 30, 2026.

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH, E322-MH and TF0B2404
(Jointly financed by the International Development Association
and the Green Climate Fund)

Notes to Financial Statement, continued

1. Organization, continued

The Project consists of the following parts with respective allocations from the four grants:

Component 1 - Institutional Strengthening, Early Warning and Preparedness	\$ 8,226,379
Component 2 - Strengthening Coastal Resilience	61,012,435
Component 3 - Contingency Emergency Response	1,167,000
Component 4 - Project Management	<u>4,592,186</u>
	<u>\$74,998,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency responsible for carrying out the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$200,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by the MOFBPS associated with the Project and do not incorporate any accounts related to other non-Project activities of the MOFBPS or any other departments or agencies of the RMI Government.

2. Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statement is presented in US Dollars, which is the Project's functional and presentation currency.

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH, E322-MH and TF0B2404
(Jointly financed by the International Development Association
and the Green Climate Fund)

Notes to Financial Statement, continued

3. Commitments

The Association has made grant proceeds of \$74,998,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2024, remaining commitments associated with unused grant proceeds amount to \$51,458,963.

4. Subsequent Events

MOFBPS has evaluated subsequent events through December 19, 2025, which is also the date the Project's financial statement is available to be issued.

Supplementary and Other Information

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH, E322-MH and TF0B2404
(Jointly financed by the International Development
Association and the Green Climate Fund)

Combining Statement of Cash Receipts and Disbursements

Year ended September 30, 2024

	IDA	GCF	Total
Cash receipts:			
IDA grant drawdowns	\$ 1,177,858	\$ ---	\$ 1,177,858
GCF grant drawdowns	---	10,876,126	10,876,126
Interest	473	---	473
Total cash receipts	1,178,331	10,876,126	12,054,457
Cash disbursements:			
Component 1: Institutional Strengthening, Early Warning and Preparedness	1,305,760	2,400,769	3,706,529
Component 2: Strengthening Coastal Resilience	533,482	7,897,607	8,431,089
Component 3: Contingency Emergency Response	---	---	---
Component 4: Project Management	302,937	170,286	473,223
Total cash disbursements	2,142,179	10,468,662	12,610,841
Net change	\$(963,848)	\$ 407,464	\$(556,384)

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH, E322-MH and TF0B2404
(Jointly financed by the International Development
Association and the Green Climate Fund)

Schedule of Grant Drawdowns

Year ended September 30, 2024

	Grant #	WA #	Date Funds Received	Total
Replenishment	D183-MH	WA# 24	October 19, 2023	\$ 130,265
Replenishment	D183-MH	WA# 25	November 10, 2023	626,007
	Sub-total Grant # D183-MH			<u>756,272</u>
Replenishment	D569-MH	WA# 8	October 19, 2023	134,599
Replenishment	D569-MH	WA# 9	November 10, 2023	286,987
	Sub-total Grant # D569-MH			<u>421,586</u>
Replenishment	TF0B2404	WA# 9	October 1, 2023	320,937
Replenishment	TF0B2404	WA# 10	October 19, 2023	124,515
Replenishment	TF0B2404	WA# 11	October 19, 2023	106,581
Replenishment	TF0B2404	WA# 12	November 10, 2023	512,187
Replenishment	TF0B2404	WA# 13	February 26, 2024	302,393
Direct payment	TF0B2404	WA# 17	July 23, 2024	6,971,383
Direct payment	TF0B2404	WA# 19	September 4, 2024	1,849,071
Direct payment	TF0B2404	WA# 20	September 20, 2024	689,059
	Sub-total Grant # TF0B2404			<u>10,876,126</u>
				<u>\$ 12,053,984</u>

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH, E322-MH and TF0B2404
(Jointly financed by the International Development Association and the Green Climate Fund)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (June 30, 2017) through September 30, 2024 and for the year ended September 30, 2024

	Total Project Budget	Total Cumulative Project Disbursements					Year ended September 30, 2024		Variance
		Cumulative from June 30, 2017 to September 30, 2023	Year ended September 30, 2024	Cumulative from June 30, 2017 to September 30, 2024	Unspent	Budget	Actual		
	Total								
Implementation costs:									
Component 1: Institutional Strengthening, Early Warning and Preparedness	\$ 8,226,379	\$ 4,803,539	\$ 3,706,529	\$ 8,510,068	\$(283,689)	\$ 4,120,271	\$ 3,706,529	\$ 413,742	
Component 2: Strengthening Coastal Resilience	61,012,435	3,568,105	8,431,089	11,999,194	49,013,241	9,514,418	8,431,089	1,083,329	
Component 3: Contingency Emergency Response	1,167,000	---	---	---	1,167,000	---	---	---	
Component 4: Project Management	4,592,186	2,556,552	473,223	3,029,775	1,562,411	699,565	473,223	226,342	
Total implementation costs	\$ 74,998,000	\$ 10,928,196	\$ 12,610,841	\$ 23,539,037	\$ 51,458,963	\$ 14,334,254	\$ 12,610,841	\$ 1,723,413	



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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*

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) Pacific Resilience Project II under the Pacific Resilience Program (the Project) jointly financed by the World Bank's International Development Association and the Green Climate Fund, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2024 and the related notes to the financial statement, and have issued our report thereon dated December 19, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

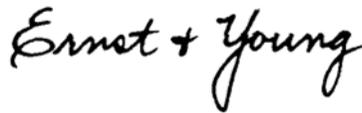
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

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

December 19, 2025

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

**Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific
Resilience Program - Grant Numbers D183-MH,
D569-MH, E322-MH and TF0B2404**
(Jointly financed by the International Development
Association and the Green Climate Fund)

Year ended September 30, 2024



**Shape the future
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Shape the future
with confidence

Ernst & Young (RMI), Inc.
P.O. Box 1288
Majuro, Republic of the Marshall
Islands 96960

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December 19, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Pacific Resilience Project II under the Pacific Resilience Program (the Project) jointly financed by the World Bank's International Development Association and the Green Climate Fund - Grant Numbers D183-MH, D569-MH, E322-MH and TF0B2404, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated December 19, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated April 15, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the April 2025 meeting with management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

No corrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2024.

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

Refer to the "Management Representations Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated December 19, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the April 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified regarding management's planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

This communication is intended solely for the information and use of those charged with governance, Project management, and the Office of the Auditor-General and is not intended to be, and should not be, used by anyone other than these specified parties.

Ernst + Young

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

December 19, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audits of the financial statement of the Republic of the Marshall Islands (RMI) Pacific Resilience Project II under the Pacific Resilience Program (the Project) jointly financed by the World Bank's International Development Association and the Green Climate Fund - Grant Numbers D183-MH, D569-MH, E322-MH and TF0B2404, which comprises the statements of cash receipts and disbursements for the years ended September 30, 2024 and 2023, and the related notes to the financial statement, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated April 15, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Management's responsibilities, continued

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current period financial statement.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Internal control, continued

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

There have been no significant changes in internal control since September 30, 2024.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the years ended September 30, 2024 and 2023, the Project did not consult with legal counsel concerning any matters related to litigation, claims or assessments made against the Project.

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

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

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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

Purchase commitments

At September 30, 2024 and 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2024 and 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Non-compliance with laws and regulations, including fraud, continued

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project’s affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project’s audit.

Conflicts of interest

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

Going concern

In preparing the financial statement, we evaluated the entity’s ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary Information"):

- Combining Statement of Cash Receipts and Disbursements
- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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

Additional representations

- We recognize that we are responsible for the Project's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Additional representations

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the years ended September 30, 2024 and 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Other matters, continued

- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2024, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Ayako Yamaguchi-Eliou'.

Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services

*Financial Statement, Supplementary and Other Information,
and Report on Internal Control and Compliance*

**Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience
Program - Grant Numbers D183-MH, D569-MH and
TF0B2404**

(Jointly financed by the International Development Association and
the Green Climate Fund)

*Year ended September 30, 2023
with Report of Independent Auditors*



**Shape the future
with confidence**

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH and TF0B2404
(Jointly financed by the International Development Association
and the Green Climate Fund)

Year ended September 30, 2023

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Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) Pacific Resilience Project II under the Pacific Resilience Program (the Project) jointly financed by the World Bank's International Development Association and the Green Climate Fund - Grant Numbers D183-MH, D569-MH and TF0B2404, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the year ended September 30, 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Project'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Combining Statement of Cash Receipts and Disbursements and the Schedule of Grant Drawdowns on pages 9 and 10, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 11 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

Ernst + Young

October 22, 2025

Republic of the Marshall Islands
 Pacific Resilience Project II under the Pacific Resilience Program -
 Grant Numbers D183-MH, D569-MH and TF0B2404
 (Jointly financed by the International Development
 Association and the Green Climate Fund)

Statement of Cash Receipts and Disbursements

Year ended September 30, 2023

Cash receipts:	
IDA grant drawdowns	\$ 3,357,715
GCF grant drawdowns	1,212,223
Interest	<u>311</u>
Total cash receipts	<u>4,570,249</u>
Cash disbursements:	
Component 1: Institutional Strengthening, Early Warning and Preparedness	2,727,680
Component 2: Strengthening Coastal Resilience	1,215,859
Component 3: Contingency Emergency Response	---
Component 4: Project Management	<u>527,945</u>
Total cash disbursements	<u>4,471,484</u>
Net change	<u>\$ 98,765</u>

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH and TF0B2404
(Jointly financed by the International Development Association
and the Green Climate Fund)

Notes to Financial Statement

Year ended September 30, 2023

1. Organization

On June 30, 2017, the Republic of Marshall Islands (RMI) through the RMI Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of the Pacific Resilience Project II under the Pacific Resilience Program (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR 14,500,000 (\$19,631,000) under IDA Grant No. D183-MH to cover eligible expenditures up to the closing date of February 12, 2024.

The objectives of the Project are to strengthen early warning systems, climate resilient investment in shoreline protection, and to provide immediate and effective response to an eligible crisis or emergency.

The Financing Agreement was amended and restated on May 13, 2020, and the following additional agreements were signed:

- Additional Financing whereby the Association agreed to extend to the Recipient an additional grant for the amount equivalent to SDR 11,200,000 (US\$15,367,000) under IDA Grant No. D569-MH to cover eligible expenditures up to the closing date of February 12, 2024.
- Green Climate Fund (GCF) financing whereby the World Bank agreed to extend to the Recipient a non-reimbursable grant in the amount of US\$25,000,000 under GCF Grant No. TF0B2404 to cover eligible expenditures up to the closing date of February 12, 2024.

The Project consists of the following parts with respective allocations from the three grants:

Component 1 - Institutional Strengthening, Early Warning and Preparedness	\$ 8,226,379
Component 2 - Strengthening Coastal Resilience	46,012,435
Component 3 - Contingency Emergency Response	1,167,000
Component 4 - Project Management	<u>4,592,186</u>
	<u>\$59,998,000</u>

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH and TF0B2404
(Jointly financed by the International Development Association
and the Green Climate Fund)

Notes to Financial Statement, continued

1. Organization, continued

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency responsible for carrying out the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$200,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by MOFBPS associated with the Project and do not incorporate any accounts related to other non-Project activities of MOFBPS or any other departments or agencies of the RMI Government.

2. Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statement is presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

The Association has made grant proceeds of \$59,998,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2023, remaining commitments associated with unused grant proceeds amount to \$49,069,804.

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH and TF0B2404
(Jointly financed by the International Development Association
and the Green Climate Fund)

Notes to Financial Statement, continued

4. Subsequent Events

MOFBPS has evaluated subsequent events through October 22, 2025, which is also the date the Project's financial statement is available to be issued.

On February 12, 2024, the Association approved a further extension of the closing date for GCF Grant No. TF0B2404 to December 31, 2025, and for IDA Grant No. D183-MH and IDA Grant No. D569-MH to June 30, 2026.

On May 6, 2024, the Financing Agreement was further amended whereby the Association agreed to extend to the Recipient an additional grant for the amount equivalent to SDR11,400,000 (US\$15,000,000) under IDA Grant No. E322-MH to cover eligible expenditures up to the closing date of June 30, 2026.

