

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2025

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

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Independent Auditors' Report

To the Board of Directors of
Quonset Development Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activity and fiduciary activities of Quonset Development Corporation (a component unit of the State of Rhode Island) (the "Entity"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Entity'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 respective financial position of the business-type activity and fiduciary activities of the Entity, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity'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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Entity's basic financial statements. The schedule of travel and entertainment expenses and State of Rhode Island required format schedules and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 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 schedule of travel and entertainment expenses and State of Rhode Island required format schedules and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025 on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Providence, RI
October 30, 2025

QUONSET DEVELOPMENT CORPORATION

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited)

June 30, 2025

As management of the Quonset Development Corporation (the "Corporation"), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation as of and for the fiscal years ending June 30, 2025 and June 30, 2024. This information should be read in conjunction with the Corporation's financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements.

The Corporation is a quasi-state agency established as a special purpose subsidiary of the Rhode Island Commerce Corporation, responsible for the development and management of the Quonset Business Park. QDC was created by the Rhode Island General Assembly on July 1, 2024 (R.I. Gen. Law § 42-64.10) and became effective through a transfer of powers on January 1, 2005.

The Corporation engages only in business-type activities, that is, activities that are financed in whole or in part by charges to external parties for goods and services. As a result, the Corporation's basic financial statements include the statement of net position, the statement of revenues, the expenses, and changes in net position, the statement of cash flows, statement of fiduciary net position, statement of changes in fiduciary net position, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Corporation's assets and liabilities, with the difference between the two amounts as net position. Over time, increases or decreases in the Corporation's net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. You might also need to consider other non-financial factors when evaluating the Corporation's financial position. The statement of revenues, expenses and changes in net position presents information on how the Corporation's net position changed during the year. The statement of fiduciary net position summarizes the position of the pension fund the Corporation took on late in the fiscal year as part of the process in terminating the pension plan.

All assets and liabilities and changes in net position are reported, using the accrual basis of accounting for governmental agencies, as soon as the underlying event giving rise to the asset or liability and resulting change in net position occurs, regardless of the timing of when the cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in net position will result in cash flows in future periods.

QUONSET DEVELOPMENT CORPORATION

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2025

Overview of Operations

Land use at the Quonset Business Park is governed by a Master Land Use and Development Plan adopted by the QDC Board in 2008, with amendments and updates in 2010, 2012 and 2019. The Master Plan serves as the general guide for the continued development of the Business Park. QDC develops and manages the Quonset Business Park, a statewide asset, in accordance with the Master Plan and in the best interest of the citizens of Rhode Island, to attract and retain successful businesses that provide diverse employment opportunities. The major goals of the Corporation are to:

- Create additional jobs
- Stimulate private sector investment
- Create additional tax base

The Quonset Business Park currently hosts approximately 250 diverse companies with over 14,800 employees. Investing in improvements to the Park's infrastructure is the foundation for stimulating substantial private investment within the Park. For businesses to grow and thrive, the infrastructure needed to support their activities must be in place, well maintained, and sufficient for meeting business needs. Since 1980, Federal and State investments in support of the Quonset Business Park has totaled over \$870 million. This significant level of investment has catalyzed over \$2 billion in private investment since 2005, and over \$3 billion since 1980. The public sector investment in infrastructure has supported the demolition of Navy-era buildings, improvements to the Park's rail network, construction of new buildings and roads, upgrading of utilities, clean-up of legacy environmental issues, installation of signage, replacement of bulkheads, purchase of equipment for the Port of Davisville, and upgrade and modernization of piers at the Port. Investment in the Park's infrastructure continues to drive private investment, and the Corporation will implement several infrastructure projects over the coming years.

The Port of Davisville is one of the Park's primary assets, providing the infrastructure necessary for businesses to conduct international marine shipping and receiving. In recent years, the Port of

QUONSET DEVELOPMENT CORPORATION

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2025

Overview of Operations - Continued

Davisville has ramped up its support of the nascent offshore wind industry, with 57 visits from offshore wind vessels. In support of the Park's businesses, the Corporation is in the midst of implementing a \$234.5 million Port Master Plan, which will modernize, expand and improve the Port infrastructure. The Port Master Plan will provide an additional 50 years of service life to the Port's aging pier infrastructure, expand storage and laydown areas for increased cargo throughput, improve access and circulation throughout the Port facility, and increase the Port's overall flexibility to support diverse users.

Outside of the Port of Davisville, the Corporation actively maintains and upgrades the Park's roadway network, rail system, and water and wastewater infrastructure. To bring businesses to the Park and/or grow existing businesses, the Corporation makes capital improvements to lands that are available for development as part of its "Site Readiness Program." The Corporation also owns and maintains the water system serving the Ladd Center property in Exeter, Rhode Island, which is owned by the State of Rhode Island.

Several capital projects began, continued and/or were completed during FY 2025, including:

- Reconstruction of the east berth at Pier 1
- Construction of the new Terminal 5 Pier
- Construction of the Blue Economy Support Docks and Boat Ramp
- Construction of the relocated Davisville Road (east)
- Relocation of the Moscrip Rail Spur
- Upgrade of several rail crossings throughout the Park
- Installation of point of service filtration devices for the Ladd Center water system
- Rail improvements on Site Readiness Parcel 42 to support new development
- Preparation of architectural drawings for a new women's locker room facility at the Wastewater Treatment Facility

Pursuant to the Corporation's by-laws, the Corporation's Board of Directors has dictated that all monies generated by excess operating surplus also be reserved for unfunded capital needs. Additionally, the Corporation aggressively pursues all Federal and State grants that are available for infrastructure improvements. In the past, the Corporation has been awarded grants from the U.S. Economic Development Administration, Department of Transportation, and Department of Homeland Security.

QUONSET DEVELOPMENT CORPORATION

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2025

Financial Highlights

- Total assets were \$786,980,762 (\$473,347,522 net of GASB87) at June 30, 2025 and \$683,352,290 (\$417,159,974 net of GASB87) at June 30, 2024. Of these total assets, \$524,158,297 and \$436,930,479 respectively, are considered capital assets.
- Total liabilities were \$139,352,146 (\$50,017,667 net of GASB87) for the year ending June 30, 2025 and \$100,131,670 (\$48,368,102 net of GASB87) for the year ending June 30, 2024.

Of those total liabilities, \$118,779,990 (\$31,465,732 net of GASB87) and \$82,938,179 (\$32,664,419 net of GASB87) respectively, are long-term liabilities.

