



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

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2026

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 activity of Quonset Development Corporation (a component unit of the State of Rhode Island) (the "Corporation"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Corporation'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 activity of the Corporation, as of June 30, 2026, 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 Corporation 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.

Emphasis of Matter – Implementation of GASB Statement No. 103

As discussed in Note 1 to the financial statements, the Corporation adopted Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, during the year ended June 30, 2026. The implementation of this standard resulted in changes to the presentation and classification of certain revenues and expenses within the financial statements. Our opinion is not modified with respect to this matter.

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 Corporation'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 Corporation'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 Corporation'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 Corporation's basic financial statements. The schedule of travel and entertainment expenses and State of Rhode Island required format schedules 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 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 September 30, 2026 on our consideration of the Corporation'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 Corporation'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 Corporation's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Providence, Rhode Island
September 30, 2026

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2026

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, 2026 and June 30, 2025. This information should be read in conjunction with the Corporation's financial statements.

Overview of the Financial Statements

The Corporation is a quasi-public agency and a component unit of the State of Rhode Island, created by the Rhode Island General Assembly on July 1, 2004 (R.I. Gen. Laws § 42-64.10). It develops and manages the Quonset Business Park and the Port of Davisville. The Corporation does not levy taxes and does not receive a State operating appropriation. Operations are financed by charges to tenants and users.

The Corporation reports a single business-type activity. It has no governmental funds and no discretely presented component units. Because of that structure, the government-wide statements and the proprietary-fund statements are the same statements. Fiduciary activities are reported separately and are not included in the business-type totals in the Financial Summary.

The basic financial statements that follow this MD&A, and the differences in the information each provides, are as follows.

Statement of Net Position

Reports assets, deferred outflows of resources, liabilities, and deferred inflows of resources at year-end. The residual is net position, classified as net investment in capital assets, restricted, or unrestricted. The statement answers whether financial position improved or deteriorated.

Statement of Revenues, Expenses and Changes in Net Position

Reports the change in net position for the year. Operating revenues are exchange charges for rentals, fees, and utilities. Operating expenses are the cost of serving tenants and users, including depreciation. Nonoperating items include interest, investment earnings, and subsidies provided and received and resources from the disposal of capital assets and inventory. Capital subsidies (State appropriations and general-obligation bond proceeds restricted to capital, capital grants, and contributions in aid of construction) are resources provided to acquire or improve capital assets.

Statement of Cash Flows

Reports cash provided or used by operating, capital and related financing, noncapital financing, and investing activities, and reconciles operating income to operating cash.

Fiduciary Statements

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position report the RI Ready program, a custodial fund. Those resources cannot be used to support the Corporation's programs. The defined-benefit pension trust reported in FY 2025 was terminated last year and is no longer presented.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2026

Notes to the Financial Statements

Describe accounting policies and provide the detail behind capital assets, long-term obligations, leases, major capital projects, commitments, and revenue concentrations that the analyses below rely on.

All business-type statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when earned and expenses when the related liability is incurred, regardless of when cash is received or paid. That measurement focus is the same one used in a private-sector business.

Financial Summary

The following condensed information is derived from the business-type statement of net position and statement of revenues, expenses and changes in net position. The Corporation has no governmental activities. Amounts are presented at the minimum level of detail required by GASB 103, paragraph 8.b.

Table 1. Condensed Statement of Net Position

	2026	2025	Increase (Decrease)	Percent
Capital assets (including right-to-use assets)	\$580,930,376	\$524,158,297	\$56,772,079	10.8%
Other assets	<u>333,247,222</u>	<u>262,822,465</u>	<u>70,424,757</u>	<u>26.8%</u>
Total assets	914,177,598	786,980,762	127,196,836	16.2%
Long-term liabilities	152,425,779	118,779,990	33,645,789	28.3%
Current liabilities	<u>30,953,959</u>	<u>20,572,156</u>	<u>10,381,803</u>	<u>50.5%</u>
Total liabilities	183,379,738	139,352,146	44,027,592	31.6%
Deferred inflows of resources	285,350,616	218,516,987	66,833,629	30.6%
Net investment in capital assets	418,959,084	395,714,448	23,244,636	5.9%
Restricted	28,983,932	31,162,457	(2,178,525)	(7.0%)
Unrestricted	<u>(2,495,772)</u>	<u>2,234,724</u>	<u>(4,730,496)</u>	<u>n/m</u>
Total Net Position	\$445,447,244	\$429,111,629	\$16,335,615	3.8%

Capital assets include land, construction in progress, buildings, improvements, equipment, and right-to-use lease assets, net of accumulated depreciation and amortization. Other assets are principally lease receivables of \$299.8 million and cash of \$29.7 million. Long-term liabilities are the noncurrent portions of bonds, loans, lease liabilities, deposits, and amounts due to other entities. Deferred inflows are lease-related.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2026