Supplementary and Other Information

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH and TF0B2404
(Jointly financed by the International Development
Association and the Green Climate Fund)

Combining Statement of Cash Receipts and Disbursements

Year ended September 30, 2023

	<u>IDA</u>	<u>GCF</u>	<u>Total</u>
Cash receipts:			
IDA grant drawdowns	\$ 3,357,715	\$ ---	\$ 3,357,715
GCF grant drawdowns	---	1,212,223	1,212,223
Interest	311	---	311
Total cash receipts	<u>3,358,026</u>	<u>1,212,223</u>	<u>4,570,249</u>
Cash disbursements:			
Component 1: Institutional Strengthening, Early Warning and Preparedness	1,785,234	942,446	2,727,680
Component 2: Strengthening Coastal Resilience	758,395	457,464	1,215,859
Component 3: Contingency Emergency Response	---	---	---
Component 4: Project Management	290,350	237,595	527,945
Total cash disbursements	<u>2,833,979</u>	<u>1,637,505</u>	<u>4,471,484</u>
Net change	<u>\$ 524,047</u>	<u>\$(425,282)</u>	<u>\$ 98,765</u>

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH and TF0B2404
(Jointly financed by the International Development
Association and the Green Climate Fund)

Schedule of Grant Drawdowns

Year ended September 30, 2023

	Grant #	WA #	Date Funds Received	Total
Replenishment	D183-MH	WA# 17	February 2, 2023	\$ 122,708
Replenishment	D183-MH	WA# 18	February 2, 2023	784,902
Direct payment	D183-MH	WA# 19	April 21, 2023	152,185
Direct payment	D183-MH	WA# 20	August 15, 2023	562,534
Replenishment	D183-MH	WA# 21	September 22, 2023	276,795
Replenishment	D183-MH	WA# 22	September 22, 2023	386,450
Replenishment	D183-MH	WA# 23	September 22, 2023	5,806
	Sub-total Grant # D183-MH			<u>2,291,380</u>
Replenishment	D569-MH	WA# 2	March 8, 2023	117,199
Replenishment	D569-MH	WA# 3	March 8, 2023	582,801
Replenishment	D569-MH	WA# 4	September 25, 2023	366,335
	Sub-total Grant # D569-MH			<u>1,066,335</u>
Replenishment	TF0B2404	WA# 4	February 2, 2023	100,398
Replenishment	TF0B2404	WA# 5	February 2, 2023	443,358
Direct payment	TF0B2404	WA# 6	April 21, 2023	460,255
Replenishment	TF0B2404	WA# 7	September 22, 2023	208,212
	Sub-total Grant # TF0B2404			<u>1,212,223</u>
				<u>\$ 4,569,938</u>

Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific Resilience Program -
Grant Numbers D183-MH, D569-MH and TF0B2404
(Jointly financed by the International Development Association and the Green Climate Fund)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (June 30, 2017) through September 30, 2023 and for the year ended September 30, 2023

	Total Project Budget	Total Cumulative Project Disbursements							
		Total	Cumulative from June 30, 2017 to September 30, 2022	Year ended September 30, 2023	Cumulative from June 30, 2017 to September 30, 2023	Unspent	Year ended September 30, 2023		Variance
							Budget	Actual	
Implementation costs:									
Component 1: Institutional Strengthening, Early Warning and Preparedness	\$ 6,441,150	\$ 1,477,014	\$ 1,785,234	\$ 3,262,248	\$ 3,178,902	\$ 1,615,899	\$ 1,785,234	\$(169,335)	
Component 2: Strengthening Coastal Resilience	23,879,133	1,736,592	758,395	2,494,987	21,384,146	1,371,500	758,395	613,105	
Component 3: Contingency Emergency Response	1,167,000	---	---	---	1,167,000	---	---	---	
Component 4: Project Management	3,510,717	1,574,569	290,350	1,864,919	1,645,798	399,908	290,350	109,558	
	<u>34,998,000</u>	<u>4,788,175</u>	<u>2,833,979</u>	<u>7,622,154</u>	<u>27,375,846</u>	<u>3,387,307</u>	<u>2,833,979</u>	<u>553,328</u>	
Component 1: Institutional Strengthening, Early Warning and Preparedness	1,785,229	598,845	942,446	1,541,291	243,938	1,170,133	942,446	227,687	
Component 2: Strengthening Coastal Resilience	22,133,302	615,654	457,464	1,073,118	21,060,184	993,155	457,464	535,691	
Component 3: Contingency Emergency Response	---	---	---	---	---	---	---	---	
Component 4: Project Management	1,081,469	454,038	237,595	691,633	389,836	289,589	237,595	51,994	
	<u>25,000,000</u>	<u>1,668,537</u>	<u>1,637,505</u>	<u>3,306,042</u>	<u>21,693,958</u>	<u>2,452,877</u>	<u>1,637,505</u>	<u>815,372</u>	
Total implementation costs	<u>\$ 59,998,000</u>	<u>\$ 6,456,712</u>	<u>\$ 4,471,484</u>	<u>\$ 10,928,196</u>	<u>\$ 49,069,804</u>	<u>\$ 5,840,184</u>	<u>\$ 4,471,484</u>	<u>\$ 1,368,700</u>	



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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*

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) Pacific Resilience Project II under the Pacific Resilience Program (the Project) jointly financed by the World Bank's International Development Association and the Green Climate Fund - Grant Numbers D183-MH, D569-MH and TF0B2404, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023 and the related notes to the financial statement, and have issued our report thereon dated October 22, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

The logo for Ernst + Young, written in a black, cursive script font.

October 22, 2025

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

**Republic of the Marshall Islands
Pacific Resilience Project II under the Pacific
Resilience Program - Grant Numbers D183-MH,
D569-MH and TF0B2404**

(Jointly financed by the International Development
Association and the Green Climate Fund)

Year ended September 30, 2023



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Ernst & Young (RMI), Inc.
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Majuro, Republic of the Marshall
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October 22, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Pacific Resilience Project II under the Pacific Resilience Program (the Project) jointly financed by the World Bank's International Development Association and the Green Climate Fund - Grant Numbers D183-MH, D569-MH and TF0B2404, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated October 22, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated March 10, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the March 2025 meeting with management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

No corrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2023.

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

Refer to the "Management Representations Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated October 22, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the March 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified regarding management's planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

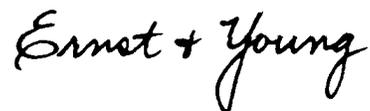
Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

This communication is intended solely for the information and use of those charged with governance, Project management, and the Office of the Auditor-General and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
RMI Pacific Resilience Project II

October 22, 2025

Appendix

A - Management Representations Letter

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

October 22, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the financial statement of the Republic of the Marshall Islands (RMI) Pacific Resilience Project II under the Pacific Resilience Program (the Project) jointly financed by the World Bank's International Development Association and the Green Climate Fund -Grant Numbers D183-MH, D569-MH and TF0B2404, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated March 10, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Management's responsibilities, continued

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransom ware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current period financial statement.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.



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A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Internal control, continued

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

There have been no significant changes in internal control since September 30, 2023.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the year ended September 30, 2023, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

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

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

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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

Purchase commitments

At September 30, 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Non-compliance with laws and regulations, including fraud, continued

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project’s affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project’s audit.

Conflicts of interest

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

Going concern

In preparing the financial statement, we evaluated the entity’s ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.



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A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “Supplementary Information”):

- Combining Statement of Cash Receipts and Disbursements
- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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

Additional representations

- We recognize that we are responsible for the Project’s compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Additional representations

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or non recognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the years ended September 30, 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Other matters, continued

- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2023, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services

*Financial Statement, Supplementary and Other
Information, and Report on Internal Control and
Compliance*

**Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH**

(Financed by the International Development Association)

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



**Shape the future
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Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Years ended September 30, 2024 and 2023

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Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) RMI Education and Skills Strengthening Project (the Project) financed by the World Bank's International Development Association - Grant Number D760-MH, which comprises the statements of cash receipts and disbursements for the years ended September 30, 2024 and 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the years ended September 30, 2024 and 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

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 Statement section of our report. We are required to be independent of the Project 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.

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Project'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Schedule of Grant Drawdowns on page 8, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

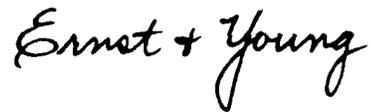
Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 9 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

The logo for Ernst + Young, written in a black, cursive script font.

December 15, 2025

Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Statements of Cash Receipts and Disbursements

	Year ended September 30,	
	2024	2023
Cash receipts:		
IDA grant drawdowns	\$ 2,953,480	\$ ---
Interest	85	66
Total cash receipts	2,953,565	66
Cash disbursements:		
Component 1: Access to and Quality of Foundational and Vocational Secondary Education	544,186	32,270
Component 2: Access to and Quality of Technical and Vocational Skills Development	1,058,741	48,054
Component 3: Strengthening Institutions for Workforce Development	230,143	140,527
Component 4: Project Implementation Support and Monitoring and Evaluation	501,230	542,545
Total cash disbursements	2,334,300	763,396
Net change	\$ 619,265	\$(763,330)

Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Notes to Financial Statement

Years ended September 30, 2024 and 2023

1. Organization

On February 25, 2021, the Republic of Marshall Islands (RMI) through the Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of the RMI Education and Skills Strengthening Project (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR7,000,000 (\$10,000,000) under IDA Grant No. D760-MH to cover eligible expenditures up to the closing date of January 5, 2026.

The objective of the Project is to improve equitable access to quality secondary, post-secondary technical and vocational education and training, and employment intermediation services.

The Project consists of the following parts with respective allocations:

Component 1 - Access to and Quality of Foundational and Vocational Secondary Education	\$ 2,100,000
Component 2 - Access to and Quality of Technical and Vocational Skills Development	4,200,000
Component 3 - Strengthening Institutions for Workforce Development	2,300,000
Component 4 - Project Implementation Support and Monitoring and Evaluation	<u>1,400,000</u>
	<u>\$10,000,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations while the RMI Ministry of Education, Sports and Training, as the Project Implementation Agency, is responsible for carrying out the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$700,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by MOFBPS associated with the Project and does not incorporate any accounts related to other non-Project activities of MOFBPS or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Notes to Financial Statement, continued

2. Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statement is presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

The Association has made grant proceeds of \$10,000,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2024, remaining commitments associated with unused grant proceeds amount to \$6,776,094

4. Subsequent Events

MOFBPS has evaluated subsequent events through December 15, 2025, which is also the date the Project's financial statement is available to be issued.

Supplementary and Other Information

Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Schedule of Grant Drawdowns

Year ended September 30, 2024

	WA #	Date Funds Received	Total
Replenishment	WA # 6	October 1, 2023	\$ 483,761
Replenishment	WA # 7	January 4, 2024	398,893
Replenishment	WA # 8	February 14, 2024	283,297
Replenishment	WA # 9	March 19, 2024	91,223
Replenishment	WA # 10	May 9, 2024	168,575
Replenishment	WA # 11	June 25, 2024	91,696
Direct payment	WA # 12	July 1, 2024	500,000
Replenishment	WA # 13	July 29, 2024	403,113
Direct payment	WA # 14	July 29, 2024	180,607
Direct payment	WA # 15	August 16, 2024	352,315
			<u>\$ 2,953,480</u>

Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (February 25, 2021) through September 30, 2024 and for the year ended September 30, 2024

	Total Project Budget	Total Cumulative Project Disbursements						
		Cumulative from February 25, 2021 to September 30, 2023	Year ended September 30, 2024	Cumulative from February 25, 2021 to September 30, 2024	Unspent	Year ended September 30, 2024		Variance
	Total				Budget	Actual		
Implementation costs:								
Component 1: Access to and Quality of Foundational and Vocational Secondary Education	\$ 2,100,000	\$ 32,270	\$ 544,186	\$ 576,456	\$ 1,523,544	\$ 1,544,363	\$ 544,186	\$ 1,000,177
Component 2: Access to and Quality of Technical and Vocational Skills Development	4,200,000	54,054	1,058,741	1,112,795	3,087,205	2,714,508	1,058,741	1,655,767
Component 3: Strengthening Institutions for Workforce Development	2,300,000	140,527	230,143	370,670	1,929,330	910,383	230,143	680,240
Component 4: Project Implementation Support and Monitoring and Evaluation	1,400,000	662,755	501,230	1,163,985	236,015	546,545	501,230	45,315
Total implementation costs	<u>\$ 10,000,000</u>	<u>\$ 889,606</u>	<u>\$ 2,334,300</u>	<u>\$ 3,223,906</u>	<u>\$ 6,776,094</u>	<u>\$ 5,715,799</u>	<u>\$ 2,334,300</u>	<u>\$ 3,381,499</u>



Shape the future
with confidence

Ernst & Young (RMI), Inc.
P.O. Box 1288
Majuro, Republic of the Marshall
Islands 96960

Tel: 692 625 7387
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*

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) RMI Education and Skills Strengthening Project (the Project) financed by the World Bank's International Development Association - Grant Number D760-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2024 and the related notes to the financial statement, and have issued our report thereon dated December 15, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

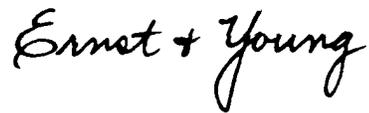
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

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

December 15, 2025

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

Republic of the Marshall Islands
Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Year ended September 30, 2024



**Shape the future
with confidence**

December 15, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Education and Skills Strengthening Project (the Project) financed by the World Bank's International Development Association - Grant Number D760-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated December 15, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated April 15, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the April 2025 meeting with management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

No corrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2024.

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

No uncorrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2024.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated December 15, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the April 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified with regard to management's planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.

- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

This communication is intended solely for the information and use of those charged with governance, the Project's management, and the Office of the Auditor-General, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services

December 15, 2025

Appendix A

A - Management Representations Letter

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

December 15, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audits of the financial statement of the Republic of the Marshall Islands (RMI) Education and Skills Strengthening Project (the Project) financed by the World Bank's International Development Association - Grant Number D760-MH, which comprises the statements of cash receipts and disbursements for the years ended September 30, 2024 and 2023, and the related notes to the financial statement, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated April 15, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Management's responsibilities, continued

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current period financial statement.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

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

There have been no significant changes in internal control since September 30, 2024.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Minutes and contracts, continued

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the years ended September 30, 2024 and 2023, the Project did not consult with legal counsel concerning any matters related to litigation, claims or assessments made against the Project.

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

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

practices, or other matters that could affect the financial statement other than those disclosed in the financial statement.

Contingent liabilities, continued

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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

Purchase commitments

At September 30, 2024 and 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2024 and 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Independence

We have communicated to you the names of the Project's affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project's audit.

Conflicts of interest

There are no instances where any officer or employee of the Project has an interest in a company with which the Project does business that would be considered a "conflict of interest."- Such an interest would be contrary to the Project policy.

Going concern

In preparing the financial statement, we evaluated the entity's ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary Information"):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Additional representations

- We recognize that we are responsible for the Project's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements that you have reported.
- We have identified and disclosed to you all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Additional representations, continued

- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the years ended September 30, 2024 and 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2024, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Ayako Yamaguchi-Eliou', written over a horizontal line.

Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services

*Financial Statement, Supplementary and Other
Information, and Report on Internal Control and
Compliance*

**Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH**

(Financed by the International Development Association)

*Year ended September 30, 2023
with Report of Independent Auditors*



Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Year ended September 30, 2023

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Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) RMI Education and Skills Strengthening Project (the Project) financed by the World Bank's International Development Association - Grant Number D760-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the year ended September 30, 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Project'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Schedule of Grant Drawdowns on page 8, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 9 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

Ernst + Young

August 27, 2025

Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Statement of Cash Receipts and Disbursements

Year ended September 30, 2023

Cash receipts:	
Interest	\$ <u>66</u>
Total cash receipts	<u>66</u>
Cash disbursements:	
Component 1: Access to and Quality of Foundational and Vocational Secondary Education	32,270
Component 2: Access to and Quality of Technical and Vocational Skills Development	48,054
Component 3: Strengthening Institutions for Workforce Development	140,527
Component 4: Project Implementation Support and Monitoring and Evaluation	<u>542,545</u>
Total cash disbursements	<u>763,396</u>
Net change	\$ (<u><u>763,330</u></u>)

Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Notes to Financial Statement

Year ended September 30, 2023

1. Organization

On February 25, 2021, the Republic of Marshall Islands (RMI) through the Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of the RMI Education and Skills Strengthening Project (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR 7,000,000 (\$10,000,000) under IDA Grant No. D760-MH to cover eligible expenditures up to the closing date of January 5, 2026.