- Total assets exceeded total liabilities (net position) by \$429,111,629 at June 30, 2025 and \$376,398,086 at June 30, 2024.
- The Corporation's major source of revenues resulted in charges for services for rentals and fees in the amount of \$26,081,190 (\$21,726,830 net of GASB87) for the year ending June 30, 2025, and of \$24,051,549 (\$19,833,018 net of GASB87) for the year ending June 30, 2024
- Depreciation and amortization expense for the year ending June 30, 2025 is \$13,945,463 and \$8,109,547 for the year ending June 30, 2024.
- EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) was \$12,062,668 (\$21,421,266 net of GASB 87) for the year ending June 30, 2025 and \$21,522,778 (\$9,963,712 net of GASB 87) for the year ending June 30, 2024

QUONSET DEVELOPMENT CORPORATION
(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2025

Summary of Operations and Changes in Net Position

	<u>2025</u>	<u>2024</u>
Operating Revenues	\$ 31,902,167	\$ 29,610,185
General Expenses	<u>(18,615,891)</u>	<u>(14,204,804)</u>
Operating Income (Before Depreciation)	13,286,276	15,405,381
Depreciation Expense and Amortization	<u>(13,945,463)</u>	<u>(8,109,547)</u>
Operating Income	(659,187)	7,295,834
Non-Operating Expenses, Net	<u>(2,847,596)</u>	<u>6,424,311</u>
(Loss) Income Before Contributed Capital and Transfers	(3,506,783)	13,720,145
Contributed Capital	<u>56,220,326</u>	<u>23,238,208</u>
Change in Net Position	<u><u>\$ 52,713,543</u></u>	<u><u>\$ 36,958,353</u></u>

Summary of Major Operating Expenses

	<u>2025</u>	<u>2024</u>
Personnel Services	\$ 6,362,522	\$ 4,958,398
Contractual Services	1,950,760	1,457,890
Utility Department Services	1,925,874	1,757,532
Other Expenses	8,376,735	6,030,984
Depreciation and Amortization	<u>13,945,463</u>	<u>8,109,547</u>
Total Operating Expenses	<u><u>\$ 32,561,354</u></u>	<u><u>\$ 22,314,351</u></u>

QUONSET DEVELOPMENT CORPORATION

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2025

Summary of Statement of Net Position

	2025	2024
Current Assets	\$ 34,900,148	\$ 27,140,294
Current Portion of Lease Receivables (GASB 87)	10,333,506	9,646,105
Other Assets	78,221	3,031,511
Lease Receivable (GASB 87), net	217,510,590	206,603,901
Lease Asset (GASB 87), net	85,789,144	49,942,310
Capital Assets, net	438,369,153	386,988,169
Total Assets	786,980,762	683,352,290
Deferred Outflows of Resources:		
Deferred outflows of resources - pension related	--	359,974
Total Deferred Outflows of Resources	--	359,974
Current Liabilities	18,551,935	15,703,683
Current Portion of Lease Liability (GASB 87)	2,020,221	1,489,808
Lease Liability (GASB 87), net	87,314,258	50,273,760
Long-term Liabilities	31,465,732	32,664,419
Total Liabilities	139,352,146	100,131,670
Deferred Inflows of Resources:		
Deferred inflows of resources - pension related	--	34,383
Deferred inflows of resources - lease related	218,516,987	207,148,125
Total Deferred Inflows of Resources	218,516,987	207,182,508
Total Net Position	\$ 429,111,629	\$ 376,398,086

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those interested in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Quonset Development Corporation, 95 Cripe Street, North Kingstown, Rhode Island, 02852.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF NET POSITION

JUNE 30, 2025

Assets

Current Assets

Cash and cash equivalents	\$ 854,607
Cash and cash equivalents - restricted for municipal services fund	2,367,416
Cash and cash equivalents - restricted for capital construction	29,380,235
Accounts receivable, net	1,732,702
Current portion of lease receivable	10,333,506
Due from RI READY	314,425
Prepaid expenses and other assets	<u>250,763</u>

Total Current Assets	<u>45,233,654</u>
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Non-Current Assets

Cash and cash equivalents - restricted - cash held in escrow	78,221
Lease receivable, net of current portion	217,510,590
Capital assets not being depreciated	217,469,956
Capital assets, net of accumulated depreciation/amortization	<u>306,688,341</u>

Total Non-Current Assets	<u>741,747,108</u>
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Total Assets	<u>786,980,762</u>
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The accompanying notes are an integral part of these financial statements.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2025

Liabilities, Deferred Inflows and Net Position

Current Liabilities

Accounts payable	\$ 8,956,247
Accrued expenses	3,249,796
Due to Rhode Island Airport Corporation	487,859
Current portion of due to Town of North Kingstown	110,250
Current portion of bonds payable	785,000
Current portion of loans payable	986,558
Current portion of lease liability	2,020,221
Deposits and unearned revenue, current portion	<u>3,976,225</u>

Total Current Liabilities	<u>20,572,156</u>
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Non-Current Liabilities

Due to Town of North Kingstown, net of current portion	237,250
Bonds payable, net of current portion	12,429,167
Loans payable, net of current portion	18,662,315
Lease liability, net of current portion	87,314,258
Deposits and unearned revenue, net of current portion	<u>137,000</u>

Total Non-Current Liabilities	<u>118,779,990</u>
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Total Liabilities	<u>139,352,146</u>
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Deferred Inflows of Resources:

Deferred inflows of resources - lease related	<u>218,516,987</u>
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Total Deferred Inflows of Resources	<u>218,516,987</u>
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Net Position

Net investment in capital assets	395,714,448
Restricted for capital construction	29,458,456
Restricted for municipal services fund	1,704,001
Unrestricted	<u>2,234,724</u>

Total Net Position	<u><u>\$ 429,111,629</u></u>
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The accompanying notes are an integral part of these financial statements.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2025

Operating Revenues

Charges for services:

Rentals and fees	\$ 26,081,190
Utilities	<u>5,820,977</u>

Total Operating Revenues	<u>31,902,167</u>
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Operating Expenses

Personnel services	6,362,522
Contracted services	1,950,760
Utility department services	1,925,874
General expenses	8,376,735
Depreciation and amortization	<u>13,945,463</u>

Total Operating Expenses	<u>32,561,354</u>
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Operating Loss	<u>(659,187)</u>
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Non-Operating Revenues (Expenses)

Loss on termination of operating lease	(2,898,831)
Gain on sale of property and equipment	39,000
Gain on forgiveness of debt	25,000
Gain on termination of pension plan	41,335
Rhode Island Air National Guard grant income	21,641,210
Rhode Island Air National Guard grant expense	(21,641,210)
Other income	389,522
Interest	(1,623,988)
Investment income	<u>1,180,366</u>

Total Non-Operating Revenues (Expenses)	<u>(2,847,596)</u>
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Change in Net Position Before Capital Contributions	<u>(3,506,783)</u>
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Capital Contributions

Capital appropriations - RICAP	4,750,000
General Obligation Bonds - State of Rhode Island	189,805
Coronavirus State and Local Fiscal Recovery Funds - Capital Contributions	45,620,500
Capital grants	2,816,611
Contributions in aid of construction ("CIAC")	<u>2,843,410</u>

