

**NATIONAL COMMUNITY INITIATIVES PROJECT
PROJECT FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

NATIONAL COMMUNITY INITIATIVES PROJECT
GRANT NO. TF C5215-KG, CREDIT NO. 7610-KG
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**STATEMENT OF MANAGEMENT RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF
THE PROJECT'S FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025**

The following statement, which should be read in conjunction with the auditor's responsibilities, is made to distinguish the respective responsibilities of project management and independent auditor in a relation to the project financial statements of the National Community Initiatives Project financed under the Financing Agreement for Grant No. TF C5215-KG and Credit No. 7610-KG (the "Project").

Project Management is responsible for the preparation of the project financial statements that present fairly, in all material respects, the statement of funds received and expenditures paid and the statement of expenditures paid by parts for the year ended December 31, 2025, in accordance with International Public Sector Accounting Standards "Financial Reporting under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants and Guidelines for Annual Financial Reporting and Auditing of Activities financed by the World Bank, issued by the World Bank Financial Management Sector Board (the "WB Guidelines").

In preparing the project financial statements, management is responsible for:

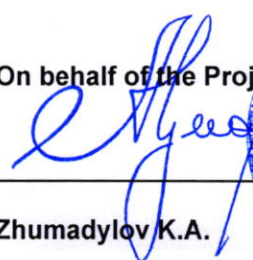
- selecting suitable accounting policies and their consistent application;
- making judgments and estimates that are reasonable and prudent;
- compliance with IPSAS and World Bank Guidance Notes, including disclosure and explanation of any material departures in the project financial statements; and
- preparing the project financial statements on the assumption that the Project will be implemented in accordance with the established period.

Project management is also responsible for:

- designing, implementing and maintaining effective and sound system of internal control and for revealing risks in system of internal control;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the Project financial position, and which enable them to ensure that the financial statements of the Project comply with IPSAS and WB Guidelines;
- compliance with laws and regulations of the Kyrgyz Republic, and the requirements of the operational manual of the Project and the requirements of the World Bank;
- taking such steps as are reasonably available to them to safeguard the assets of the Project; and
- detecting and preventing fraud, error and other irregularities.

The Project financial statements for the year ended December 31, 2025 were approved and authorized for issue by the Project Management on June 29, 2026.

On behalf of the Project Management:


Zhumadylov K.A.

**Executive Director of Agency for Development
and Investment of Communities**

June 29, 2026

Bishkek, Kyrgyz Republic


Yusupova R.T.

**Acting Financial Manager of Agency for
Development and Investment of Communities**

June 29, 2026

Bishkek, Kyrgyz Republic

INDEPENDENT AUDITOR'S REPORT

To the Management of the National Community Initiatives Project under the Community Development and Investment Agency
Grant No. TF C5215-KG and Credit No. 7610-KG

Opinion

We have audited the accompanying special purpose financial statements of the National Community Initiatives Project (the "Project"), which comprise the summary of funds received and expenditures paid and the summary of expenditures paid by project parts for the year ended December 31, 2025, and notes to the project financial statements.

In our opinion, the accompanying project financial statements present fairly, in all material respects, the summary of funds received and expenditures paid and the summary of expenditures paid by project parts of the Project for the year ended December 31, 2025, in accordance with the special purpose framework comprising the International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

Basis for Opinion

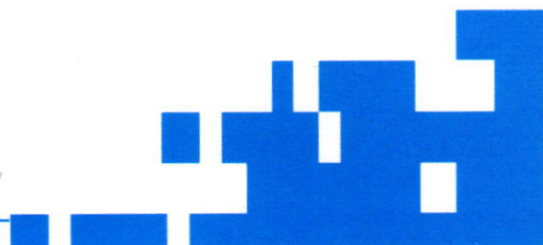
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements section of this report. We are independent of the Project in accordance with the ethical requirements applicable to our audit of the financial statements in the Kyrgyz Republic and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use and Distribution

Without qualifying our opinion, we draw attention to Note 2 to the project financial statements, which describe the basis of accounting. These project financial statements were prepared for complying with the appropriate World Bank Guidelines and Grant agreements requirements. These circumstances do not lead to modification of the auditor's opinion.