The objective of the Project is to improve equitable access to quality secondary, post-secondary technical and vocational education and training, and employment intermediation services.

The Project consists of the following parts with respective allocations:

Component 1 - Access to and Quality of Foundational and Vocational Secondary Education	\$ 2,100,000
Component 2 - Access to and Quality of Technical and Vocational Skills Development	4,200,000
Component 3 - Strengthening Institutions for Workforce Development	2,300,000
Component 4 - Project Implementation Support and Monitoring and Evaluation	<u>1,400,000</u>
	<u>\$10,000,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations while the RMI Ministry of Education, Sports and Training, as the Project Implementation Agency, is responsible for carrying out of the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$700,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by MOFBPS associated with the Project and does not incorporate any accounts related to other non-Project activities of MOFBPS or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Notes to Financial Statement, continued

2. Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statements are presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

The Association has made grant proceeds of \$10,000,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2023, remaining commitments associated with unused grant proceeds amount to \$9,110,394.

4. Subsequent Event

MOFBPS has evaluated subsequent events through August 27, 2025, which is also the date the Project's financial statement is available to be issued.

Supplementary and Other Information

Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Schedule of Grant Drawdowns

Year ended September 30, 2023

<u>WA #</u>	<u>Date Funds Received</u>	<u>Total</u>
No Withdrawal Applications were submitted for the year ended September 30, 2023		Nil

Republic of the Marshall Islands
RMI Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (February 25, 2021) through September 30, 2023 and the year ended September 30, 2023

	Total Project Budget	Total Cumulative Project Disbursements						
		Cumulative from February 25, 2021 to September 30, 2022	Year ended September 30, 2023	Cumulative from February 25, 2021 to September 30, 2023	Unspent	Year ended September 30, 2023		Variance
						Budget	Actual	
Total								
Implementation costs:								
Component 1: Access to and Quality of Foundational and Vocational Secondary Education	\$ 2,100,000	\$ ---	\$ 32,270	\$ 32,270	\$ 2,067,730	\$ 1,710,795	\$ 32,270	\$ 1,678,525
Component 2: Access to and Quality of Technical and Vocational Skills Development	4,200,000	6,000	48,054	54,054	4,145,946	1,421,500	48,054	1,373,446
Component 3: Strengthening Institutions for Workforce Development	2,300,000	---	140,527	140,527	2,159,473	349,000	140,527	208,473
Component 4: Project Implementation Support and Monitoring and Evaluation	1,400,000	120,210	542,545	662,755	737,245	811,512	542,545	268,967
Total implementation costs	<u>\$ 10,000,000</u>	<u>\$ 126,210</u>	<u>\$ 763,396</u>	<u>\$ 889,606</u>	<u>\$ 9,110,394</u>	<u>\$ 4,292,807</u>	<u>\$ 763,396</u>	<u>\$ 3,529,411</u>

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

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) RMI Education and Skills Strengthening Project (the Project) financed by the World Bank's International Development Association - Grant Number D760-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023 and the related notes to the financial statement, and have issued our report thereon dated August 27, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

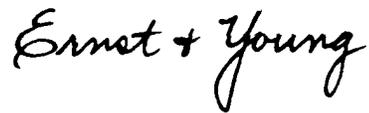
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

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

August 27, 2025

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

Republic of the Marshall Islands
Education and Skills Strengthening Project -
Grant Number D760-MH
(Financed by the International Development Association)

Year ended September 30, 2023



August 27, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Education and Skills Strengthening Project (the Project) financed by the World Bank's International Development Association - Grant Number D760-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated August 27, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated March 10, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the March 2025 meeting with Management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

No corrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2023.

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

Refer to the "Management Representations Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated August 27, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the March 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified with regard to management's planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

Ernst + Young

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
RMI Education and Skills Strengthening Project

August 27, 2025

Appendix A

A - Management Representations Letter

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

August 27, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the financial statement of the Republic of the Marshall Islands (RMI) Education and Skills Strengthening Project (the Project) financed by the World Bank's International Development Association - Grant Number D760-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated March 10, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Management's responsibilities, continued

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatement, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. Refer to the "Schedule of Uncorrected Misstatement" in Appendix A.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Internal control, continued

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

There have been no significant changes in internal control since September 30, 2023.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.



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A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the year ended September 30, 2023, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

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

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

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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

Purchase commitments

At September 30, 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Non-compliance with laws and regulations, including fraud, continued

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project’s affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project’s audit.

Conflicts of interest

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

Going concern

In preparing the financial statement, we evaluated the entity’s ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “Supplementary Information”):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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

Additional representations

- We recognize that we are responsible for the Project’s compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Additional representations

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the year ended September 30, 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Other matters, continued

- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

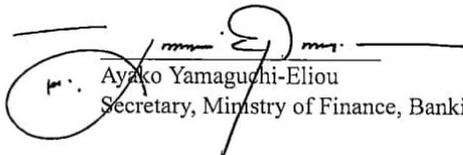
We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2023, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,


Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services

Management Letter

**Republic of the Marshall Islands
Education and Skills Strengthening Project - Grant
Number D760-MH**

(Financed by the International Development Association)

Year ended September 30, 2023



August 27, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

In planning and performing our audit of the financial statement of the Republic of the Marshall Islands (RMI) Education and Skills Strengthening Project (the Project) financed by the World Bank's International Development Association - Grant Number D760-MH for the year ended September 30, 2023 in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 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 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.

During our audit, we noted the following deficiency in internal control (as described above):

Incorrect Recognition of Cash Disbursements

Condition: A cash disbursement for \$8,775 (check # 11514, dated October 17, 2023) was recorded in fiscal year 2023, although the actual payment was made in fiscal year 2024. This indicates a timing issue in the recognition of cash disbursements, which may result in a misstatement of financial activity and an inaccurate representation of financial position at year-end. As the amount was not considered material to the financial statement, no audit adjustment was proposed.

Recommendation: We recommend that management implement procedures to ensure that cash disbursements are recognized in the appropriate fiscal period based on when the payment is made.

This communication is intended solely for the information and use of the Project's management, the World Bank and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We commend management for their continuous effort to improve certain internal control procedures in the accounting and operations department.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Sincerely,

The signature is written in a cursive, handwritten style. It consists of the words "Ernst" and "Young" connected by a plus sign "+". The letters are fluid and connected, with a prominent loop at the end of the word "Young".

*Financial Statement, Supplementary and Other
Information, and Report on Internal Control and
Compliance*

**Republic of the Marshall Islands
RMI Urban Resilience Project - Grant Number
D996-MH**

(Financed by the International Development Association)

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



**Shape the future
with confidence**

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Years ended September 30, 2024 and 2023

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Shape the future
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Ernst & Young (RMI), Inc.
P.O. Box 1288
Majuro, Republic of the Marshall
Islands 96960

Tel: 692 625 7387
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Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) RMI Urban Resilience Project (the Project) financed by the World Bank's International Development Association - Grant Number D996-MH, which comprises the statements of cash receipts and disbursements for the years ended September 30, 2024 and 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the years ended September 30, 2024 and 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

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 Statement section of our report. We are required to be independent of the Project 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.

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Project'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Schedule of Grant Drawdowns on page 8, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 9 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

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

December 12, 2025

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Statements of Cash Receipts and Disbursements

	Year ended September 30,	
	2024	2023
Cash receipts:		
IDA grant drawdowns	\$ 1,293,757	\$ 2,000,000
Interest	475	261
Total cash receipts	1,294,232	2,000,261
Cash disbursements:		
Component 1: Risk-informed Adaptation Planning	247,859	51,103
Component 2: Coastal Resilience Investments	628,656	---
Component 3: Resilient Public Facilities	---	---
Component 4: Project Management and Implementation Support	444,182	292,052
Total cash disbursements	1,320,697	343,155
Net change	\$(26,465)	\$ 1,657,106

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Notes to Financial Statement

Years ended September 30, 2024 and 2023

1. Organization

On June 30, 2022, the Republic of Marshall Islands (RMI) through the Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of the RMI Urban Resilience Project (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR 21,600,000 (\$30,000,000) under IDA Grant No. D966-MH to cover eligible expenditures up to the closing date of July 31, 2028.

The objective of the Project is to strengthen the resilience of select urban areas in the Republic of Marshall Islands to the impacts of natural hazards and climate change.

The Project consists of the following parts with respective allocations:

Component 1 - Risk-informed Adaptation Planning	\$ 2,000,000
Component 2 - Coastal Resilience Investments	16,000,000
Component 3 - Resilient Public Facilities	8,000,000
Component 4 - Project Management and Implementation Support	<u>4,000,000</u>
	<u>\$30,000,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency responsible for carrying out the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$2,000,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by MOFBPS associated with the Project and do not incorporate any accounts related to other non-Project activities of MOFBPS or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Notes to Financial Statement, continued

2. Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statement is presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

The Association has made grant proceeds of \$30,000,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2024, remaining commitments associated with unused grant proceeds amount to \$28,336,148.

4. Subsequent Events

MOFBPS has evaluated subsequent events through December 12, 2025, which is also the date the Project's financial statement is available to be issued.

Supplementary and Other Information

Republic of the Marshall Islands
 RMI Urban Resilience Project -
 Grant Number D996-MH
 (Financed by the International Development Association)

Schedule of Grant Drawdowns

Year ended September 30, 2024

	WA #	Date Funds Received	Total
Replenishment	WA# 8	April 25, 2024	\$ 567,262
Direct payment	WA# 12	June 20, 2024	134,712
Direct payment	WA# 14	July 18, 2024	134,712
Replenishment	WA# 15	August 21, 2024	187,647
Direct payment	WA# 16	September 11, 2024	134,712
Direct payment	WA# 17	September 24, 2024	134,712
			\$ 1,293,757

Republic of the Marshall Islands
 RMI Urban Resilience Project -
 Grant Number D996-MH
 (Financed by the International Development Association)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (June 30, 2022) through September 30, 2024 and for the year ended September 30, 2024

	Total Project Budget	Total Cumulative Project Disbursements						
		Cumulative from June 30, 2022 to September 30, 2023	Year ended September 30, 2024	Cumulative from June 30, 2022 to September 30, 2024	Unspent	Year ended September 30, 2024		Variance
						Budget	Actual	
Total								
Implementation costs:								
Component 1: Risk-informed Adaptation Planning	\$ 2,000,000	\$ 51,103	\$ 247,859	\$ 298,962	\$ 1,701,038	\$ 327,666	\$ 247,859	\$ 79,807
Component 2: Coastal Resilience Investments	16,000,000	---	628,656	628,656	15,371,344	293,750	628,656	(334,906)
Component 3: Resilient Public Facilities	8,000,000	---	---	---	8,000,000	2,570,532	---	2,570,532
Component 4: Project Management and Implementation Support	4,000,000	292,052	444,182	736,234	3,263,766	915,231	444,182	471,049
Total implementation costs	<u>\$ 30,000,000</u>	<u>\$ 343,155</u>	<u>\$ 1,320,697</u>	<u>\$ 1,663,852</u>	<u>\$ 28,336,148</u>	<u>\$ 4,107,179</u>	<u>\$ 1,320,697</u>	<u>\$ 2,786,482</u>



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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*

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) RMI Urban Resilience (the Project) financed by the World Bank's International Development Association - Grant Number D996-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2024 and the related notes to the financial statement, and have issued our report thereon dated December 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 have not been identified. We did identify a certain deficiency in internal control, described in the Schedule of Findings and Responses as item 2024-1 that we consider to be a material weakness.

Report on Compliance and Other Matters

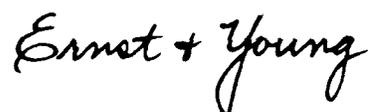
As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

The Project's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

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

December 12, 2025

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Schedule of Findings and Responses

Year ended September 30, 2024

Finding No. 2024-1

Financial Statement Reporting

Criteria: Accurate and complete financial statements should be prepared and reviewed in accordance with the Project's special purpose framework (cash basis of accounting) and the Project's financial reporting policies prior to submission for audit.

Condition: The financial statement initially provided to the auditors contained errors and excluded cash receipts totaling \$538,848 pertaining to direct payments for Withdrawal Application #s 12, 14, 16 and 17.

Cause: The errors occurred due to insufficient review and verification of the financial statement before submission to the auditors.

Effect: Submitting an incorrect financial statement delays the audit process, increases audit costs, and raises the risk that misstatements may not be identified in a timely manner.

Recommendation: We recommend that management establish and enforce a review process to ensure that all financial statements submitted for audit are complete, accurate, and in compliance with the Project's special purpose framework.

Auditee Response and Corrective Action Plan: We acknowledge the finding and appreciate the auditors' observations. The omission of direct payments totaling \$538,848 was due to an oversight during the initial review of the financial statement. We recognize the importance of ensuring complete and accurate reporting in line with the Project's special purpose framework.

To address this, we have taken immediate corrective action by updating the financial statement to include the missing transactions. Moving forward, we will implement a strengthened internal review protocol prior to audit submission. This will include a checklist-based verification process, cross-referencing all withdrawal applications against recorded receipts, and a second-level review by the PIU and MOF.

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

**Republic of the Marshall Islands
Urban Resilience Project - Grant Number
D996-MH**

(Financed by the International Development Association)

Year ended September 30, 2024



**Shape the future
with confidence**

December 12, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Urban Resilience Project (the Project) financed by the World Bank's International Development Association - Grant Number D996-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated December 12, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated April 15, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the April 2025 meeting with management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

No corrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2024.