Total Capital Contributions	<u>56,220,326</u>
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Change in Net Position	52,713,543
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Net Position - Beginning of Year	<u>376,398,086</u>
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Net Position - End of Year	<u><u>\$ 429,111,629</u></u>
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The accompanying notes are an integral part of these financial statements.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2025

Cash Flows from Operating Activities

Receipts from customers	\$ 30,544,214
Payments to suppliers	(13,851,163)
Payments to employees	<u>(6,253,782)</u>

Net Cash Provided by Operating Activities	<u>10,439,269</u>
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Cash Flows from Capital and Related Financing Activities

General Obligation Bonds - State of Rhode Island	4,939,805
Coronavirus State and Local Fiscal Recovery Funds	45,620,500
Capital grants	3,926,910
Capital contributions	4,920,182
Rhode Island Air National Guard grant proceeds	17,925,000
Cash paid on Rhode Island Air National Guard grant	(20,776,026)
Purchase of capital assets	(52,712,836)
Proceeds from sale of capital assets	39,000
Cash paid on operating lease payable	(5,049,301)
Principal payments on debt obligations	(2,634,551)
Interest paid on debt obligations	<u>(1,596,616)</u>

Net Cash Used in Capital and Related Financing Activities	<u>(5,397,933)</u>
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Cash Flows from Noncapital Financing Activities

Insurance proceeds and settlements	<u>333,118</u>
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Net Cash Provided by Noncapital Financing Activities	<u>333,118</u>
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Cash Flows from Investing Activities

Proceeds from termination of pension plan	3,316,164
Collections on note receivable	9,197
Investment income	<u>1,180,366</u>

Net Cash Provided by Investing Activities	<u>4,505,727</u>
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Net Increase in Cash and Equivalents	9,880,181
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The accompanying notes are an integral part of these financial statements.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2025

Cash and Equivalents - Beginning of Year	22,800,298
Cash and Equivalents - End of Year	<u>\$ 32,680,479</u>
Cash and Equivalents	
Cash and cash equivalents	\$ 854,607
Cash and cash equivalents - restricted for municipal services fund	2,367,416
Cash and cash equivalents - restricted for capital construction	29,380,235
Cash and cash equivalents - restricted - cash held in escrow	<u>78,221</u>
Cash and Equivalents - End of Year	<u>\$ 32,680,479</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating loss	\$ (659,187)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	13,945,463
Changes in:	
Accounts receivable, net	2,097,734
Due to Rhode Island Airport Corporation	173,831
Due from Rhode Island Ready	(234,511)
Due to Town of North Kingstown	347,500
Prepaid expenses and other assets	60,439
Accounts payable and accrued expenses	(2,070,824)
Deposits and unearned revenue	<u>(3,221,176)</u>
Net Cash Provided by Operating Activities	<u>\$ 10,439,269</u>

Supplemental Disclosure of Cash Flows Information:

Non-Cash Capital and Related Financing Activities:

During fiscal year 2025, the Corporation financed capital asset acquisitions of \$45,654,708 through the issuance of debt and accrued expenses

During fiscal year 2025, the Corporation refinanced \$15,255,150 of existing debt for a consolidated loan of \$16,415,000

The accompanying notes are an integral part of these financial statements.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2025

	<u>Pension Trust Fund</u>	<u>RI READY</u>
Assets		
Cash	\$ --	\$ 5,718,309
Other receivable	--	<u>2,700,000</u>
Total Assets	<u>\$ --</u>	<u>\$ 8,418,309</u>
 Liabilities		
Other payable	<u>\$ --</u>	<u>\$ 314,425</u>
Total Liabilities	<u> --</u>	<u> 314,425</u>
 Net Position		
Net position restricted for pension	--	--
Net position restricted for other programs	<u> --</u>	<u> 8,103,884</u>
 Total Liabilities and Net Position	<u>\$ --</u>	<u>\$ 8,418,309</u>

The accompanying notes are an integral part of these financial statements.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2025

	Pension Trust Fund	RI READY
Additions		
Contributions:		
Bond Proceeds	\$ --	\$ 12,004,443
Other income	--	4,500
Dividend income	49,145	--
Total Additions	<u>49,145</u>	<u>12,008,943</u>
Deductions		
Distributions	3,316,164	--
Administrative and other expenses	11,112	6,339,417
Total Deductions	<u>3,327,276</u>	<u>6,339,417</u>
Change in Net Position	(3,278,131)	5,669,526
Net Position Restricted for Pension - Beginning of Year	3,278,131	--
Net Position Restricted for Other Programs - Beginning of Year	<u>--</u>	<u>2,434,358</u>
	3,278,131	2,434,358
Net Position Restricted for Pension - End of Year	--	--
Net Position Restricted for Other Programs - End of Year	<u>--</u>	<u>8,103,884</u>
Total Restricted Net Position	<u>\$ --</u>	<u>\$ 8,103,884</u>

The accompanying notes are an integral part of these financial statements.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS DESCRIPTION

Quonset Development Corporation (the “Corporation”) is a quasi-state agency, established as a special purpose subsidiary of the Rhode Island Commerce Corporation (formerly the Rhode Island Economic Development Corporation), which is responsible for the development and management of the Quonset Business Park. The Corporation was created by the Rhode Island General Assembly on July 1, 2004 and became effective through a transfer of powers on January 1, 2005. The Corporation is a component unit of the State of Rhode Island. More information is available on the Corporation’s website: www.quonset.com.

The Corporation leases property for commercial, industrial, and recreational uses. The Corporation’s leasing activities consist of the rental of land and buildings located at the Quonset Business Park under both non-cancelable leases expiring through 2109 and leases with lease periods of one year or less, or which are cancelable at the option of the Corporation or the tenant. Rental revenue under operating leases is recognized based on the terms of the lease contracts, except for contingent rentals, which are recognized when the tenant reports the rental activity. The Corporation also provides water and waste disposal services to tenants and recognizes the related revenue as services are provided. For the year ended June 30, 2025, approximately 46% of rental revenues and utility and service revenues are derived from agreements with five customers. The leases for those five customers expire between 2030 and 2063.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”), as prescribed by the Governmental Accounting Standards Board (“GASB”). Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met. The Corporation has determined that it functions as a business-type activity, as defined by GASB.

The Corporation’s policies for defining operating activities in the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the Corporation’s operating and capital appropriations from the State of Rhode Island, loss on disposal of capital assets, net investment income, and interest expense.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Through the application of GASB Statement No. 84, *Fiduciary Activities*, the RI READY program has been included as a fiduciary activity in the accompanying financial statements, although it is not a component unit of the Corporation. The RI READY program has been reported as a Custodial Fund in the Fiduciary Fund financial statements.

Through the application of GASB Statement No. 84, the QDC Employees' Pension Plan has been included as a fiduciary activity in the accompanying financial statements, although it is not a component unit of the Authority. The QDC Employees' Pension Plan has been reported as a Pension Trust Fund in the Fiduciary Fund financial statements. The QDC Employees' Pension Plan was terminated and liquidated in FY2025.