THE POWER OF BEING UNDERSTOOD
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RSM Kyrgyzstan is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.



The project financial statements are prepared to assist the Project to comply with the requirements of the World Bank. As a result, the project financial statements may not be suitable for another purpose.

Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines"), and for such internal control as management determines is necessary to enable the preparation of project financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether these project 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 a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during our audit.

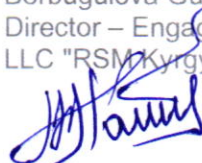
The engagement partner responsible for the audit resulting in this independent auditor's report is Gulnaz Taiyrbekovna Borbugulova.

Saidov Firuz
Managing Director
LLC "RSM Kyrgyzstan"



Qualified Auditor
in the Kyrgyz Republic
Qualification Certificate No. 0489
dated January 12, 2021

Borbugulova Gulnaz Taiyrbekovna
Director – Engagement Partner
LLC "RSM Kyrgyzstan"

A handwritten signature in blue ink, likely belonging to Gulnaz Taiyrbekovna Borbugulova.

Qualified Auditor
in the Kyrgyz Republic
Qualification Certificate No. 0350
dated November 6, 2015

Identification Registration Number No.
2101308
dated August 8, 2023,
registered with the
State Service for Regulation and Supervision
of the Financial Market under the
Ministry of Economy and Commerce
of the Kyrgyz Republic

June 29, 2026
Bishkek, Kyrgyz Republic

**SUMMARY OF FUNDS RECEIVED AND EXPENDITURES PAID
FOR THE YEAR ENDED DECEMBER 31, 2025**
(in USD)

	Notes:	For the year ended December 31, 2025	Cumulative
Opening balance		-	-
Funds received			
Grant No. TF C5215-KG	5	200 000.00	200 000.00
Credit No. 7610-KG	5	800 000.00	800 000.00
Total funds received		1 000 000.00	1 000 000.00
Other income	6	6 165.24	6 165.24
Total receipts		1 006 165.24	1 006 165.24
Expenses			
(1) Sub-grants, training and incentives in accordance with the Project Part 1(a)(ii), 1(b)(ii) and 2(iii)	7	84 600.06	84 600.06
(2) Goods, works, non-consulting services, consulting services, training and operating expenditures for the project under the Project Parts 1(a)(i), 1(b)(i), 1(c), 2(i), 2(ii) and 3	7	390 181.79	390 181.79
Total expenses		474 781.85	474 781.85
Other expenses		-	-
Closing balance	4	531 383.39	531 383.39

On behalf of the Project Management:

Zhumadylov K.A.

Executive Director of Agency for Development
and Investment of Communities

June 29, 2026

Bishkek, Kyrgyz Republic

Yusupova R.T.

Acting Financial Manager of Agency for
Development and Investment of Communities

June 29, 2026

Bishkek, Kyrgyz Republic

SUMMARY OF EXPENDITURES PAID BY PROJECT PARTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(in USD)

	For the year ended December 31, 2025	Cumulative
Part 1: Investing in Rural Infrastructure and Strengthening Institutions	148 833.63	148 833.63
Part 2: Local Economic Development and Income Generating Opportunities for Women and Youth	139 948.81	139 948.81
Part 3: Project Management	185 999.41	185 999.41
Part 4: Conditional Emergency Response Component	-	-
Total	474 781.85	474 781.85

On behalf of the Project Management:

Zhumadylov K.A.

Executive Director of Agency for Development
and Investment of Communities

June 29, 2026

Bishkek, Kyrgyz Republic

Yusupova R.T.

Acting Financial Manager of Agency for
Development and Investment of Communities

June 29, 2026

Bishkek, Kyrgyz Republic

**NOTES TO THE PROJECT FINANCIAL STATEMENTS FOR
THE YEAR ENDING DECEMBER 31, 2025**
(in USD)

1. GENERAL INFORMATION

According to the Financing Agreement between the Kyrgyz Republic and the International Development Association (the "IDA") dated April 18, 2025, IDA provided the Kyrgyz Republic with Grant No. TF C5215-KG in the amount of 2 000 000.00 USD and Credit No. 7610-KG in the amount of 25 000 000.00 USD.