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

No uncorrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2024.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated December 12, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the April 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified with regard to management's planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

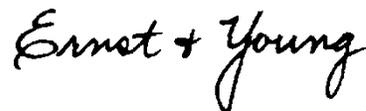
The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.

- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

This communication is intended solely for the information and use of those charged with governance, the Project's management, and the Office of the Auditor-General, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The signature is written in a cursive, handwritten style. It consists of the words "Ernst" and "Young" connected by a plus sign "+". The "E" in "Ernst" is large and loops around the "r". The "Y" in "Young" is also large and loops around the "o".

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services

December 12, 2025

Appendix A

A - Management Representations Letter

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

December 12, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audits of the financial statement of the Republic of the Marshall Islands (RMI) Urban Resilience Project (the Project) financed by the World Bank's International Development Association - Grant Number D996-MH, which comprises the statements of cash receipts and disbursements for the years ended September 30, 2024 and 2023, and the related notes to the financial statement, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated April 15, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Management's responsibilities, continued

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current period financial statement.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

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

There have been no significant changes in internal control since September 30, 2024.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2023 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the year ended September 30, 2024, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

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

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Contingent liabilities, continued

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

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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

Purchase commitments

At September 30, 2024, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2024 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Non-compliance with laws and regulations, including fraud, continued

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project’s affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project’s audit.

Conflicts of interest

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

Going concern

In preparing the financial statement, we evaluated the entity’s ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “Supplementary Information”):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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

Additional representations

- We recognize that we are responsible for the Project’s compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Additional representations

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the years ended September 30, 2024. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,

A – Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Other matters, continued

- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

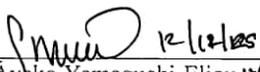
We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2024, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,


Ayako Yamaguchi-Eliou

Secretary, Ministry of Finance, Banking and Postal Services

*Financial Statement, Supplementary and Other
Information, and Report on Internal Control and
Compliance*

**Republic of the Marshall Islands
RMI Urban Resilience Project - Grant Number D996-
MH**

(Financed by the International Development Association)

*Year ended September 30, 2023
with Report of Independent Auditors*



Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Year ended September 30, 2023

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Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) RMI Urban Resilience Project (the Project) financed by the World Bank's International Development Association - Grant Number D996-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the year ended September 30, 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Project'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Schedule of Grant Drawdowns on page 8, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

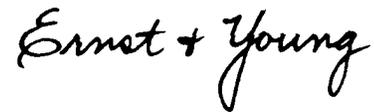
Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 9 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

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

August 27, 2025

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Statement of Cash Receipts and Disbursements

Year ended September 30, 2023

Cash receipts:	
IDA grant drawdowns	\$ 2,000,000
Interest	<u>261</u>
Total cash receipts	<u>2,000,261</u>
Cash disbursements:	
Component 1: Risk-informed Adaptation Planning	51,103
Component 2: Coastal Resilience Investments	---
Component 3: Resilient Public Facilities	---
Component 4: Project Management and Implementation Support	<u>292,052</u>
Total cash disbursements	<u>343,155</u>
Net change	<u><u>\$ 1,657,106</u></u>

See accompanying notes.

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Notes to Financial Statement

Year ended September 30, 2023

1. Organization

On June 30, 2022, the Republic of Marshall Islands (RMI) through the Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of the RMI Urban Resilience Project (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR 21,600,000 (\$30,000,000) under IDA Grant No. D996-MH to cover eligible expenditures up to the closing date of July 31, 2028.

The objective of the Project is to strengthen the resilience of select urban areas in the Republic of Marshall Islands to the impacts of natural hazards and climate change.

The Project consists of the following parts with respective allocations:

Component 1 – Risk-informed Adaptation Planning	\$ 2,000,000
Component 2 – Coastal Resilience Investments	16,000,000
Component 3 – Resilient Public Facilities	8,000,000
Component 4 – Project Management and Implementation Support	<u>4,000,000</u>
	<u>\$30,000,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency, is responsible for carrying out of the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$2,000,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by MOFBPS associated with the Project and does not incorporate any accounts related to other non-Project activities of MOFBPS or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Notes to Financial Statement, continued

2. Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statements are presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

The Association has made grant proceeds of \$30,000,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2023, remaining commitments associated with unused grant proceeds amount to \$29,656,845.

4. Subsequent Event

MOFBPS has evaluated subsequent events through August 27, 2025, which is also the date the Project's financial statement is available to be issued.

Supplementary and Other Information

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Schedule of Grant Drawdowns

Year ended September 30, 2023

	<u>WA #</u>	<u>Date Funds Received</u>	<u>Total</u>
Advance	WA# 1	February 3, 2023	\$ <u><u>2,000,000</u></u>

Republic of the Marshall Islands
RMI Urban Resilience Project -
Grant Number D996-MH
(Financed by the International Development Association)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (June 30, 2022) through September 30, 2023 and as of the period ended September 30, 2023

	Total Project Budget	Total Cumulative Project Disbursements						
		Cumulative from June 30, 2022 to September 30, 2022	Year ended September 30, 2023	Cumulative from June 30, 2022 to September 30, 2023	Unspent	Year ended September 30, 2023		Variance
						Budget	Actual	
Total								
Implementation costs:								
Component 1: Risk-informed Adaptation Planning	\$ 2,000,000	\$ ---	\$ 51,103	\$ 51,103	\$ 1,948,897	\$ 50,000	\$ 51,103	\$(1,103)
Component 2: Coastal Resilience Investments	16,000,000	---	---	---	16,000,000	200,000	---	200,000
Component 3: Resilient Public Facilities	8,000,000	---	---	---	8,000,000	200,000	---	200,000
Component 4: Project Management and Implementation Support	4,000,000	---	292,052	292,052	3,707,948	500,000	292,052	207,948
Total implementation costs	<u>\$ 30,000,000</u>	<u>\$ ---</u>	<u>\$ 343,155</u>	<u>\$ 343,155</u>	<u>\$ 29,656,845</u>	<u>\$ 950,000</u>	<u>\$ 343,155</u>	<u>\$ 606,845</u>

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

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) RMI Urban Resilience (the Project) financed by the World Bank's International Development Association - Grant Number D996-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023 and the related notes to the financial statement, and have issued our report thereon dated August 27, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

The logo for Ernst + Young, written in a black, cursive script font.

August 27, 2025

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

Republic of the Marshall Islands
**Urban Resilience Project - Grant Number D996-
MH**
(Financed by the International Development Association)

Year ended September 30, 2023





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August 27, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Urban Resilience Project (the Project) financed by the World Bank's International Development Association - Grant Number D996-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated August 27, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated March 10, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the March 2025 meeting with Management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

Refer to the “Management Representations Letter” in Appendix A.

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

No uncorrected misstatements were identified in connection with our audit of the Project’s financial statement for the year ended September 30, 2023.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated August 27, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the March 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified with regard to management’s planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor’s initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

Ernst + Young

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
RMI Urban Resilience Project

August 27, 2025

Appendix A

A - Management Representations Letter

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

August 27, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the financial statement of the Republic of the Marshall Islands (RMI) Urban Resilience Project (the Project) financed by the World Bank's International Development Association- Grant Number D996-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statements, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated March 10, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

A - Management Representations Letter, continued

Management's responsibilities, continued

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

There are no uncorrected misstatements (including the effects of correcting or reversing prior period uncorrected misstatements), or uncorrected misstatements in disclosures relating to the current period financial statement.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

A – Management Representations Letter, continued

Internal control, continued

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

There have been no significant changes in internal control since September 30, 2023.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.

A – Management Representations Letter, continued

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the year ended September 30, 2023, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

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

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

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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

Purchase commitments

At September 30, 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

A – Management Representations Letter, continued

Non-compliance with laws and regulations, including fraud, continued

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project’s affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project’s audit.

Conflicts of interest

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

Going concern

In preparing the financial statement, we evaluated the entity’s ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.

A – Management Representations Letter, continued

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “Supplementary Information”):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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

Additional representations

- We recognize that we are responsible for the Project’s compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.

A – Management Representations Letter, continued

Additional representations

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or non recognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the years ended September 30, 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,

A – Management Representations Letter, continued

Other matters, continued

- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2023, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services

*Financial Statement, Supplementary and Other
Information, and Report on Internal Control and
Compliance*

**Republic of the Marshall Islands
Multisectoral Early Childhood Development
Project - Grant Number D424-MH**
(Financed by the International Development Association)

*Year ended September 30, 2023
with Report of Independent Auditors*



**Shape the future
with confidence**

Republic of the Marshall Islands
Multisectoral Early Childhood Development Project -
Grant Number D424-MH
(Financed by the International Development Association)

Year ended September 30, 2023

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Shape the future
with confidence

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Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) Multisectoral Early Childhood Development Project (the Project) financed by the World Bank's International Development Association - Grant Number D424-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the year ended September 30, 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Project'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Schedule of Grant Drawdowns on page 8, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

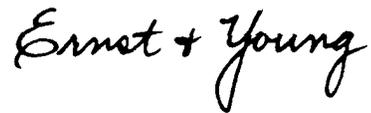
Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 9 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

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

October 27, 2025

Republic of the Marshall Islands
 Multisectoral Early Childhood Development Project -
 Grant Number D424-MH
 (Financed by the International Development Association)

Statement of Cash Receipts and Disbursements

Year ended September 30, 2023

Cash receipts:	
IDA grant drawdowns	\$ 151,698
Refunded to World Bank	(34,647)
Total cash receipts	<u>117,051</u>
Cash disbursements:	
Component 1: Improve Coverage of Essential Reproductive, Maternal, Newborn and Child Health and Nutrition (RMNCH-N) Services	55,873
Component 2: Improve Coverage of Stimulation and Early Learning Activities	109,133
Component 3: Social Assistance for Early Years' Families	120,992
Component 4: Strengthening the Multisectoral ECD System and Project Management	<u>95,695</u>
Total cash disbursements	<u>381,693</u>
Net change	<u><u>\$ (264,642)</u></u>

Republic of the Marshall Islands
Multisectoral Early Childhood Development Project -
Grant Number D424-MH
(Financed by the International Development Association)

Notes to Financial Statement

Year ended September 30, 2023

1. Organization

On March 15, 2019, the Republic of Marshall Islands (RMI) through the Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of the RMI Multisectoral Early Childhood Development Project (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR 9,400,000 (\$12,984,481) under IDA Grant No. D424-MH to cover eligible expenditures up to the closing date of December 31, 2024. On March 18, 2022, the Association approved advancing the closing date to December 31, 2022.

The objectives of the Project are to improve coverage of multisectoral early childhood development services in the RMI and in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

The Project consists of the following parts with respective allocations:

Component 1 - Improve Coverage of Essential RMNCH-N Services	\$ 3,660,000
Component 2 - Improve Coverage of Stimulation and Early Learning Activities	3,144,481
Component 3 - Social Assistance for Early Years' Families	2,910,000
Component 4 - Strengthening the Multisectoral ECD system and Project Management	<u>3,270,000</u>
	<u>\$12,984,481</u>

On March 18, 2022, the Association also approved a partial cancellation of grant proceeds in the amount of SDR 7,200,000 (\$10,028,283), reducing the approved grant amount from \$12,984,481 to \$2,956,198.

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency responsible for carrying out the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$300,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by MOFBPS associated with the Project and do not incorporate any accounts related to other non-Project activities of MOFBPS or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
Multisectoral Early Childhood Development Project -
Grant Number D424-MH
(Financed by the International Development Association)

Notes to Financial Statement, continued

2. Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statement is presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

As the closing date was advanced from December 31, 2024 to December 31, 2022, no further commitments are associated with the Project. Outstanding and unspent grant proceeds of \$34,647 were refunded on April 27, 2023.

4. Subsequent Event

MOFBPS has evaluated subsequent events through October 27, 2025, which is also the date the Project's financial statement is available to be issued.

Supplementary and Other Information

Republic of the Marshall Islands
 Multisectoral Early Childhood Development Project -
 Grant Number D424-MH
 (Financed by the International Development Association)

Schedule of Grant Drawdowns

Year ended September 30, 2023

	WA #	Date Funds Received	Total
Replenishment	WA# 8	November 7, 2022	\$ 151,698
			\$ <u>151,698</u>

Republic of the Marshall Islands
 Multisectoral Early Childhood Development Project -
 Grant Number D424-MH
 (Financed by the International Development Association)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (March 15, 2019) through September 30, 2023 and for the year ended September 30, 2023

	<u>Total Project Budget</u>			<u>Total Cumulative Project Disbursements</u>				<u>Year ended September 30, 2023</u>		
	<u>Original</u>	<u>Partial Cancellation</u>	<u>Revised</u>	<u>Cumulative from March 15, 2019 to September 30, 2022</u>	<u>Year ended September 30, 2023</u>	<u>Cumulative from March 15, 2019 to September 30, 2023</u>	<u>Unspent</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Implementation costs:										
Component 1: Improve Coverage of Essential Reproductive, Maternal, Newborn and Child Health and Nutrition (RMNCH-N) Services	\$ 3,660,000	\$(3,203,277)	\$ 456,723	\$ 400,850	\$ 55,873	\$ 456,723	\$ ---	\$ 1,972,082	\$ 55,873	\$ 1,916,209
Component 2: Improve Coverage of Stimulation and Early Learning Activities	3,144,481	(2,162,186)	982,295	873,162	109,133	982,295	---	1,088,854	109,133	979,721
Component 3: Social Assistance for Early Years' Families	2,910,000	(2,195,714)	714,286	593,294	120,992	714,286	---	989,570	120,992	868,578
Component 4: Strengthening the Multisectoral ECD System and Project Management	<u>3,270,000</u>	<u>(2,467,106)</u>	<u>802,894</u>	<u>672,552</u>	<u>95,695</u>	<u>768,247</u>	<u>34,647</u>	<u>1,365,714</u>	<u>95,695</u>	<u>1,270,019</u>
Total implementation costs	<u>\$ 12,984,481</u>	<u>\$(10,028,283)</u>	<u>\$ 2,956,198</u>	<u>\$ 2,539,858</u>	<u>\$ 381,693</u>	<u>\$ 2,921,551</u>	<u>\$ 34,647</u>	<u>\$ 5,416,220</u>	<u>\$ 381,693</u>	<u>\$ 5,034,527</u>



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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*

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) Multisectoral Early Childhood Development Project (the Project) financed by the World Bank's International Development Association - Grant Number D424-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023 and the related notes to the financial statement, and have issued our report thereon dated October 27, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

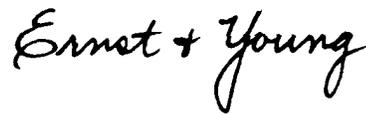
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

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

October 27, 2025

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

**Republic of the Marshall Islands Multisectoral
Early Childhood Development Project - Grant
Number D424-MH**
(Financed by the International Development Association)

Year ended September 30, 2023



**Shape the future
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Ernst & Young (RMI), Inc.
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October 27, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Multisectoral Early Childhood Development Project (the Project) financed by the World Bank's International Development Association - Grant Number D424-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated October 27, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing are consistent with the plan communicated in our engagement letter dated March 10, 2025, and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the March 2025 meeting with management.