The accompanying statement of revenues, expenses and changes in net position demonstrates the degree to which the direct expenses of a given function are offset by revenues. Direct expenses are those that are clearly identifiable within a specific function. Operating revenues, consisting primarily of charges to tenants for rent and utility services, are generated directly from the primary activity of the Corporation. Operating expenses, including depreciation on capital assets, are the costs incurred in connection with the provision of the Corporation's primary activities and services to its customers. Revenues and expenses not meeting these definitions are classified as non-operating. Capital appropriations and contributions in aid of construction ("CIAC") are reported as non-operating.

NET POSITION

Resources are classified for accounting purposes into the following net position categories:

Net Investment in Capital Assets:

Capital assets, net of accumulated depreciation, lease asset, net of accumulated amortization and lease liability, outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted for Capital Construction:

Net position subject to both externally and internally imposed conditions that the Corporation must expend funds in accordance with capital plan.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION (CONTINUED)

Restricted for Municipal Services Fund:

Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Corporation for projects in coordination with the Town of North Kingstown, RI.

Unrestricted:

All other categories of net position. Unrestricted net position may be designated by the Corporation.

The Corporation has adopted a policy of generally utilizing restricted – expendable funds, when available, prior to unrestricted funds.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid financial instruments with maturities of three months or less when purchased.

CASH HELD IN ESCROW

Funds held in escrow are for ongoing construction projects from bond proceeds.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of accounts receivables, estimating depreciation and estimation of pension.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS

Plan member contributions in the Pension Trust Fund are recognized in the period in which wages, subject to required contributions, are earned. Corporation contributions to the Pension Trust Fund are recognized when due and the Corporation has made a formal commitment to provide the contributions.

PAYMENT OF BENEFITS

In the Pension Trust Fund, benefit payments to participants and refunds of contributions are recorded upon distribution in accordance with the terms of the Plan.

UNEARNED REVENUE

The Corporation defers recognition of rental receipts until the period to which they relate.

TAX STATUS

The Corporation is a component unit of the State of Rhode Island and is therefore exempt from income taxes under Section 115 of the Internal Revenue Code.

ACCOUNTS RECEIVABLE AND CONCENTRATION

Accounts receivable are periodically evaluated for collectability based on past history with customers. At June 30, 2025, approximately 39% of the Corporation's accounts receivable are due from two customers.

CAPITAL ASSETS

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost on the date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the Corporation's capitalization policy, land, vehicles, equipment, computer software for internal use, and works of art and historical treasures, building and infrastructure improvements with a unit cost of \$5,000 or more are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period and then depreciated over the life of the asset. Corporation capital assets, with the exception of land and construction in progress are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 50 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")

CIAC are additions and/or upgrades to infrastructure made by tenants that have been assigned to the Corporation for approved projects. The contributions are reported as non-operating capital contributions and as additions to the Corporation's capital assets.

PAYMENTS IN LIEU OF TAXES ("PILOT")

On behalf of the Town of North Kingstown, Rhode Island, Quonset Development Corporation as an agent for the State of Rhode Island collects costs associated with services provided to the tenants by the town.

COMPENSATED ABSENCES

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and the Corporation's policies. Unused vacation and sick leave are accumulated and accrued as earned.

GRANT REVENUE

Revenues from grants are recognized as eligibility requirements imposed by the provider are met.

RECENTLY ISSUED GOVERNMENTAL ACCOUNTING STANDARDS

The Corporation has implemented the following new accounting pronouncements:

GASB Statement 101 – *Compensated Absences*, effective for the Corporation's fiscal year ending June 30, 2025. The implementation has no impact on net position for the year.

GASB Statement 102 – *Certain Risk Disclosures*, effective for the Corporation's fiscal year ended June 30, 2025. The implementation has no impact on net position for the year.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENTLY ISSUED GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

The Corporation will adopt the following new accounting pronouncements in future years, management is currently studying the impact of these pronouncements:

GASB Statement 103 – *Financial Reporting Model Improvements* is effective for the Corporation's fiscal year ended June 30, 2026.

GASB Statement 104 – *Disclosure of Certain Capital Assets* is effective for the Corporation's fiscal year ended June 30, 2026.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Corporation's policy is in accordance with Chapter 35-10.1 of the Rhode Island General Laws dealing with Public Finance, which states that any depository institutions holding public deposits shall insure or pledge eligible collateral equal to one hundred percent of any time deposit with maturities greater than sixty days. If any depository institution does not meet its minimum capital standards as prescribed by its federal regulator, it shall insure or pledge eligible collateral equal to one hundred percent of all public deposits. The Corporation does not have a policy for custodial credit risk associated with deposits. None of the cash deposits of the Corporation were required to be collateralized at June 30, 2025 pursuant to this statutory provision.

At June 30, 2025, the carrying amount of the Corporation's cash deposits was \$32,680,479 (which includes \$78,221 of cash held by the trustee for future loan drawdowns). The bank balance of these funds was \$32,832,271, of which \$6,018,545 was covered by federal depository insurance and \$26,813,726 was either fully collateralized or covered by another source. The insured balances reflect guarantees from the Federal Deposit Insurance Corporation (FDIC) in effect during June 30, 2025.

At June 30, 2025 the carrying amount of the Corporation's custodial fund cash deposits was \$5,718,309. The bank balance of these funds was \$5,718,309 and was fully collateralized or covered by another source.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a) Uncollateralized,
- b) Collateralized with securities held by the pledging financial institution, or
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 3 - ACCOUNTS RECEIVABLE, NET

At June 30, 2025, accounts receivable, including the allowance for uncollectible accounts, are as follows:

Rentals	\$ 482,502
Utilities and service	467,635
Port activities	284,800
Grants	154,749
Miscellaneous	124,122
Payments in lieu of taxes	231,498
	<u>1,745,306</u>
Less: allowance for uncollectable	(12,604)
	<u><u>\$ 1,732,702</u></u>

NOTE 4 - DUE TO RHODE ISLAND AIRPORT CORPORATION

The Corporation has an agreement with the Rhode Island Airport Corporation (“RIAC”) that supersedes the previous management contract to close out the intercompany balances between the two entities.

As of June 30, 2025, the Corporation owes RIAC \$487,859, resulting from previous operating activity.