The Credit and Grant were provided for the implementation of the National Community Initiatives Project (hereinafter referred to as the Project).

Project Objectives

The Project aims to improve access to climate-resilient socio-economic infrastructure and expand economic opportunities for women and youth in target communities.

The project consists of the following Parts:

- Part 1. Investments in rural infrastructure and strengthening institutions;
- Part 2. Local Economic Development and Livelihood Opportunities for women and youth;
- Part 3. Project Management;
- Part 4. Conditional Emergency Response Component.

Part 1. Investing in rural infrastructure and strengthening institutions

1.1 Investments in rural infrastructure and strengthening institutions

- a) Provision of sub-grants to selected Aiyl Okmotu for the implementation of (i) sub-projects investments in social infrastructure and (ii) investment subprojects in the field of "Early Childhood Development" ("ECD");
- b) A capacity building programme (i) aimed at social mobilization of communities with special emphasis on women, youth and vulnerable groups to participate in the planning, prioritization, implementation and monitoring of local development projects; and (ii) for community members and relevant local institutions on early childhood development issues;
- c) Capacity-building program for selected local self-government bodies aimed at strengthening their institutional capacity to prepare and implement SEDPs, and to carry out inclusive, transparent and participatory planning, management and support of local development projects, including consideration of climate-related risks.

Part 2. Local Economic Development and Sourcing Opportunities Income for women and youth

Provision of (i) sub-grants to selected Aiyl Okmotu for the implementation of sub-projects on securing sources of income; (ii) technical assistance to selected business partners on providing sources of income to communities and other participants in the value chain cost to enhance their business and technical skills and climate awareness, and also for women to develop their business skills, including opening private children's kindergartens; and (iii) incentives for beneficiaries to operate private kindergartens.

Part 3. Project management

Support for the management and implementation of the Project, including procurement, financial management, coordination, reporting, monitoring and evaluation, compliance with environmental and social standards and audit.

Part 4. Conditional Emergency Response

Ensuring immediate response to those who meet established criteria crisis or emergency as needed.

Project management

The project is being implemented by the Agency for Development and Investment of Communities.

Grant Agreement No. TF C5215-KG and Credit Agreement No. 7610-KG were signed on April 18, 2025. The Project implementation period is set in accordance with the terms of the agreements and is valid until July 31, 2029.

2. BASIS OF PREPARATION OF THE PROJECT FINANCIAL STATEMENTS

Basis of presentation

These project financial statements have been prepared in accordance with the International Public Sector Accounting Standard "Financial Reporting under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants and Guidelines for Annual Financial Reporting and Auditing of Activities financed by the World Bank, issued by the World Bank Financial Management Sector Board (the "WB Guidelines").

The cash basis of accounting recognizes transactions and events only upon the receipt or payment of cash, including cash equivalents.

The project approved budget, disclosed by expenditures categories, is not publicly available, and as such no comparison of the budget with actual amounts is provided. The project's financial statements consist of:

- Statement on funds received and expenditures paid;
- Statement on expenditures paid by the Project Parts;
- Notes to the Project financial statements, including a summary of significant accounting policies and other explanatory notes.

The presentation currency of the Project financial statements is USD.

These financial statements cover the first year of the Project implementation. Comparative information for the previous period is not presented.

3. DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

Cash basis of accounting

The project financial statements are prepared on cash method of accounting. The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid. Project financial statements prepared under the cash basis provide information about the sources of cash, the purposes for which cash is used, and the cash balances at the reporting date. The key measurement in the project's financial statements is cash balances and changes therein.

Foreign currency

Operations in foreign currency initially are counted in functional currency using the currency exchange rate settled by commercial bank on a date of operation.

Funds received are translated into USD at official exchange rate of Special Drawing Rights (the "SDR") at the date of funds receipt.