Matters relevant to our evaluation of the Project's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the Project's significant accounting practices, including:

Accounting policies

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

No corrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2023. Refer to the "Management Representation Letter" in Appendix A.

Uncorrected misstatements related to accounts and disclosures

No uncorrected misstatements were identified in connection with our audit of the Project's financial statement for the year ended September 30, 2023. Refer to the "Management Representation Letter"

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated October 27, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the March 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified with regard to the Management's planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

This communication is intended solely for the information and use of the Project's management and the Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,



Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
RMI Multisectoral Early Childhood Development Project

October 27, 2025

Appendix

A - Management Representations Letter

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

October 27, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the financial statement of the Republic of the Marshall Islands(RMI) Multisectoral Early Childhood Development Project(the Project) financed by the World Bank's International Development Association - Grant Number D424-MH,which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated March 10, 2025,for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued(or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Management's responsibilities, continued

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransom ware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

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

There have been no significant changes in internal control since September 30, 2023.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the year ended September 30, 2023, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

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

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

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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



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A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Purchase commitments

At September 30, 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of fraud or suspected frauds affecting the Project involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project's affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project's audit.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Conflicts of interest

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

Going concern

In preparing the financial statement, we evaluated the Project’s ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “Supplementary Information”):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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

Additional representations

- We recognize that we are responsible for the Project’s compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Additional representations, continued

- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.
- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or non recognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the year ended September 30, 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Other matters, continued

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2023, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services



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*Financial Statement, Supplementary and Other
Information, and Report on Internal Control and
Compliance*

Republic of the Marshall Islands
Digital RMI Project - Grant Number D879-MH
(Financed by the International Development Association)

Year ended September 30, 2023
with Report of Independent Auditors



**Shape the future
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Republic of the Marshall Islands
Digital RMI Project - Grant Number D879-MH
(Financed by the International Development Association)

Year ended September 30, 2023

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Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) Digital RMI Project (the Project) financed by the World Bank's International Development Association - Grant Number D879-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the year ended September 30, 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Project'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Schedule of Grant Drawdowns on page 8, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

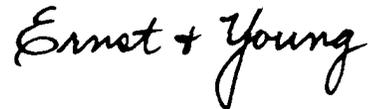
Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 9 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

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October 2, 2025

Republic of the Marshall Islands
Digital RMI Project - Grant Number D879-MH
(Financed by the International Development Association)

Statement of Cash Receipts and Disbursements

Year ended September 30, 2023

Cash receipts:	
IDA grant drawdowns	\$ 3,704,133
Interest	239
Total cash receipts	<u>3,704,372</u>
Cash disbursements:	
Component 1: Public Private Partnership and Market Structure Reform	1,432,540
Component 2: Digital Government Platform, Cybersecurity and Digital Skills	---
Component 3: Enabling Environment for Digital Government and Digital Economy	---
Component 4: Project Implementation Support	313,287
Total cash disbursements	<u>1,745,827</u>
Net change	<u><u>\$ 1,958,545</u></u>

Republic of the Marshall Islands
Digital RMI Project - Grant Number D879-MH
(Financed by the International Development Association)

Notes to Financial Statement

Year ended September 30, 2023

1. Organization

On September 30, 2021, the Republic of Marshall Islands through the Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of Digital Republic of the Marshall Islands (RMI) Project (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR 21,100,000 (\$30,000,000) under IDA Grant No. D879-MH to finance eligible expenditures up to the closing date of August 31, 2028. The Grant became effective on July 14, 2022.

The objectives of the Project are to expand access to the internet, promote private sector investment in climate resilient digital infrastructure, and establish the critical foundations for digital government services and the digital economy in the Recipient's territory.

The Project consists of the following parts with respective allocations:

Component 1 - Public Private Partnership and Market Structure Reform	\$18,325,774
Component 2 - Digital Government Platform, Cybersecurity and Digital Skills	6,500,000
Component 3 - Enabling Environment for Digital Government and Digital Economy	700,000
Component 4 - Project Implementation Support	<u>2,447,000</u>
	27,972,774
Exchange rate contingency	<u>2,027,226</u>
	<u>\$30,000,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency responsible for carrying out the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$2,000,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by MOFBPS associated with the Project and do not incorporate any accounts related to other non-Project activities of MOFBPS or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
Digital RMI Project - Grant Number D879-MH
(Financed by the International Development Association)

Notes to Financial Statement, continued

2. Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statement is presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

The Association has made grant proceeds of \$30,000,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2023, remaining commitments associated with unused grant proceeds amount to \$23,660,748.

4. Subsequent Events

MOFBPS has evaluated subsequent events through October 2, 2025, which is also the date the Project's financial statement is available to be issued. On May 2, 2024, the Association agreed to reallocate funding in the amount of SDR 1,264,000 from Component 1 to Component 4. On July 23, 2025, the Association further agreed to cancel further implementation of activities under Component 1 and to reallocate remaining funds to Components 2 through 4.

Supplementary and Other Information

Republic of the Marshall Islands
Digital RMI Project - Grant Number D879-MH
(Financed by the International Development Association)

Schedule of Grant Drawdowns

Year ended September 30, 2023

	<u>WA #</u>	<u>Date Funds Received</u>	<u>Total</u>
Advance	WA# 1	November 7, 2022	\$ 2,000,000
Replenishment	WA# 3	December 22, 2022	524,147
Replenishment	WA# 4	August 8, 2023	1,179,986
			<u>\$ 3,704,133</u>

Republic of the Marshall Islands
 Digital RMI Project - Grant Number D879-MH
 (Financed by the International Development Association)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (September 30, 2021) through September 30, 2023 and for the year ended September 30, 2023

	Total Project Budget	Total Cumulative Project Disbursements				Unspent	Year ended September 30, 2023		
		Cumulative from September 30, 2021 to September 30, 2022	Year ended September 30, 2023	Cumulative from September 30, 2021 to September 30, 2023	Budget		Actual	Variance	
	Total								
Implementation costs:									
Component 1: Public Private Partnership and Market Structure Reform	\$ 18,325,774	\$ 2,164,762	\$ 1,432,540	\$ 3,597,302	\$ 14,728,472	\$ 2,310,000	\$ 1,432,540	\$ 877,460	
Component 2: Digital Government Platform, Cybersecurity and Digital Skills	6,500,000	---	---	---	6,500,000	305,000	---	305,000	
Component 3: Enabling Environment for Digital Government and Digital Economy	700,000	---	---	---	700,000	---	---	---	
Component 4: Project Implementation Support	2,447,000	401,437	313,287	714,724	1,732,276	520,500	313,287	207,213	
Total implementation costs	<u>\$ 27,972,774</u>	<u>\$ 2,566,199</u>	<u>\$ 1,745,827</u>	<u>\$ 4,312,026</u>	<u>\$ 23,660,748</u>	<u>\$ 3,135,500</u>	<u>\$ 1,745,827</u>	<u>\$ 1,389,673</u>	



Shape the future
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Ernst & Young (RMI), Inc.
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Majuro, Republic of the Marshall
Islands 96960

Tel: 692 625 7387
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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*

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) Digital RMI Project (the Project) financed by the World Bank's International Development Association - Grant Number D879-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023 and the related notes to the financial statement, and have issued our report thereon dated October 2, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 have not been identified. We did identify a certain deficiency in internal control, described in the Schedule of Findings and Responses as item 2023-1 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

The Project's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

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

October 2, 2025

Republic of the Marshall Islands
Digital RMI Project - Grant Number D879-MH
(Financed by the International Development Association)

Schedule of Findings and Responses

Year ended September 30, 2023

Finding No. 2023-1

Overstatement of Cash Receipts and Disbursements

Criteria: Governmental financial reporting standards, including those issued by the Governmental Accounting Standards Board (GASB), require that financial statements present information fairly and in accordance with the applicable basis of accounting. Under the cash basis of accounting, only actual Project cash receipts and disbursements during the period should be reported.

Condition: During our audit, we noted that receipts and disbursements presented in the Statement of Cash Receipts and Disbursements were overstated by \$2,267,675. This overstatement resulted from the inclusion of transactions that did not represent actual cash inflows and outflows of the Project during the audit period.

Cause: The overstatement occurred because the accounting system and related internal controls did not ensure proper classification and cut-off of transactions. Project management did not implement sufficient review procedures to validate the accuracy and completeness of reported cash receipts and disbursements within the cash basis financial statement.

Effect: The misstatement resulted in overstated receipts and disbursements in the Statement of Cash Receipts and Disbursements and the proposal of an audit adjustment to correct. As a result, financial statement users may be misled regarding the Project's actual cash inflows and outflows, which could potentially affect decision-making and the audit opinion.

Recommendation: We recommend that Project management strengthen internal controls over financial reporting by implementing procedures to ensure that only actual cash transactions are recorded as receipts and disbursements, performing supervisory review of cash activity prior to financial statement preparation, and reconciling detailed receipt and disbursement records to the bank statements and general ledger to detect and correct errors before reporting.

Auditee Response and Corrective Action Plan: We are committed to implementing a series of corrective measures:

- Strengthening internal controls: We will ensure all cash transactions are properly identified, classified and recorded in accordance with GASB standards.
- Supervisory Review: mandatory supervisory reviews of all cash receipts and disbursements to prevent future misclassification.
- Reconciliation Procedures: Establish routine reconciliations of cash records with both bank statements and GL to verify the accuracy and completeness of reported amounts.
- Training will be provided for relevant staff to reinforce best practices in government financial reporting.

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

Republic of the Marshall Islands
Digital RMI Project - Grant Number D879-MH
(Financed by the International Development Association)

Year ended September 30, 2023.



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October 2, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Digital Project (the Project) financed by the World Bank's International Development Association - Grant Number D879-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated October 2, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing are consistent with the plan communicated in our engagement letter dated March 10, 2025, and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the March 2025 meeting with management.

Matters relevant to our evaluation of the Project's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the Project's significant accounting practices, including:

- **Accounting policies**

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

Refer to the “Management Representations Letter” in Appendix A.

Uncorrected misstatements related to accounts and disclosures

No uncorrected misstatements were identified in connection with our audit of the Project’s financial statement for the year ended September 30, 2023.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated October 2, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the March 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified with regard to the Management’s planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor’s initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

Engagement team's involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.

- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

This communication is intended solely for the information and use of the Project's management and the Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

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

Appendix

A - Management Representations Letter

A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

October 2, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the financial statement of the Republic of the Marshall Islands(RMI) Digital Project(the Project) financed by the World Bank's International Development Association - Grant Number D879-MH,which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated March 10, 2025,for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued(or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Management's responsibilities, continued

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

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

There have been no significant changes in internal control since September 30, 2023.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the year ended September 30, 2023, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

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

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

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Purchase commitments

At September 30, 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of fraud or suspected frauds affecting the Project involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.

Independence

We have communicated to you the names of the Project's affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project's audit.



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A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Conflicts of interest

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

Going concern

In preparing the financial statement, we evaluated the Project’s ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “Supplementary Information”):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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

Additional representations

- We recognize that we are responsible for the Project’s compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.
- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the year ended September 30, 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Other matters, continued

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

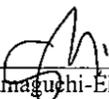
We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2023, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,


Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services

*Financial Statement, Supplementary and Other
Information, and Report on Internal Control and
Compliance*

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
Grant Number D452-MH
(Financed by the International Development Association)

Year ended September 30, 2023
with Report of Independent Auditors



**Shape the future
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Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
Grant Number D452-MH
(Financed by the International Development Association)

Year ended September 30, 2023

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Report of Independent Auditors

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

Report on the Audit of the Financial Statement

Opinion

We have audited the financial statement of the Republic of the Marshall Islands (RMI) Marshall Islands Maritime Investment Project (the Project) financed by the World Bank's International Development Association - Grant Number D452-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Project for the year ended September 30, 2023 in accordance with the cash basis of accounting described in Note 2 to the financial statement.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statement, the financial statement referred to above presents only the activities of the Project administered by the RMI Ministry of Finance, Banking and Postal Services and is not intended to present fairly the results of other non-Project related operations of the RMI Ministry of Finance, Banking and Postal Services in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 2 to the financial statement; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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 statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Project'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Project's basic financial statement. The supplementary information, which comprises the Schedule of Grant Drawdowns on page 8, is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

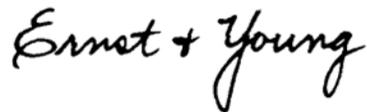
Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements on page 9 but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

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November 14, 2025

Republic of the Marshall Islands
 Marshall Islands Maritime Investment Project -
 Grant Number D452-MH
 (Financed by the International Development Association)

Statement of Cash Receipts and Disbursements

Year ended September 30, 2023

Cash receipts:	
IDA grant drawdowns	\$ 1,910,208
Bank charges	(<u>202</u>)
Total cash receipts	<u>1,910,006</u>
Cash disbursements:	
Component 1: Maritime Infrastructure	---
Component 2: Maritime Safety and Security	718,167
Component 3: Technical Assistance for Port Planning and Project Management	2,324,456
Component 4: Contingent Emergency Response Component	<u>---</u>
Total cash disbursements	<u>3,042,623</u>
Net change	<u><u>\$ (1,132,617)</u></u>

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
Grant Number D452-MH
(Financed by the International Development Association)

Notes to Financial Statement

Year ended September 30, 2023

1. Organization

On June 30, 2019, the Republic of Marshall Islands through the Ministry of Finance, Banking and Postal Services (MOFBPS or the Recipient) signed a Financing Agreement with the International Development Association (the Association) for the purpose of assisting in financing the implementation of the Marshall Islands Maritime Investment Project (the Project). The Association agreed to extend to the Recipient an amount equivalent to SDR 23,700,000 (\$33,120,000) under IDA Grant No. D452-MH to cover eligible expenditures up to the closing date of August 1, 2024.