NOTE 5 - DUE TO TOWN OF NORTH KINGSTOWN

The Corporation has an agreement with the Town of North Kingstown, Rhode Island (the Town) in connection with the Allen Harbor Dredging Project. Future payments to the Town are as follows:

<u>Years Ending June 30</u>	<u>Payments</u>
2026	\$ 110,250
2027	110,250
2028	110,250
2029	<u>16,750</u>
	<u><u>\$ 347,500</u></u>

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Corporation for the year ended June 30, 2025, is as follows:

	Estimated Lives (in Years)	Beginning Balance	Additions	Disposals and Transfers	Ending Balance
Capital assets, not depreciated:					
Land		\$ 59,811,847	\$ --	\$ --	\$ 59,811,847
Construction in progress		<u>123,094,144</u>	<u>167,835,020</u>	<u>133,271,053</u>	<u>157,658,111</u>
Total capital assets, not depreciated		<u>182,905,991</u>	<u>167,835,020</u>	<u>133,271,053</u>	<u>217,469,958</u>
Capital assets, depreciated and amortized:					
Land improvements	40	55,784,945	24,668,781	--	80,453,726
Buildings and improvements	20-50	194,954,172	907,998	--	195,862,170
Furnishings and equipment	5-20	20,556,026	1,581,946	31,533	22,106,439
Right-to-use lease assets		<u>54,460,988</u>	<u>35,846,564</u>	<u>--</u>	<u>90,307,552</u>
Total capital assets, depreciated and amortized		<u>325,756,131</u>	<u>63,005,289</u>	<u>31,533</u>	<u>388,729,887</u>
Total capital assets		<u>508,662,122</u>	<u>230,840,309</u>	<u>133,302,586</u>	<u>606,199,845</u>
Less: accumulated depreciation and amortization:					
Land improvements		19,178,615	2,299,242	--	21,477,857
Buildings and improvements		35,776,756	6,844,387	--	42,621,143
Furnishings and equipment		12,257,594	1,197,809	31,533	13,423,870
Right-to-use lease assets		<u>4,518,678</u>	<u>--</u>	<u>--</u>	<u>4,518,678</u>
Total accumulated depreciation and amortization		<u>71,731,643</u>	<u>10,341,438</u>	<u>31,533</u>	<u>82,041,548</u>
Capital assets, net		<u>\$ 436,930,479</u>	<u>\$ 220,498,871</u>	<u>\$ 133,271,053</u>	<u>\$ 524,158,297</u>

NOTE 7 - DEPOSITS AND UNEARNED REVENUE

Deposits and unearned revenue consist of the following at June 30, 2025:

Deposit liabilities	\$ 3,878,948
Unearned revenue	<u>234,277</u>
Total deposits and unearned revenue	4,113,225
Current portion of deposits and unearned revenue	<u>3,976,225</u>
Deposits and unearned revenue, net of current portion	<u>\$ 137,000</u>

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term liabilities consist of the following at June 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, loans and lease payable:					
Revenue bond payable	\$ 13,999,167	\$ --	\$ 785,000	\$ 13,214,167	\$ 785,000
Loans payable	20,284,193	16,494,297	17,129,617	19,648,873	986,558
Lease payable	51,763,568	39,450,859	1,879,948	89,334,479	2,020,221
Total bonds, loans and lease payable	<u>86,046,928</u>	<u>55,945,156</u>	<u>19,794,565</u>	<u>122,197,519</u>	<u>3,791,779</u>
Other long-term liabilities:					
Due to other governments	--	400,000	52,500	347,500	110,250
Deposits and unearned revenue	<u>7,334,401</u>	<u>3,703,750</u>	<u>6,924,926</u>	<u>4,113,225</u>	<u>3,976,225</u>
Total other long-term liabilities	<u>7,334,401</u>	<u>4,103,750</u>	<u>6,977,426</u>	<u>4,460,725</u>	<u>4,086,475</u>
Total long-term liabilities	<u>\$93,381,329</u>	<u>\$60,048,906</u>	<u>\$26,771,991</u>	<u>\$ 126,658,244</u>	<u>\$ 7,878,254</u>

BOND PAYABLE

On April 1, 2020, The Rhode Island Commerce Corporation issued the \$15,700,000, Quonset Development Corporation Economic Development Revenue Bonds, Series 2020 Bonds. The proceeds of the Series 2020 bonds were to further the development of the Port Facilities within the State of Rhode Island and to pay off the Series 2012 bonds. The bond requires a monthly payment of \$65,417 plus interest of 3.1% through April 2042. At June 30, 2025, the balance of this bond was \$13,214,167.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

BOND PAYABLE (CONTINUED)

Principal and interest payments on the bond payable for the next five years and the remaining period through maturity are as follows:

Years Ending June 30	Principal	Interest	Total
2026	\$ 785,000	\$ 395,713	\$ 1,180,713
2027	785,000	408,212	1,193,212
2028	785,000	359,323	1,144,323
2029	785,000	333,426	1,118,426
2030	785,000	308,499	1,093,499
2031-2035	3,925,000	1,169,282	5,094,282
2036-2040	3,925,000	545,959	4,470,959
2041-2042	<u>1,439,167</u>	<u>43,842</u>	<u>1,483,009</u>
	<u>\$ 13,214,167</u>	<u>\$ 3,564,256</u>	<u>\$ 16,778,423</u>

LOANS PAYABLE

The Corporation entered into an agreement with Dillabur, LLC for the purchase of approximately 3.95 acres of land in June 2018. The loan is payable in monthly installments of \$76,188 that includes interest of 5% through June 2026. This loan was refinanced and included in new consolidated loan below in May 2025.

The Corporation entered into an agreement with MBQ, LLC to consolidate and refinance (the consolidated refinancing) existing loans for six buildings in May 2023 and borrow an additional \$5,557,350 for construction of a new building for a total financing of \$12,300,000. The loan is payable in monthly installments of \$104,350 that includes interest of 6% through April 2038. This loan was refinanced and included in new consolidated loan below in May 2025.

The Corporation entered into an agreement with Quonset Rail Shop, LLC for a construction loan in August 2022 in the amount of \$3,490,000. The loan is payable in monthly installments of \$24,375 that includes interest of 5.59% through May 2044. This loan was refinanced and included in new consolidated loan below in May 2025.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

LOANS PAYABLE (CONTINUED)

The Corporation consolidated and refinanced the aforementioned loans in May 2025 for \$16,415,000. The loan is payable in monthly installments of \$150,376 that includes interest at 7.31% through May 2040. At June 30, 2025, the balance of this loan was \$16,366,397.

The Corporation entered into an agreement for the purchase of a new truck in May 2025. The loan is payable in monthly installments of \$1,810 that includes interest of 8.49% through April 2028. At June 30, 2025, the balance of this loan was \$76,789.

The Corporation entered into an agreement with West Shore Quonset, LLC for a building at 935 Roger Williams Way in August 2018. The loan is payable in monthly installments of \$20,000 that includes interest of 6.38% through August 2038. At June 30, 2025, the balance of this loan was \$2,168,512.

The Corporation entered into an agreement with Rhode Island Infrastructure Bank for a loan in December 2021. The loan is payable in annual installments ranging from \$89,000-\$91,000 in which the loan is eligible for principal forgiveness of approximately 25%. Interest on the loan ranges from 0.410%-0.950%. Principal forgiven for the year ended June 30, 2025 was \$25,000. At June 30, 2025, the balance of this loan was \$182,093.

The Corporation entered into an agreement with New England Waste Systems, LLC for construction of a permanent access road in the amount of \$750,000 and was amended to \$924,348 in March 2023. The loan is payable in monthly installments of \$10,000 that includes interest of 5.50% through March 2033. At June 30, 2025, the balance of this loan was \$769,009.