All payments made in national currency are converted into USD at the official exchange rate of the servicing commercial bank on the date of the transaction.

Monetary assets and liabilities denominated in foreign and domestic currencies are translated into the functional currency using the official commercial bank exchange rate.

Cash and cash equivalents

Cash and cash equivalents include cash and deposits that can be converted into cash within a short period of time.

Taxes

Calculation and payment of income tax on the income of local employees and consultants, as well as insurance contributions to the Social Fund of the Kyrgyz Republic, is made in accordance with the requirements and rates set forth in the Tax Code of the Kyrgyz Republic and the relevant Kyrgyz Republic legislation.

Project Expenditures

Expenditures are reflected in the period in which they are actually paid.

Sources of funds

The funds were provided by the IDA to the Project by initial deposit and replenishment of a designated account.

Other income

Other income represents interest income accrued by the servicing commercial bank on cash balances of the designated account.

Other Expenditures

Other Expenditures represent amounts of interest income transferred to the Ministry of Finance of the Kyrgyz Republic, as well as bank fees.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2025 are as follows:

Sources of funding	Currency	December 31, 2025
Designated account Grant No. TF C5215-KG	USD	183 784.09
Designated account Credit No. 7610-KG	USD	341 434.06
Interest account	USD	6 165.24
Total		531 383.39

5. FUNDS RECEIVED

The funds received were provided through the following methods and sources of financing:

	For the period from 18 April 2025 to 31 December 2025	Total
Grant No. TF C5215-KG		
Initial advance	200 000.00	200 000.00
	200 000.00	200 000.00
Credit No. 7610-KG		
Initial advance	800 000.00	800 000.00
	800 000.00	800 000.00
Total	1 000 000.00	1 000 000.00

6. OTHER INCOME

Other income is presented as follows:

	For the period from 18 April 2025 to 31 December 2025	Cumulative
Interest income	<u>6 165.24</u>	<u>6 165.24</u>
Total	<u><u>6 165.24</u></u>	<u><u>6 165.24</u></u>

National Community Initiatives Project Grant No. TF C5215-KG, Credit No. 7610-KG
(Amounts in the tables are presented in USD)

7. EXPENSES

Project expenses major categories are presented in the statement of funds received and expenditures paid. Project Expenses by Parts are presented in the statement of expenditures paid by the Project parts. A breakdown of Project expenditures by type and funding source is presented as follows:

	For the period from 18 April 2025 to 31 December 2025			Cumulatively		
	Grant	Credit	Total	Grant	Credit	Total
	No. TF C5215-KG	No. 7610-KG		No. TF C5215-KG	No. 7610-KG	
1) Sub-grants, training and incentives in accordance with the Project part 1(a)(ii), 1(b)(ii) and 2(iii)	-	84 600.06	84 600.06	-	84 600.06	84 600.06
*Consulting services	-	84 600.06	84 600.06	-	84 600.06	84 600.06
	-	84 600.06	84 600.06	-	84 600.06	84 600.06
2) Goods, works, non-consulting services and consulting services; Training and Operating Expenditures for the Project parts 1(a)(i), 1(b)(i), 1(c), 2(i), 2(ii) and 3						
	16 185.91	373 995.88	390 181.79	16 185.91	373 995.88	390 181.79
Consulting services	16 185.91	187 996.47	204 182.38	16 185.91	187 996.47	204 182.38
	16 185.91	187 996.47	204 182.38	16 185.91	187 996.47	204 182.38
Operating Expenditures						
Salaries and related taxes	-	157 422.27	157 422.27	-	157 422.27	157 422.27
Travel expenditures	-	6 492.27	6 492.27	-	6 492.27	6 492.27
Vehicle maintenance and fuel	-	13 779.09	13 779.09	-	13 779.09	13 779.09
Office rental, renovation and maintenance	-	4 780.05	4 780.05	-	4 780.05	4 780.05
Communication	-	1 807.47	1 807.47	-	1 807.47	1 807.47
Office equipment and its maintenance	-	335.00	335.00	-	335.00	335.00
Public utilities	-	20.65	20.65	-	20.65	20.65
Other	-	1 252.52	1 252.52	-	1 252.52	1 252.52
	-	185 889.32	185 889.32	-	185 889.32	185 889.32
Training	-	110.09	110.09	-	110.09	110.09
	-	110.09	110.09	-	110.09	110.09