The objective of the Project is to improve the safety, efficiency, and climate resilience of maritime infrastructure and operations in the Recipient's territory, and in the event of an eligible crisis or emergency, to provide an immediate response to the eligible crisis or emergency.

The Project consists of the following parts with respective allocations:

Component 1 - Maritime Infrastructure	\$12,350,000
Component 2 - Maritime Safety and Security	7,410,430
Component 3 - Technical Assistance for Port Planning and Project Management	13,359,570
Component 4 - Contingent Emergency Response Component	---
	<u>\$33,120,000</u>

MOFBPS is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency and is responsible for carrying out the Project. MOFBPS has established and manages an advance account to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$500,000 of grant proceeds were made available for this purpose. The accompanying financial statement is prepared for and relates solely to those accounting records maintained by MOFBPS associated with the Project and do not incorporate any accounts related to other non-Project activities of MOFBPS or any other departments or agencies of the RMI Government.

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
Grant Number D452-MH
(Financed by the International Development Association)

Notes to Financial Statement, continued

2. Summary of Significant Accounting Principles

Basis of Accounting

The Project's policy is to maintain its accounts and prepare its financial statement on the cash basis of accounting. Cash basis of accounting is a special purpose framework, and similar to other bases such as tax, regulatory and contractual, use a definitive set of logical, reasonable criteria that is applied to all material items appearing in the financial statements. The cash, tax, regulatory, and other bases of accounting are commonly referred to as other comprehensive basis of accounting.

The cash basis differs from accounting principles generally accepted in the United States of America (GAAP) primarily because receipts/revenues are recognized when received rather than when earned and disbursements/expenses are recognized when paid rather than when the obligation is incurred. The American Institute of Certified Public Accountants (AICPA) issues nonauthoritative guidance and best practices in the form of Practice Aids.

The financial statement is presented in US Dollars, which is the Project's functional and presentation currency.

3. Commitments

The Association has made grant proceeds of \$33,120,000 available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2023, remaining commitments associated with unused grant proceeds amount to \$25,149,444.

4. Subsequent Events

MOFBPS has evaluated subsequent events through November 14, 2025, which is also the date the Project's financial statement is available to be issued.

On April 9, 2024, the Association approved a partial cancellation of grant proceeds in the amount of SDR 12,100,000 reducing the approved grant amount from \$33,120,000 to \$17,120,000.

On July 31, 2024, the Association approved a further partial cancellation of grant proceeds in the amount of SDR 2,402,171 reducing the approved grant amount from \$17,120,000 to \$15,499,656.

Supplementary and Other Information

Republic of the Marshall Islands
 Marshall Islands Maritime Investment Project -
 Grant Number D452-MH
 (Financed by the International Development Association)

Schedule of Grant Drawdowns

Year ended September 30, 2023

	WA #	Date Funds Received	Total
Replenishment	WA# 1	December 21, 2022	\$ 495,200
Replenishment	WA# 2	December 21, 2022	483,847
Replenishment	WA# 2	December 21, 2022	299,535
Direct payment	WA# 3	September 30, 2023	379,812
Direct payment	WA# 4	September 30, 2023	251,813
			\$ 1,910,207

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
Grant Number D452-MH
(Financed by the International Development Association)

Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

Period from inception (June 30, 2019) through September 30, 2023 and for the year ended September 30, 2023

	Total Project Budget	Total Cumulative Project Disbursements						
		Cumulative from June 30, 2019 to September 30, 2022	Year ended September 30, 2023	Cumulative from June 30, 2019 to September 30, 2023	Unspent	Year ended September 30, 2023		Variance
						Budget	Actual	
Total								
Implementation costs:								
Component 1: Maritime Infrastructure	\$ 12,350,000	\$ ---	\$ ---	\$ ---	\$ 12,350,000	\$ 1,750,000	\$ ---	\$ 1,750,000
Component 2: Maritime Safety and Security	7,410,430	28,685	718,167	746,852	6,663,578	281,745	718,167	(436,422)
Component 3: Technical Assistance for Port Planning and Project Management	13,359,570	4,899,248	2,324,456	7,223,704	6,135,866	4,001,460	2,324,456	1,677,004
Component 4: Contingent Emergency Response Component	---	---	---	---	---	---	---	---
Total implementation costs	\$ 33,120,000	\$ 4,927,933	\$ 3,042,623	\$ 7,970,556	\$ 25,149,444	\$ 6,033,205	\$ 3,042,623	\$ 2,990,582



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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*

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) Marshall Islands Maritime Investment Project (the Project) financed by the World Bank's International Development Association - Grant Number D452-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023 and the related notes to the financial statement, and have issued our report thereon dated November 14, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 have not been identified. We did identify a certain deficiency in internal control, described in the Schedule of Findings and Responses as item 2023-1 that we consider to be a material weakness.

Report on Compliance and Other Matters

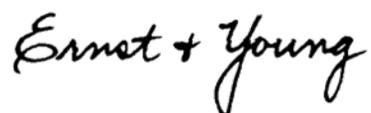
As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

The Project's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

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November 14, 2025

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
Grant Number D452-MH
(Financed by the International Development Association)

Schedule of Findings and Responses

Year ended September 30, 2023

Finding No. 2023-1

Financial Statement Reporting

Criteria: Accurate and complete financial statements should be prepared and reviewed in accordance with the Project's special purpose framework (cash basis of accounting) and the Project's financial reporting policies prior to submission for audit.

Condition: The financial statement initially provided to the auditors contained reclassification errors of disbursement allocations between component 2 and component 3 and excluded operational costs of \$1,201,383 pertaining to the Centralized Implementation Unit (CIU).

Cause: The errors and omissions occurred due to insufficient review and verification of the financial statement before submission to the auditors.

Effect: Submitting an incorrect financial statement delays the audit process, increases audit costs, and raises the risk that misstatements may not be identified in a timely manner.

Recommendation: We recommend that management establish and enforce a review process to ensure that all financial statements submitted for audit are complete, accurate, and in compliance with the Project's special purpose framework.

Auditee Response and Corrective Action Plan:

We acknowledge the observation regarding the reclassification errors between Component 2 and Component 3, as well as the omission of operational cost related to the CIU. We recognize that these errors resulted from insufficient review and verification prior to submission.

Management accepts responsibility for the oversight and appreciates the auditors' recommendation. We are committed to strengthening our financial reporting processes to ensure accuracy, completeness, and compliance with the Project's special purpose framework (cash basis of accounting)

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
Grant Number D452-MH
(Financed by the International Development Association)

Schedule of Findings and Responses, continued

Finding No. 2023-1, continued

Auditee Response and Corrective Action Plan:

Immediate Corrections: The Financial Statement has been revised to classify disbursement allocations to include the CIU operational costs of \$1,201,383.

Strengthened Review Process: Establish a two-tier review mechanism, first level review by the Finance team to verify classification and completeness. Second level review by the Project Implementation Unit (PIU) management before submission.

Capacity Building: Conduct refresher training for Finance staff on the Project's reporting framework and cash-basis accounting requirements. Provide targeted guidance on common classification errors and reconciliation practices.

By implementing these corrective measures, management is confident that future financial statements will be complete, accurate, and compliant with Project's reporting framework. These actions will minimize audit risks, reduce costs and strengthen overall financial governance.

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

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project -
Grant Number D452-MH
(Financed by the International Development Association)

Year ended September 30, 2023



**Shape the future
with confidence**

November 14, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

We have performed an audit of the financial statement of the Republic of the Marshall Islands (RMI) Marshall Islands Maritime Investment Project (the Project) financed by the World Bank's International Development Association - Grant Number D452-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated November 14, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated March 10, 2025 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statement and the other supplementary information is the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statement is free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement agreement.

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

Our audit strategy is consistent with the plan communicated during the March 2025 meeting with Management.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**

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

We have provided a discussion of significant accounting policies and financial statement disclosures and related matters in Note 2 of the financial statement.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

Refer to the “Management Representations Letter” in Appendix A.

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

Refer to the “Management Representations Letter” in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our 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* dated November 14, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the March 2025 meeting.

Independence matters

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

New accounting pronouncements

No issues have been identified with regard to management’s planned application of new accounting pronouncements.

Significant issues discussed with management in connection with the auditor’s initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no difficulties encountered in dealing with management in performing the audit.

Management consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

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

Engagement team's involvement with preparation of the financial statements

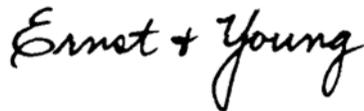
Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management's ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project's trial balance with our understanding that the Project's underlying books and records are maintained by the Project's accounting department and that the final trial balance prepared by the Project is complete.
- The Project's Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

This communication is intended solely for the information and use of those charged with governance, Project management, and the Office of the Auditor-General, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,



A - Management Representations Letter



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

To be printed using RMI Ministry of Finance, Banking and Postal Services

November 14, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the financial statement of the Republic of the Marshall Islands (RMI) Maritime Investment Project (the Project) financed by the World Bank's International Development Association-Grant Number D452-MH, which comprises the statement of cash receipts and disbursements for the year ended September 30, 2023, and the related notes to the financial statements, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Project in conformity with the cash basis of accounting, which is a basis of accounting other than US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated March 10, 2025, for the preparation and fair presentation of the financial statement (including disclosures) in accordance with the cash basis of accounting, which is a basis of accounting other than US GAAP, applied on a basis consistent with that of the preceding years.

In preparing the financial statement, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the financial statement is issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statement in accordance with the liquidation basis of accounting.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Management's responsibilities, continued

We acknowledge our responsibility 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statement, and (2) ransom ware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Corrected misstatements

We have reviewed and approved the adjustment, summarized in the accompanying schedule, and reflected this adjustment in the financial statements. Refer to the "Schedule of Corrected Misstatement" in Appendix A.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatement, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole. Refer to the "Schedule of Uncorrected Misstatement" in Appendix B.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

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

There have been no significant changes in internal control since September 30, 2023.



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A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from October 1, 2022 to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the financial statement, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statement.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the financial statement. For the year ended September 30, 2023, the Project did not consult with legal counsel concerning any matters relative to litigation, claims or assessments made against the Project.

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

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting



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A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Contingent liabilities, continued

practices, or other matters that could affect the financial statement other than those disclosed in the financial statement.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the financial statement.

Oral or written guarantees

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

Purchase commitments

At September 30, 2023, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statement. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statement.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statement.



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A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Independence

We have communicated to you the names of the Project's affiliates, officers and directors, or individuals who serve in such capacity for the Project.

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project's audit.

Conflicts of interest

There are no instances where any officer or employee of the Project has an interest in a company with which the Project does business that would be considered a "conflict of interest."- Such an interest would be contrary to the Project policy.

Going concern

In preparing the financial statement, we evaluated the entity's ability to continue as a going concern for twelve months after the date that the financial statement is issued and provide appropriate financial statement disclosure.

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary Information"):

- Schedule of Grant Drawdowns
- Schedule of Implementation Costs - Budgeted vs. Actual Project Disbursements

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

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

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



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A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Additional representations

- We recognize that we are responsible for the Project's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.
- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the financial statement.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Additional representations, continued

- Subsequent events have been evaluated and classified as recognized or non recognized through the date of this letter.

Other matters

We have received a draft copy of our financial statement for the years ended September 30, 2023. The accuracy and completeness of the financial statement, including footnote disclosures, are our responsibility.

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statement, including footnote disclosures.

We have reviewed the draft financial statement for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2023, no events or transactions have occurred or are pending that would have a material effect on the financial statement at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the financial statement in order to make them not misleading except as disclosed in the notes to the financial statement.



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A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statement of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Ayako Yamaguchi-Eliou', written over a horizontal line.