The Corporation entered into an agreement for the purchase of three new trucks in September 2022. The loans are payable in monthly installments of \$2,377 that includes interest of 6.81% through September 2025. At June 30, 2025, the balance of this loan was \$58,975.

The Corporation entered into an agreement for the purchase of a new truck in September 2023. The loan is payable in monthly installments of \$622.84 that includes interest of 6.18% through August 2026. At June 30, 2025, the balance of this loan was \$27,098.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

LOANS PAYABLE (CONTINUED)

Principal and interest on loans payable in subsequent years are as follows:

Years Ending June 30	Principal	Interest	Total
2026	\$ 986,558	\$ 1,120,850	\$ 2,107,408
2027	1,003,081	1,031,179	2,034,260
2028	977,825	949,306	1,927,131
2029	1,004,681	890,798	1,895,479
2030	1,077,496	828,818	1,906,314
2031-2035	6,413,404	4,160,529	10,573,933
2036-2040	<u>8,185,828</u>	<u>1,916,279</u>	<u>10,102,107</u>
	<u>\$ 19,648,873</u>	<u>\$ 10,897,759</u>	<u>\$ 30,546,632</u>

Interest expense on all debt for the year ended June 30, 2025 was \$1,623,988.

NOTE 9 - RETIREMENT AND SAVINGS PLAN

Employees of the Corporation hired on or after January 1, 2006 participate in the Quonset Development Corporation Retirement and Savings Plan ("401a"), a discretionary contribution plan. The Plan, administrated by the Corporation, provides for the Corporation to make discretionary matching and/or additional contributions as approved by the Board of Directors. For fiscal year ended June 30, 2025, the Corporation contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the Quonset Development Corporation Deferred Compensation Plan ("457"). The contributions for the fiscal year ended June 30, 2025 were \$103,281. All employees are eligible to participate in the Quonset Development Corporation Deferred Compensation Plan ("457"), investments are directed at the participant level. Both the 401a and 457 plans are calendar year based.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 10 - COMMITMENTS AND CONTINGENCIES

GRANTS

The Corporation receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Corporation. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the Corporation.

SUPERFUND SITE REDEVELOPMENT PROGRAM

The Corporation's capital assets are located at the former Davisville Naval Construction Battalion Center ("NCBC"), which has been named a Superfund site by the United States Environmental Protection Agency ("EPA"). From 1951 to 1994, NCBC provided mobilization support to Naval construction forces, which led to the contamination of several areas throughout the installation. In 1989, EPA added the site to its list of hazardous waste sites needing cleanup. PCB spill debris, a battery acid tank, asphalt, and lead-contaminated soil were removed to prevent them from migrating into nearby water. The base closed in 1994 and in 1996 the Corporation began redevelopment. The statement of net position and statement of revenues, expenses and changes in net position do not reflect any amounts associated with the clean-up as the Corporation has not been identified as a responsible party, and the costs of any future remediation efforts are currently unknown since the costs cannot be estimated.

RISK MANAGEMENT

The Corporation is self-insured for unemployment compensation. No accrual has been made for claims expected to arise from services on or before June 30, 2025 because Corporation officials are of the opinion that, based upon the Corporation's historical experience, any claims will not be material.

CAPITAL IMPROVEMENTS

At June 30, 2025, the Corporation was obligated for the completion of certain construction contracts under commitments totaling approximately \$22,768,038 which are expected to be funded from capital appropriations and grants, reimbursements and cash and cash equivalents.

LEGAL CONTINGENCIES

Various lawsuits are pending or threatened against the Corporation that arose from the ordinary course of operations. In the opinion of management, no litigation is now pending, or threatened that would materially affect the Corporation's financial position.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

RISKS AND UNCERTAINTIES

The Corporation's operations are exposed to various risks associated with its business as well as global events, such as a pandemic or international conflict which may impact general economic conditions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to consider such risks and make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 11 - LEASES

LESSEE AGREEMENTS

The Corporation has entered into various rental agreements, as a lessee, for building space with lease maturity dates ranging from fiscal years 2028 to 2055. Discount rates on the aforementioned leases range from 3.10% to 7.00%. Rent expense amortization and interest recognized in fiscal year 2025 was \$3,604,025 and \$3,508,235, respectively. The lease asset, net of accumulated amortization and lease liability balances at June 30, 2024 are \$85,789,144 and \$89,334,479, respectively.

Annual requirements to amortize the lease liability and related interest are as follows:

Years Ending June 30,	Principal	Interest
2026	\$ 2,020,221	\$ 3,779,374
2027	2,124,048	3,691,790
2028	2,217,790	3,599,747
2029	2,137,400	3,504,111
2030	2,212,429	3,410,067
2031-2035	13,462,097	15,385,072
2036-2040	17,976,099	11,955,530
2041-2045	21,272,961	7,508,227
2046-2050	16,697,010	2,922,519
2051-2055	9,214,424	619,786
Total	<u>\$ 89,334,479</u>	<u>\$ 56,376,223</u>

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 11 - LEASES (CONTINUED)

LESSOR AGREEMENTS

The Corporation has entered into various rental agreements, as a lessor, for land and building spaces with lease maturity dates ranging from fiscal years 2026 to 2109. Discount rates on the aforementioned leases range from 2.00% to 3.10%. Lease agreements provide for review and determination of the payment amounts at the beginning of each renewal period. Lease revenue and interest revenue related to these leases was \$15,684,421 and \$6,121,893, respectively. The lease receivable and deferred inflows related to these leases are \$227,844,096 and \$218,516,987, respectively.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 11 - LEASES (CONTINUED)

LESSOR AGREEMENTS (CONTINUED)

Future payments due to the Corporation under non-cancelable agreements are as follows:

Years Ending June 30,	Principal	Interest
2026	\$ 10,333,506	\$ 6,596,662
2027	8,464,223	6,468,399
2028	8,254,349	6,204,771
2029	8,990,238	5,940,609
2030	7,739,719	5,681,016
2031-2035	33,483,786	24,922,823
2036-2040	29,275,124	19,081,817
2041-2045	15,338,335	15,902,260
2046-2050	17,629,871	13,613,170
2051-2055	22,110,258	10,759,609
2056-2060	28,775,640	7,090,283
2061-2065	21,198,794	2,894,709
2066-2070	6,997,340	1,445,173
2071-2075	2,915,171	836,851
2076-2080	380,522	715,216
2081-2085	523,629	663,475
2086-2090	692,419	593,161
2091-2095	890,737	500,914
2096-2100	1,138,810	382,975
2101-2105	1,430,165	235,429
2106-2110	1,281,460	59,174
Total	<u>\$ 227,844,096</u>	<u>\$ 130,588,495</u>

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 11 - LEASES (CONTINUED)

LESSOR AGREEMENTS (CONTINUED)

The following reports the cost and accumulated depreciation for buildings under non-cancelable lease agreements at June 30, 2025:

Cost	\$ 29,423,763
Less: accumulated depreciation	<u>6,702,314</u>
Total	<u><u>\$ 22,721,449</u></u>

NOTE 12 - MAJOR CAPITAL PROJECTS

PORT OF DAVISVILLE MASTER PLAN IMPLEMENTATION

QDC is in the midst of implementing an approximately \$234.5 million master plan for the Port of Davisville. Implementation of the Master Plan began in FY 2016 with the modernization and extension of Pier 2 at the Port of Davisville. The multi-year Pier 2 project was completed in FY 2023 for a total cost of approximately \$80.1 million. The remaining projects within the Port of Davisville Master Plan are funded through several grants, a Rhode Island General Obligation (G.O.) Bond and with QDC's own revenues.