*The amount of USD 84,600.06 presented under Category 1 relates to consulting services paid during the reporting period in accordance with the relevant project activities under Parts 1(a)(ii), 1(b)(ii) and 2(iii). No payments for sub-grants or incentives were made under this category during the year ended December 31, 2025.

8. STATEMENT OF FINANCIAL POSITION

The financial position as at 31 December 2025 is as follows:

	December 31 2025
ASSETS AND EXPENDITURES	
Cash and cash equivalents	531 383.39
Cumulative expenditures	474 781.85
TOTAL ASSETS AND EXPENDITURES	1 006 165.24
FINANCING	
Funds received	1 000 000.00
Other income	6 165.24
TOTAL FINANCING	1 006 165.24

9. WITHDRAWAL APPLICATIONS

Withdrawal applications for the period from 18 April 2025 to 31 December 2025 are as follows:

Sources of financing	Application	Date	Initial advance	Replenishment of designated account	Total
IDA Grant No. TF C5215-KG	DA-B 01	July 9, 2025	200 000.00	-	200 000.00
			<u>200 000.00</u>	-	<u>200 000.00</u>
IDA Credit No. 7610- KG	DA-A 01	July 7, 2025	800 000.00		800 000.00
			<u>800 000.00</u>	-	<u>800 000.00</u>

10. STATEMENT OF DESIGNATED ACCOUNTS

The Statement of Designated Accounts for the years ended 31 December 2025 and 31 December 2024 is presented as follows:

Sources of financing	Grant No. TF C5215-KG	Credit No. 7610-KG
Bank	OJSC "ABank"	OJSC "ABank"
Bank account number	1350100030007988	1350100030008089
Currency	USD	USD
Balance as of December 31, 2024	-	-
Initial advance	-	-
Replenishment	200 000.00	800 000.00
Total funds received	200 000.00	800 000.00
Expenditures paid	30.00	30.00
Transfer to a transit account	16 185.91	458 535.94
Closing balance as of December 31, 2025	183 784.09	341 434.06

Location of the servicing bank: Kyrgyz Republic, Bishkek, Logvinenko Street 14.

11. UNDISBURSED FUNDS

Undisbursed funds as of December 31, 2025 are as follows:

	Grant No. TF C 5215-KG	Credit No. 7610-KG
Approved financing amount	2 000 000.00	25 000 000.00
Received for the period from January 1, 2025 to December 31, 2025.	200 000.00	800 000.00
Undisbursed amount as of December 31, 2025	1 800 000.00	24 200 000.00
Financing received as of December 31, 2025	200 000.00	800 000.00
Received in 2025	200 000.00	800 000.00

12. LITIGATION

During the reporting period, there were no lawsuits, arbitrations, or other claims related to the Project's activities. As of the reporting date, the Project was not involved into any litigation.

13. EVENTS AFTER THE REPORTING DATE

During 2026, up to the date of issue of these project financial statements, IDA provided financing to the Project as follows:

Source of financing	Application	Date	Replenishment of designated account	Total
IDA Credit No. 7610-KG	DA-B 02	April 10, 2026	1 395 035.10	1 395 035.10
			<u>1 395 035.10</u>	<u>1 395 035.10</u>

As of the date of issue of these project financial statements, no other material events or transactions have made that require disclosure in the project financial statements other than the events described above.

On behalf of the Project Management

Zhumadylov K.A.

Executive Director of Agency for Development and Investment of Communities

June 29, 2026

Bishkek, Kyrgyz Republic



Yusupova R.T.

Acting Financial Manager of Agency for Development and Investment of Communities

June 29, 2026

Bishkek, Kyrgyz Republic