

*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.

Ernst + Young

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	<u>138</u>
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>

See accompanying notes.

Republic of the Marshall Islands
Small Islands Food and Water Project - Grant
Numbers 2000004159 and 2000004675
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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
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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
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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
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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
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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
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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
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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
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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.

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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.

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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
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 (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
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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
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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
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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