Ayako Yamaguchi-Eliou
Secretary, Ministry of Finance, Banking and Postal Services

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
Government of the Republic of the Marshall Islands

Appendices

- A - Schedule of Corrected Misstatements
- B - Schedule of Uncorrected Misstatements

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services
 Government of the Republic of the Marshall Islands

Appendix A - Schedule of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: RMI Maritime Investment Project - Grant Number 0452-MH

Period ended: 30-Sep-2023

Currency: USD

No.	WIP ref.	Account <small>(misstatements are recorded as journal entries with a description)</small>	Analysis of misstatements Debit/(Credit)						Income statement effect of the current period	
			Assets Current Debit/(Credit)	Assets Non-current Debit/(Credit)	Liabilities Current Debit/(Credit)	Liabilities Non-current Debit/(Credit)	Equity components Debit/(Credit)	Effect on the current period OCI Debit/(Credit)	Debit/(Credit)	Non taxable
		AJE - Unrecorded CIJ expense								
		DR Component 3								1,201.383
		DR Cash	(1,201.383)							
Total of corrected misstatements before income tax			(1,201.383)	0	0	0	0	0	0	1,201.383
Financial statement amounts			0	0	0	0	0	0	0	68,766
Effect of corrected misstatements on FIS amounts			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1747.1%

A - Management Representations Letter, continued



Ministry of Finance Banking & Postal Services

Government of the Republic of the Marshall Islands

Appendix B - Schedule of Uncorrected Misstatements

Communication schedule for uncorrected misstatements
 Entity: PMI Marshall Investment Project - Grant Number 1452204 Period Ended: 30-Sep-2025 Currency: USD

No.	V/P Ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Analysis of misstatements Debit/(Credit)				Effect on the current period OCI	Income statement effect of the current period		Income statement effect of the prior period	
			Assets Current (Note 2)	Assets Non-current (Note 2)	Liabilities Current (Note 2)	Liabilities Non-current (Note 2)		Debit/(Credit) 1	Debit/(Credit) 2	Prior period Debit/(Credit)	Non-taxable
Factual Misstatements:											
		Overstatement of expense									
		Cash	4,500								
		Expense						(4,500)			
Non-Utilization Misstatements:											
		(Restatement) Non-Component 3 to 2									
		Component 2							328,775		
		Component 3							(328,775)		
Total of uncorrected misstatements before income tax			4,500	0	0	0	0	0	14,500		
Total of uncorrected misstatements			4,500	0	0	0	0	0	14,500		
Financial statement amounts			0	0	0	0	0	0	68,775		
Effect of uncorrected misstatements on FFS amounts			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-8.5%		0.0%
Memo: Total of non-taxable items (marked 'X' above)											
Uncorrected misstatements before income tax								0.0%	(4,500)		
Less: Tax effect of misstatements at current year marginal rate									0		
Uncorrected misstatements in income tax									0		
Cumulative effect of uncorrected misstatements after tax but before turnaround									-8.5%	(4,500)	
Turnaround effect of prior period uncorrected misstatements											
All factual and projected misstatements: Judgmental misstatements (Note 3):											
Cumulative effect of uncorrected misstatements, after turnaround effect									0.0%	(4,500)	
Current year income before tax											
Current year income after tax											59,275

Management Letter

Republic of the Marshall Islands
Marshall Islands Maritime Investment Project –
Grant Number D452-MH
(Financed by the International Development Association)

Year ended September 30, 2023



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Ernst & Young (RMI), Inc.
P.O. Box 1288
Majuro, Republic of the Marshall
Islands 96960

Tel: 692 625 7387
ey.com

November 14, 2025

Honorable Minister David Paul
Ministry of Finance, Banking and Postal Services
Republic of the Marshall Islands

In planning and performing our audit of the financial statement of the Republic of the Marshall Islands (RMI) Marshall Islands Maritime Investment Project (the Project) financed by the World Bank's International Development Association - Grant Number D452-MH for the year ended September 30, 2023 in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project'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 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 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.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

Double Recording of Cash Disbursements

Condition: During our audit, we noted certain instances where cash disbursements were recorded more than once in the general ledger, resulting in overstated expenditures:

1. One item pertaining to the purchase of office equipment and furniture in the amount of \$9,383 was recorded twice in the disbursements ledger in 2022. This error was identified by Project management in 2024 and subsequently reversed. This matter did not impact the 2023 financial statement. Accordingly, no audit adjustment was considered necessary.

Double Recording of Cash Disbursements, continued

Condition, continued:

2. One item pertaining to consultant fees in the amount of \$5,007 was recorded twice in the disbursements ledger in 2023. This error was identified by Project management in 2024 and subsequently reversed. This matter impacted the 2023 financial statement; however, no audit adjustment was proposed as the amount was not considered material to the financial statement.

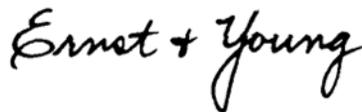
Recommendation: We recommend that management strengthen review controls over cash disbursement entries, including periodic reconciliations and supervisory review of transaction listings to ensure that disbursements are recorded only once.

This communication is intended solely for the information and use of the Project's management, the World Bank, the Office of the Auditor-General, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We commend management for their continuous effort to improve certain internal control procedures in the accounting and operations department.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Sincerely,



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

**Republic of the Marshall Islands
Small Islands Food and Water Project - Grant Numbers
2000004159 and 2000004675**

(Financed by the International Fund for Agricultural
Development)

*Period from inception (January 12, 2023) through September
30, 2024 with Report of Independent Auditors*



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Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Period from inception (January 12, 2023) through September 30, 2024

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Report of Independent Auditors

Honorable Minister Anthony Muller
Ministry of Natural Resources and Commerce
Republic of the Marshall Islands

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Republic of the Marshall Islands (RMI) Small Islands Food and Water Project (the Project), a governmental fund of the Republic of the Marshall Islands financed by the International Fund for Agricultural Development - Grant Numbers 2000004159 and 2000004675, which comprises the balance sheet as of September 30, 2024, and the related statement of revenues, expenditures and changes in fund balance for the period from inception (January 12, 2023) through September 30, 2024, and the related notes to the financial statements, which collectively comprise the Project's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Project as of September 30, 2024, and the changes in financial position for the period from inception (January 12, 2023) through September 30, 2024 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the activities of the Project administered by the RMI Ministry of Natural Resources and Commerce and are not intended to present fairly the financial position and results of other non-Project related operations of the RMI Ministry of Natural Resources and Commerce in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Project's Management for the Financial Statement

Project's 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, Project's management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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 Statement

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 the Project'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 Project's 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 Project'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.

Other Matters

Required Supplementary Information

Project's management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Project's basic financial statements. The supplementary information, which comprises the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance on page 16 and the Schedule of Grant Drawdowns on page 17, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of Project's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

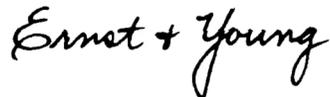
Other Information

Project's management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Fixed Assets on page 18 and the Schedule of Project Expenditures - Budgeted vs. Actual Project Expenditures on page 19 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2025, on our consideration of the Project's internal control over financial reporting and 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 Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing* in considering the Project's internal control over financial reporting and compliance.

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

November 26, 2025

Republic of the Marshall Islands
 Small Islands Food and Water Project - Grant
 Numbers 2000004159 and 2000004675
 (Financed by the International Fund for Agricultural Development)

Governmental Fund Balance Sheet
 (Grant No. 2000004159)

September 30, 2024

ASSETS

Due from General Fund	\$ 44,571
Advances	138
Total assets	<u>\$ 44,709</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 3,242
Other liabilities and accruals	<u>5,781</u>
Total liabilities	<u>9,023</u>
Commitments and contingencies	
Fund balance:	
Restricted:	
Agricultural development	<u>35,686</u>
Total liabilities and fund balance	<u>\$ 44,709</u>

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Governmental Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance
(Grant No. 2000004159)

Period from inception (January 12, 2023) through September 30, 2024

Revenues:	
IFAD grant	\$ <u>98,000</u>
Total revenues	<u>98,000</u>
Expenditures:	
Salaries and wages	41,183
Workshops, meetings and travel	11,069
Equipment and materials	<u>10,062</u>
Total expenditures	<u>62,314</u>
Excess of revenues over expenditures	35,686
Fund balance at the beginning of the period	<u>---</u>
Fund balance at the end of the period	<u>\$ 35,686</u>

See accompanying notes.

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Notes to Financial Statements

Period from inception (January 12, 2023) through September 30, 2024

1. Organization

The Small Islands Food and Water Project (SIFWaP or the Project) is a multi-country project aimed at improving access to sustainable and healthy diets for beneficiary communities across four small island countries: Kiribati, the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and Tuvalu. The International Fund for Agricultural Development (IFAD), together with the Food and Agriculture Organization of the United Nations (FAO), are responsible for the implementation of the Project. Total Project costs are \$19.29 million, including contributions from the Global Agriculture and Food Security Program (\$11.65 million), the Government of New Zealand (\$3.47 million), in-kind contributions from SIFWaP participants (\$2.34 million), and cash/in-kind contributions from the four small island countries involved (\$1.83 million).

On January 12, 2023, the RMI through the Ministry of Natural Resources and Commerce (MONRC or the Recipient) signed a Financing Agreement with IFAD for the purpose of assisting in financing the implementation of the SIFWaP in the RMI. IFAD agreed to extend to the Recipient an amount equivalent to \$1,275,000 under IFAD Grant No. 2000004159 to cover eligible Project expenditures.

On July 13, 2023, IFAD signed an agreement with the Government of New Zealand to support Pacific communities to ensure sustainable access to water and healthy diets in line with Project objectives. On January 28, 2024, the Recipient signed a supplemental Financing Agreement with IFAD relative to this Project support. IFAD agreed to extend to the Recipient an additional amount of \$614,944 under IFAD Grant No. 2000004675 to cover eligible Project expenditures. No eligible Project expenditures or related grant drawdowns have occurred under IFAD Grant No. 2000004675 for the period from inception through September 30, 2024. The closing date of the Project is January 12, 2029.

The objective of the SIFWaP is to strengthen household resilience to shocks by improving food, nutrition and water security and livelihood opportunities in the four small island communities. The SIFWaP consists of the following parts:

- Component 1 - Community Engagement
- Component 2 - Investments in Food Nutrition and Water Security
- Component 3 - Enabling Policy Framework
- Component 4 - Project Coordination and Management

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Notes to Financial Statements, continued

1. Organization, continued

MONRC is designated as the representative of the RMI for the purposes of the grant regulations as well as the Project Implementation Agency responsible for carrying out the Project. MONRC has established and manages an advance account within the RMI Ministry of Finance, Banking, and Postal Services (MOFBPS) to be used exclusively for the Project. An initial advance payment under the Project was authorized to facilitate the implementation of the Project through timely release of funds and \$98,000 of grant proceeds were made available for this purpose. The accompanying financial statements are prepared for and relate solely to those accounting records maintained by MOFBPS associated with the Project and do not incorporate any accounts related to other non-Project activities of MONRC, any other departments or agencies of the RMI Government, or SIFWaP activities carried out by other small island countries.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Project's accounting policies are described below.

Measurement Focus and Basis of Accounting

The Project reports its financial position and the results of operations in one governmental fund. A fund is a separate accounting entity with a self-balancing set of accounts. It is concerned only with the measurement of financial position and is not involved with the measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

The modified accrual basis of accounting is used by all 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 the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Project considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Grants and assistance awards based on entitlement periods are recorded as revenue when available and entitlement occurs, which is generally within 12 months of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred.

The financial statements are presented in US Dollars, which is the Project's functional and presentation currency.

Interfund Receivables/Payables

During the Project's operations, MOFBPS records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between the MOFBPS's General Fund and the individual fund utilized by MOFBPS to account for the activities of the Project are classified as "due from General Fund" or "due to General Fund" on the governmental fund balance sheet.

Fund Balance

Fund balance classifications are based on the extent to which the Project is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in a spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Balance, continued

- Unassigned - includes negative fund balances in other governmental funds.

The Project has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the Project is to use committed resources first followed by unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

A formal minimum fund balance policy has not been adopted.

Estimates

The preparation of financial statements in accordance with GAAP requires Project's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

During the period from inception (January 12, 2023) through September 30, 2024, the Project 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

- 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- 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.
 - 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.

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

This Statement modifies accounting and reporting guidance in:

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

The implementation of this Statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. The Project 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. 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.

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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 Project's 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 to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The Project's 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. The Project's 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.

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

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 primary 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 No. 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. The Project's 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.

3. RMI Government Contributions

Under the provisions of the Financing Agreement, the RMI Government is required to provide \$270,000 counterpart cash and in-kind contributions in the form of investment costs and recurrent costs such as office space, utilities, administration and support staff, and taxes and duties exemption. As of September 30, 2024, the RMI Government has provided certain office space and utilities for the Project; however, the Project's management is unable to quantify the dollar amount of in-kind contributions. The Project's management is continuously evaluating other project matrices to determine the appropriate amount of cash and in-kind contributions.

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Notes to Financial Statements, continued

4. Commitments

IFAD has made grant proceeds under Grant Numbers 2000004159 and 2000004675 of \$1,275,000 and \$614,944, respectively, available to the RMI for the purpose of exclusively financing Project expenditures in accordance with grant agreement provisions. As of September 30, 2024, remaining commitments associated with unused grant proceeds amount to \$1,212,686 and \$614,944, respectively.

Supplementary and Other Information

Republic of the Marshall Islands
 Small Islands Food and Water Project - Grant
 Numbers 2000004159 and 2000004675
 (Financed by the International Fund for Agricultural Development)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Period from inception (January 12, 2023) through September 30, 2024

	4159	4675	Total
Revenues:			
Grant drawdowns	\$ 98,000	\$ ---	\$ 98,000
Total revenues	98,000	---	98,000
Expenditures:			
Salaries and wages	41,183	---	41,183
Workshops, meetings and travel	11,069	---	11,069
Equipment and materials	10,062	---	10,062
Total expenditures	62,314	---	62,314
Excess of revenues over expenditures	35,686	---	35,686
Fund balance at the beginning of the period	---	---	---
Fund balance at the end of the period	\$ 35,686	\$ ---	\$ 35,686

Republic of the Marshall Islands
 Small Islands Food and Water Project - Grant
 Numbers 2000004159 and 2000004675
 (Financed by the International Fund for Agricultural Development)

Schedule of Grant Drawdowns

Period from inception (January 12, 2023) through September 30, 2024

	<u>Grant #</u>	<u>WA #</u>	<u>Date Funds Received</u>	<u>Total</u>
Advance	4159	WA# 1	March 23, 2023	\$ <u>98,000</u>
				\$ <u><u>98,000</u></u>

Republic of the Marshall Islands
 Small Islands Food and Water Project - Grant
 Numbers 2000004159 and 2000004675
 (Financed by the International Fund for Agricultural Development)

Schedule of Fixed Assets

Period from inception (January 12, 2023) through September 30, 2024

Description	Location	Quantity	Grant #	Date of Purchase	Cost
Desk PF	MONRC	2	4159	March 12, 2023	\$ 790
Office Chair	MONRC	2	4159	March 12, 2023	238
Dell Ins. 15	MONRC	2	4159	March 12, 2023	2,348
Xerox B22	MONRC	1	4159	March 12, 2023	498
Electric water dispenser	MONRC	1	4159	June 16, 2023	310
Monitor Dell 24" Series	MONRC	1	4159	August 8, 2023	295
Dell Ins 7720	MONRC	2	4159	January 16, 2024	4,298
APC Battery	MONRC	1	4159	January 16, 2024	499
					<u>\$ 9,276</u>

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
(Financed by the International Fund for Agricultural Development)

Schedule of Project Expenditures - Budgeted vs. Actual Project Expenditures

Period from inception (January 12, 2023) through September 30, 2024

	Grant No. 2000004159	Total Cumulative Project Expenditures			Unspent	Period from inception (January 12, 2023) through September 30, 2024		Variance
		Total Project Budget	Cumulative from January 12, 2023 to September 30, 2023	Year ended September 30, 2024		Cumulative from January 12, 2023 to September 30, 2024	Budget	
Project expenditures:								
Salaries and wages	\$ 446,000	\$ ---	\$ 41,183	\$ 41,183	\$ 404,817	\$ 58,000	\$ 41,183	\$ 16,817
Grants and subsidies	339,000	---	---	---	339,000	---	---	---
Workshops, meetings and travel	241,000	4,272	6,797	11,069	229,931	8,500	11,069	(2,569)
Consultancies	194,000	---	---	---	194,000	---	---	---
Equipment and materials	26,000	4,479	5,583	10,062	15,938	18,000	10,062	7,938
Other operating costs	29,000	---	---	---	29,000	13,500	---	13,500
Total project expenditures	\$ 1,275,000	\$ 8,751	\$ 53,563	\$ 62,314	\$ 1,212,686	\$ 98,000	\$ 62,314	\$ 35,686



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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*

Honorable Minister Anthony Muller
Ministry of Natural Resources and Commerce
Republic of the Marshall Islands

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 statement of the Republic of the Marshall Islands (RMI) Small Islands Food and Water Project (the Project) financed by the International Fund for Agricultural Development - Grant Numbers 2000004159 and 2000004675, which comprises the balance sheet as of September 30, 2024, and the related statement of revenues, expenditures and changes in fund balance for the period from inception (January 12, 2023) through September 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Project'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

The logo for Ernst + Young, written in a cursive, handwritten-style font.