In March 2021, Rhode Island voters approved \$20.0 million in General Obligation (G.O.) Bonds for the modernization of the Port of Davisville. The State of Rhode Island reimburses the Corporation as construction costs are incurred in accordance with the funding agreement. \$16.8 million of the G.O. Bond funding was disbursed to QDC prior to FY 2025 and in FY 2025, \$189 thousand in G.O. Bond funding was disbursed to QDC. As of June 30, 2025, \$3.2 million remains in the G.O. Bond for QDC to utilize.

In FY 2023, the Corporation received an appropriation of \$60 million in State Fiscal Recovery Funds (SFRF) from the \$1.1 billion American Rescue Plan Act (ARPA) emergency funding received by the State of Rhode Island. In FY 2024, the SFRF allocation was increased to \$65 million. During FY 2025, the Corporation received \$45.6 million of the appropriated SFRF allocation. As of June 30, 2025, the Corporation has received all of the funding.

QDC is the recipient of three (3) grants from the U.S. Maritime Administration (MARAD). In FY 2021, QDC was awarded a grant of \$11.141 million for the reconstruction of the south berth of Pier 1. In FY 2025, the Corporation received \$2.92 million which completed the grant.

In FY2023, QDC was awarded a grant of \$11.25 million for the reconstruction of the north berth of Pier 1. To date, funds have not been disbursed.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 12 - MAJOR CAPITAL PROJECTS (CONTINUED)

PORT OF DAVISVILLE MASTER PLAN IMPLEMENTATION (CONTINUED)

In FY 2024, QDC was awarded a grant of \$3.88 million for the construction of a stern offload ramp on the south face of Pier 1. To date, funds have not been disbursed.

PIER 1 RECONSTRUCTION

QDC is undertaking the reconstruction of Pier 1 at the Port of Davisville in three phases. The first phase for the South Berth was completed in October 2024.

In FY 2024, QDC continued the second phase of the Pier 1 project, Reconstruction of the East/North Berth at Pier 1. This project is entirely funded by SFRF, with a total project cost of approximately \$10.2 million. As of June 30, 2025, \$700 thousand remains to be paid on the contract.

TERMINAL 5 PIER

The major project funded through SFRF is the construction of the new Terminal 5 Pier at the Port of Davisville. The project began in FY 2024. As of June 30, 2025, \$7.5 million remains to be paid on the contract.

RI READY

In March 2021, Rhode Island voters approved \$40.0 million in General Obligation (G.O.) Bonds for QDC to conduct site readiness activities for industrial sites statewide. QDC created the Rhode Island Ready Program with the goal of creating an inventory of pre-permitted sites that could accommodate large-scale industrial development.

To receive funding from the Rhode Island Ready Program, site agents complete applications for enrollment that are reviewed by QDC staff. If development of a site is determined feasible, the site is enrolled and is eligible for up to \$200,000 in technical assistance. QDC has contracted with a firm to assist in managing the project, as well as several engineering firms who can provide the required technical assistance services.

As of June 30, 2025, 21 sites have been enrolled in the Program for a total of 822.26 acres. These sites support up to 5,744,480 square feet of new industrial development. As of June 30, 2025, \$29.1 million remains in the program.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2025, which is the date these financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.

SUPPLEMENTARY INFORMATION

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

FOR THE YEAR ENDED JUNE 30, 2025

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>	<u>Traveler</u>
7/19/2024	William Young	\$ 298	NEWEA Spring Conference	William Young
11/25/2024	Joseph Riccio	1,591	AAPA Conference	Joseph Riccio
12/13/2024	Christian Jones	1,301	AAPA Conference	Christian Jones
12/18/2024	Joseph Riccio	1,208	NAPA Meeting	Joseph Riccio
2/10/2025	Joseph Riccio	1,750	AAPA Powers conference	Joseph Riccio
2/13/2025	Rich Golish	354	NEWEA Conference	Rich Golish
3/5/2025	Joseph Chapdelaine	2,015	WWETT conference	Joseph Chapdelaine
3/5/2025	Joseph Riccio	376	AAPA Conference	Joseph Riccio
3/25/2025	Joseph Riccio	2,114	FVL Conference	Joseph Riccio
4/23/2025	Christian Jones	1,091	CMA Conference	Christian Jones
4/23/2025	Joseph Riccio	2,232	FVL Conference	Joseph Riccio
6/16/2025	Joseph Riccio	576	GZA Meeting	Joseph Riccio
Various	Various	382	Less than \$200 each instance	Various
	Total	<u>\$ 15,288</u>		

See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Passed through to Subrecipient	Federal Expenditures
Passed through the Rhode Island Department of Transportation				
<i>United States Department of Transportation - Federal Railroad Administration</i>				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	MCCA W912LD-18- 2-2101	\$ --	\$ 859,060
Direct Program				
<i>United States Department of Transportation - Maritime Administration</i>				
Port Infrastructure Development Program	20.823	N/A	--	1,335,709
Total United States Department of Transportation			--	2,194,769
Direct Program				
<i>United States Department of Defense</i>				
National Guard Military Operations and Maintenance (O&M) Projects	12.401	N/A	--	21,641,210
Total Federal Expenditures			\$ --	\$ 23,835,979

See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Quonset Development Corporation under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Quonset Development Corporation, it is not intended to and does not present the financial position, changes in net position, or cash flows of Quonset Development Corporation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

Quonset Development Corporation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - SINGLE AUDIT TESTING

The State of Rhode Island determined that single audit testing was not required to be performed at the component unit level for the Corporation's federal award programs.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2025

Statement of Net Position

Attachment B

Assets

Current Assets:

Cash and cash equivalents	\$ 854,607
Receivables (net)	1,732,702
Restricted assets:	
Cash and cash equivalents	31,747,651
Other assets	<u>10,898,694</u>
Total current assets	<u>45,233,654</u>

Noncurrent Assets:

Restricted assets:

Cash and cash equivalents	78,221
Capital assets - nondepreciable	217,469,956
Capital assets - depreciable (net)	306,688,341
Other assets, net of amortization	<u>217,510,590</u>
Total noncurrent assets	<u>741,747,108</u>
Total assets	<u>786,980,762</u>

See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT (CONTINUED)

JUNE 30, 2025

Statement of Net Position (Continued)

Attachment B

Liabilities

Current liabilities:

Accounts payable	\$ 8,956,247
Due to other component units	487,859
Due to other governments	110,250
Accrued expenses	2,901,420
Compensated absences	348,376
Unearned revenue	3,976,225
Other current liabilities	2,020,221
Current portion of long-term debt	<u>1,771,558</u>

Total current liabilities	<u>20,572,156</u>
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Noncurrent liabilities:

Due to other governments	237,250
Unearned revenue	137,000
Loans payable	18,662,315
Bonds payable	12,429,167
Other liabilities	<u>87,314,258</u>

Total noncurrent liabilities	<u>118,779,990</u>
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Total liabilities	<u>139,352,146</u>
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Deferred inflows of resources

Other deferred inflows of resources	<u>218,516,987</u>
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Total deferred inflows of resources	<u>218,516,987</u>
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Net position

Net investment in capital assets	395,714,448
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Restricted for:

Other	31,162,457
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Unrestricted	<u>2,234,724</u>
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Total net position	<u><u>\$ 429,111,629</u></u>
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See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2025

<u>Statement of Activities</u>	<u>Attachment C</u>
Expenses	\$ 32,561,354
Program revenues:	
Charges for services	31,902,167
Capital grants and contributions	<u>56,220,326</u>
Total program revenues	<u>88,122,493</u>
Net revenues	<u>55,561,139</u>
General revenue (expenses):	
Interest and investment earnings	(443,622)
Miscellaneous revenue	(2,442,974)
Gain on sale of capital assets	39,000
Total general revenues (expenses)	<u>(2,847,596)</u>
Change in net position	52,713,543
Total net position - beginning	<u>376,398,086</u>
Total net position - ending	<u>\$ 429,111,629</u>

See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT (CONTINUED)

JUNE 30, 2025

Attachment D

Schedule of Debt Service to Maturity – Long-Term Debt

Fiscal Years <u>Ending June 30,</u>			<u>Other (Bonds Payable)</u>	
			<u>Principal</u>	<u>Interest</u>
2026			\$ 785,000	\$ 395,713
2027			785,000	408,212
2028			785,000	359,323
2029			785,000	333,426
2030			785,000	308,499
2031	-	2035	3,925,000	1,169,282
2036	-	2040	3,925,000	545,959
2040	-	2042	<u>1,439,167</u>	<u>43,842</u>
			<u>\$ 13,214,167</u>	<u>\$ 3,564,256</u>

See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT (CONTINUED)

JUNE 30, 2025

Attachment E

Schedule of Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 13,999,167	\$ --	\$ 785,000	\$ 13,214,167	\$ 785,000	\$ 12,429,167
Bonds payable - Direct Payment	--	--	--	--	--	--
Net unamortized premium/discount	--	--	--	--	--	--
 Bonds payable	 13,999,167	 --	 785,000	 13,214,167	 785,000	 12,429,167
Notes payable	--	--	--	--	--	--
Notes payable - Direct Borrowings	--	--	--	--	--	--
Loans payable	20,284,193	16,494,297	17,129,617	19,648,873	986,558	18,662,315
Obligations under capital leases	--	--	--	--	--	--
Net pension liability	--	--	--	--	--	--
Net OPEB liability	--	--	--	--	--	--
Due to primary government	--	--	--	--	--	--
Due to component units	--	--	--	--	--	--
Due to other governments and agencies	--	400,000	52,500	347,500	110,250	237,250
Unearned revenue	7,334,401	3,703,750	6,924,926	4,113,225	3,976,225	137,000
Compensated absences	--	--	--	--	--	--
Arbitrage rebate	--	--	--	--	--	--
Pollution remediation	--	--	--	--	--	--
Funds Held for Others	--	--	--	--	--	--
Other liabilities - lease liability	51,763,568	39,450,859	1,879,948	89,334,479	2,020,221	87,314,258
	<u>\$ 93,381,329</u>	<u>\$ 60,048,906</u>	<u>\$ 26,771,991</u>	<u>\$ 126,658,244</u>	<u>\$ 7,878,254</u>	<u>\$ 118,779,990</u>

See independent auditors' report on supplementary information.

Independent Auditors' Report 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*

To the Board of Directors of
Quonset Development Corporation

We have audited, in accordance with the 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*"), the financial statements of the business-type activity and fiduciary activities of Quonset Development Corporation (the "Entity"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements, and have issued our report thereon dated October 30, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, as described in the accompanying schedule of findings and questioned costs, as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity's financial statements are 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Quonset Development Corporation Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Quonset Development Corporation's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Quonset Development Corporation's response was not subjected to the other 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.

CBIZ CPAs P.C.

Providence, RI
October 30, 2025

QUONSET DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2025

CURRENT YEAR FINDING:

MATERIAL WEAKNESS

2025-001 TIMELINESS AND ACCURACY OF FINANCIAL REPORTING

Criteria

The Quonset Development Corporation should be completing monthly reconciliations on any significant transaction areas relating to the business, which should include but not be limited to, accruals, capital assets, utility billings, deposit liabilities, grants and reporting of the schedule of federal expenditures.

Condition

Final reconciliations regarding accounting for accruals, capital assets, utility billings, deposit liabilities, grants and the reporting of the schedule of federal expenditures were delayed when the audit commenced.

Cause

The Corporation finance team had turnover in fiscal 2025 which lead to many of these delays in reconciliations and reporting being done timely.

Effect

The results of this process identified adjustments to deposit liabilities of \$5 million, accrued expenses for \$3.8 million, net capital assets of \$9.3 million. Further, grant expenses were adjusted by \$2.7m, resulting in an adjustment to the schedule of expenditures of federal awards. All adjustments were identified by the Corporation during the audit.

Further, it was noted that the Corporation had errors in utility billings as a result of incorrect rates being used resulting in a recorded adjustment of \$29 thousand and a passed adjustment of \$65 thousand.

Prior Year Finding

Yes

QUONSET DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

Recommendation

We recommend that the Corporation enhance internal control policies and procedures to correct this process going forward.

View of Responsible Officials and Planned Corrective Actions

Quonset Development Corporation has a proven history of delivering accurate and timely financial reporting. The challenges noted in this year's report stem from staffing turnover. Since then, the Finance team has coalesced into a robust and dependable unit, diligently working to ensure continued excellence in financial management and reporting.

Additionally, during the audit the Corporation experienced a cyber incident that delayed audit work for several weeks.

Going forward, the Finance team will strengthen month-end checklists by incorporating proactive reviews for potential adjustments, implementing comprehensive training on billing systems and best practices, and enforcing tighter reconciliation timelines. Quonset Development Corporation is unwavering in its dedication to delivering precise and timely financial reporting, ensuring robust support for its mission to maximize the operational and developmental potential of the Business Park.