November 26, 2025

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

**Republic of the Marshall Islands
Small Islands Food and Water Project – Grant
Numbers 2000004159 and 2000004675**

(Financed by the International Fund for Agricultural Development)

*Period from inception (January 12, 2023) through September 30,
2024*



**Shape the future
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Shape the future
with confidence

Ernst & Young (RMI), Inc.
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November 26, 2025

Honorable Minister Anthony Muller
Ministry of Natural Resources and Commerce
Republic of the Marshall Islands

We have performed an audit of the financial statements of the Republic of the Marshall Islands (RMI) Small Islands Food and Water Project (the Project), a governmental fund of the Republic of the Marshall Islands financed by the International Fund for Agricultural Development - Grant Numbers 2000004159 and 2000004675, as of September 30, 2024, and for the period from inception (January 12, 2023) through September 30, 2024, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated November 26, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide those charged with governance with additional information regarding the scope and results of the audit that may assist them in overseeing the financial reporting and disclosure processes which the management of the Project is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing are consistent with the plan communicated in our engagement letter dated October 27, 2025, and at our audit planning meeting with the Project's management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements and supplementary and other information are the responsibility of the Project's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Project's management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

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

Our audit strategy is consistent with the plan communicated during the November 4, 2025 meeting with the Project's management.

Matters relevant to our evaluation of the Project's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Project's ability to continue as a going concern.

Our views about the qualitative aspects of the Project's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Project's management has not selected or changed any significant policies or changed the application of those policies in the current year. A discussion of significant accounting policies has been included in Note 2 of the financial statements.

We are not aware of any significant accounting policies used by the Project in controversial or emerging areas or for which there is a lack of authoritative guidance.

We determined that those charged with governance are informed about the Project's management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

The Project's management's judgment is called upon in preparing budgets that are used to administer and monitor the Project's operations. These budgets include determining how existing financial resources will be used in the Project's operations.

Related party relationships and transactions

We noted no significant matters regarding the Project's relationships and transactions with related parties.

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

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Project.

Difficult or contentious matters subject to consultation outside of the audit team

There were no difficult or contentious matters that required consultation outside of the audit team.

Material corrected misstatements related to accounts and disclosures

No corrected misstatement was identified in connection with our audit of the Project's financial statements for the period from inception (January 12, 2023) through September 30, 2024.

Uncorrected misstatements related to accounts and disclosures

We have identified an uncorrected misstatement in connection with our audit of the Project's financial statements for the period from inception (January 12, 2023) through September 30, 2024. Refer to the "Management Representation Letter" in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

No material weaknesses have been identified. We have issued our 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* dated November 26, 2025.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the November 4, 2025 meeting.

Independence matters

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

New accounting pronouncements

Project's management is still assessing the impact of adopting the following GASB Statements:

- GASB Statement No. 101
- GASB Statement No. 102
- GASB Statement No. 103
- GASB Statement No. 104

Significant issues discussed with the Project's management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with the Project's management and significant difficulties encountered in dealing with Project's management when performing the audit

There were no difficulties encountered in dealing with the Project's management in performing the audit.

Project's management consultations with other accountants

We are not aware of any consultations made by the Project's management with other accountants or specialists.

Other material written communications with the Project's management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

Representations from the Project’s management

We have obtained from the Project’s management a representation letter related to the audit, and a copy of the representation letter is included in Appendix A.

AICPA ethics ruling regarding third-party service providers

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

Engagement team’s involvement with preparation of the financial statements

Under *Government Auditing Standards* 2018 Revisions, Chapter 3 General Standards, Paragraph 3.73 Requirements for Performing Non-audit Services explains that the audit team should make consideration of the Project’s management’s ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual(s) who possesses suitable skill, knowledge or experience and that the individuals understand the services to be performed sufficiently to oversee them. The engagement team should document consideration of Project’s management’s ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Project.
- The preparation of the financial statement is based on the Project’s trial balance with our understanding that the Project’s underlying books and records are maintained by the Project’s accounting department and that the final trial balance prepared by the Project is complete.
- The Project’s Accountant has the skill sets to oversee and review the completeness and accuracy of the financial statement and footnote disclosures.

This communication is intended solely for the information and use of the International Fund for Agricultural Development, the Ministry of Natural Resources and Commerce, management of the Project, and the Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

Ernst + Young

Appendix

A - Management Representations Letter



REPUBLIC OF THE MARSHALL ISLANDS
Ministry of Natural Resources and Commerce

Post Office Box 1727
Majuro, Marshall Islands 96960

November 26, 2025

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the basic financial statements of the Republic of the Marshall Islands (RMI) Small Islands Food and Water Project (the Project), a governmental fund of the Republic of the Marshall Islands financed by the International Fund for Agricultural Development - Grant Numbers 2000004159 and 2000004675, which comprises the balance sheet as of September 30, 2024, and the related statement of revenues, expenditures and changes in fund balance for the period from inception (January 12, 2023) through September 30, 2024, and the related notes to the financial statements, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the basic financial statements present fairly, in all material respects, the financial position of the Project and the changes in financial position in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated October 27, 2025, for the preparation and fair presentation of the basic financial statements (including disclosures) in accordance with US GAAP, applied on a basis consistent with that of the preceding years.

A - Management Representations Letter, continued

Management's responsibilities, continued

In preparing the basic financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for one year after the date that the basic financial statements are issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the basic financial statements in accordance with the liquidation basis of accounting. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the basic financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Project from whom you determined it necessary to obtain evidence

From January 12, 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the basic financial statements, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule in Appendix A, accumulated by you during the current and prior audit period presented, are immaterial, both individually and in the aggregate, to the basic financial statements as a whole.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statement.

A - Management Representations Letter, continued

Internal control, continued

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2024.

Minutes and contracts

No meetings of members, officers or management relative to the Project have been held from January 12, 2023, to the date of this letter.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the basic financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

The Project has satisfactory title to all assets appearing in the balance sheet. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Project has satisfactory title appear in the balance sheet.

Receivables and revenues

Adequate provision has been made for any receivable as of the balance sheet date that may not be collectible, including any losses, costs and expenses that may be incurred related to collection of receivables at that date.

Revenues and other governmental fund resources are recognized in the period in which they became both measurable and available to finance expenditures of the fiscal period.

A - Management Representations Letter, continued

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the basic financial statements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in the basic financial statements. For the period from inception (January 12, 2023) through September 30, 2024, the Project did not consult with legal counsel concerning any matters related to litigation, claims or assessments made against the Project.

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

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

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be disclosed in the basic financial statements.

A - Management Representations Letter, continued

Oral or written guarantees

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

Purchase commitments

As of September 30, 2024, the Project had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding as of September 30, 2024, as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Project's business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the basic financial statements may be materially misstated as a result of fraud.

We have disclosed to you all significant facts relating to any frauds or suspected frauds, or allegations of fraud known to us that may have affected the Project (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of fraud or suspected frauds affecting the Project involving others where the fraud could have a material effect on the basic financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the basic financial statements.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the basic financial statements.

Independence

We have communicated to you the names of the Project's affiliates, officers and directors, or individuals who serve in such capacity for the Project.

A - Management Representations Letter, continued

Independence, continued

We are not aware of any business relationship between the Project and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Project's audit.

Conflicts of interest

There are no instances where any officer or employee of the Project has an interest in a company or organization with which the Project does business that would be considered a "conflict of interest". Such an interest would be contrary to the Project policy.

Effects of adopting new accounting standards

As discussed in Note 2 to the basic financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 101
- GASB Statement No. 102
- GASB Statement No. 103
- GASB Statement No. 104

The Project is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Going concern

In preparing the basic financial statements, we evaluated the Project's ability to continue as a going concern for twelve months after the date that the basic financial statements are issued and provide appropriate financial statement disclosure.

Required supplementary information

Management has omitted the Management's Discussion and Analysis that US GAAP requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB 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 understand that your opinion on the basic financial statements is not affected by this missing information.

A - Management Representations Letter, continued

Supplementary and other information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary and Other Information"):

- Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
- Schedule of Grant Drawdowns
- Schedule of Fixed Assets
- Schedule of Project Expenditures - Budgeted vs. Actual Project Expenditures

We believe the supplementary and other information, including its form and content, is fairly stated in all material respects.

There have been no changes in the methods of measurement or presentation of the supplementary and other information from that used in the prior period.

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

Additional representations

- We recognize that we are responsible for the Project's compliance with the laws, regulations, provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives all laws, regulations, provisions of contracts and grant agreements that have a direct and material effect on the determination of basic financial statement amounts or other financial data significant to the audit objectives.
- We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.
- We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- We have a process to track the status of audit findings and recommendations.
- We have taken timely and appropriate steps to remedy noncompliance with provisions of laws, regulations, and contracts or grant agreements, that you have reported.

A - Management Representations Letter, continued

Additional representations, continued

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on basic financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have identified and disclosed to you, all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements where the noncompliance could have a direct and material effect on the basic financial statements.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, deposits and investments, including collateral requirements on depository accounts and investments.
- There have been no instances of abuse that have occurred or are likely to have occurred that could be quantitatively or qualitatively material to the basic financial statements.
- The Project has obligated, expended, received and used public funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by Marshall Islands or federal law. Such obligation, expenditure, receipt or use of public funds was in accordance with any limitations, conditions or mandatory directions imposed by Marshall Islands or federal law.
- Money or similar assets handled by the Project have been properly and legally administered and the accounting and recordkeeping related thereto is proper, accurate and in accordance with law.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Other matters

We have received a draft copy of our basic financial statements as of September 30, 2024 and for the period from inception (January 12, 2023) through September 30, 2024. The accuracy and completeness of the basic financial statements, including footnote disclosures, are our responsibility.

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

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- All adjusting journal entries posted to the trial balance have been approved by us, and

A - Management Representations Letter, continued

Other matters, continued

- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the basic financial statements, including footnote disclosures.

We have reviewed the draft financial statements for accuracy and completeness.

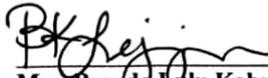
We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2024, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Project's affairs to require mention in a note to the basic financial statements in order to make them not misleading except as disclosed in the notes to the basic financial statements.

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of the Project and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



Mrs. Brenda Lulu Kabua Lejjena
Acting Secretary, Ministry of Natural Resources and Commerce



Ms. Marissa Note
Project Manager

A - Management Representations Letter, continued

Appendix A - Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: RMI Small Islands Food and Water Project - Grant Numbers 2000004159 and 2000004675

Period Ended: 30-Sep-2024

Currency: USD

Uncorrected misstatements		Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period		
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
(misstatements are recorded as journal entries with a description)			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
SAD1	N	To correct accrued salaries and wages expenditures not incurred during FY2024										
		Accounts payable			695							
		Other liabilities and accruals			205							
		Salaries and wages							(900)			
Total of uncorrected misstatements before income tax			0	0	900	0	0	0	(900)		0	
Total of uncorrected misstatements			0	0	900	0	0	0	(900)		0	
Financial statement amounts			44,709	0	(9,023)	0	(35,689)		(35,689)		0	
Effect of uncorrected misstatements on F/S amounts			0.0%	0.0%	-10.0%	0.0%	0.0%		2.5%		0.0%	
Memo: Total of non-taxable items (marked "X" above)												
Uncorrected misstatements before income tax								0.0%	(900)		0	
Less: Tax effect of misstatements at current year marginal rate								0%	0		0	
Uncorrected misstatements in income tax									0		0	
Cumulative effect of uncorrected misstatements after tax but before turnaround								2.5%	(900)		0	
Turnaround effect of prior period uncorrected misstatements												
All factual and projected misstatements: Judgmental misstatements (Note 3):									0		0	
Cumulative effect of uncorrected misstatements, after turnaround effect								2.5%	(900)		0	
Current year income before tax									0			
Current year income after tax									(35,689)			



HOTLINE

Telephone Line (692) 625-3390 / 3192

[Call us to report any allegations of fraud, waste and abuse in the collection and expenditure of all public funds]

OR

Fill out the Complaint Form from our website www.rmioa.g.com

[If you want to remain anonymous, do not disclose your email address or other contact information]

OR

Write to us through the mailing address below:

Office of the Auditor-General

P.O. Box 245

Majuro, MH 96960

[If you do not want to reveal your identity, do not disclose a return address]

OR

Visit us at the Office Complex in Delap village, Majuro