Table 2. Condensed Changes in Net Position

	2026	2025	Increase (Decrease)	Percent
Operating revenues				
Rentals and fees	\$34,201,566	\$23,182,359	\$11,019,207	47.5%
Utilities	5,678,283	5,820,977	(142,694)	(2.5%)
Other	<u>3,235,300</u>	<u>430,857</u>	<u>2,804,443</u>	<u>731.0%</u>
Total Operating revenues	43,115,149	29,392,858	13,680,956	46.7%
Capital subsidies	13,418,760	56,220,326	(42,801,566)	(76.1%)
Investment earnings	1,040,198	1,180,366	(140,168)	(11.9%)
Interest expense	(1,765,372)	(1,623,988)	(141,384)	(8.7%)
(Loss)/gain on disposal of capital assets	(960,867)	39,000	(921,867)	(2,564.0%)
Gain on forgiveness of debt	<u>25,278</u>	<u>25,000</u>	<u>278</u>	<u>1.1%</u>
Total operating and other non-operating revenues	54,873,146	85,233,562	(30,360,416)	(35.6%)
Operating expenses	38,537,531	32,561,354	5,976,177	18.4%
Personnel services	6,832,259	6,362,522	469,737	7.4%
Contracted services	1,241,244	1,950,760	(709,516)	(36.4%)
Utility department services	2,536,039	1,925,874	610,165	31.7%
General expenses	12,150,514	8,376,735	3,773,779	45.1%
Depreciation and amortization	<u>15,777,475</u>	<u>13,945,463</u>	<u>1,832,012</u>	<u>13.1%</u>
Total expenses	38,537,531	32,561,354	5,976,177	18.4%
Change in net position	16,335,615	52,713,543	(36,377,928)	(69.0%)
Net position — beginning of year	429,111,629	376,398,086	52,713,543	14.0%
Net position — End of Year	\$445,447,244	\$429,111,629	\$16,335,615	3.8%

*2025 presentation has been updated to conform to GASB 103 for comparability purposes.

Capital subsidies are State RICAP appropriations, State general-obligation bond proceeds restricted to capital, capital grants, and contributions in aid of construction. Other nonoperating revenues (expenses), net include interest expense, lessee lease-termination losses, debt-forgiveness gains, pass-through Air National Guard grant activity that nets to zero.

Net position increased \$16.3 million, or 3.8 percent, to \$445.4 million. Operating results produced \$4.58 million of operating income, a \$7.0 million swing from the prior-year operating loss, largely due to increases in rental income and \$3.2M from PFAS settlement. The increase in net position is smaller than FY 2025's \$52.7 million gain because capital subsidies fell \$42.8 million after State Fiscal Recovery Funds were fully received and expended. Unrestricted net position turned negative, at \$(2.5) million.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2026

Detailed Analyses

Business-Type Activities

The Corporation's only activity is business-type. Significant changes from the prior year, and the reasons for those changes, are as follows. Capital-asset placements and debt activity that also explain parts of these swings are discussed under Significant Capital Asset and Long-Term Financing Activity and are not repeated here.

Operating revenues increased \$13.7 million, or 46.7 percent, to \$43.1 million. Rentals and fees of \$34.2 million account for \$8.1 million of the increase. Two facts in Note 11 explain most of it. Lessor accounting recognized \$19.4 million of lease revenue and \$8.1 million of related interest, compared with \$15.7 million and \$6.1 million in FY 2025 — a \$5.7 million combined increase as new and modified tenant leases were added. Lease receivable rose \$72.0 million to \$299.8 million and related deferred inflows rose \$66.8 million to \$285.4 million, which is the balance-sheet counterpart of those leases. Cash receipts from customers were \$36.8 million, up from \$30.5 million, so tenants also paid more in the year. Utility charges of \$5.7 million declined \$0.1 million and did not contribute to the operating-income swing.

Operating expenses increased \$6.0 million, or 18.4 percent, to \$38.5 million. Revenue grew faster, which is why the Corporation reported \$1.3 million of operating income rather than a \$0.7 million operating loss. General expenses rose \$3.8 million, or 45.1 percent, to \$12.2 million. Depreciation and amortization rose \$1.8 million, or 13.1 percent, to \$15.8 million because Terminal 5 Pier and the east/north berth at Pier 1 were placed in service and because right-to-use building assets increased. Utility department services rose \$0.6 million, or 31.7 percent, while utility revenue fell slightly. Personnel services rose \$0.5 million, or 7.4 percent, to \$6.8 million, reflecting a rebuilt finance and project-delivery staff after FY 2025. Operating activities provided \$16.6 million of cash.

Capital subsidies declined \$42.8 million, or 76.1 percent, to \$13.4 million. FY 2025 included \$45.6 million of State Fiscal Recovery Funds. That award, \$65 million over its life, has been fully received and expended. Remaining capital funding in FY 2026 was \$5.8 million of State general-obligation bond proceeds recognized as earned, \$3.9 million of capital grants (including MARAD draws), \$2.5 million of RICAP, and \$1.2 million of contributions in aid of construction. Cash received from State general-obligation bonds during the year was \$18.2 million. The difference between cash received and cash recognized is unspent construction proceeds, sitting in restricted cash and in deposits and unearned revenue. These advances are why current liabilities increased 50.5 percent.

Other nonoperating items include interest expense of \$1.8 million, investment income of \$1.0 million, a \$0.96 million loss on termination of a lease as lessee (compared with \$2.9 million last year), \$25,278 of Infrastructure Bank principal forgiveness, and an \$8.2 million Air National Guard grant that nets to zero against matching expense.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2026

Detailed Analyses (Continued)

Business-Type Activities (Continued)

Restricted net position declined \$2.2 million because construction cash was spent into capital assets. Unrestricted net position fell \$4.7 million to \$(2.5) million because more of the year's resources are invested in capital assets or held as restricted construction cash and because deposits and unearned revenue of \$16.7 million are a claim on those resources. Unrestricted cash at year-end was \$0.3 million.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

Capital assets, including right-to-use lease assets, were \$580.9 million net at June 30, 2026, an increase of \$56.8 million. Construction in progress ended at \$160.1 million after \$52.5 million of additions and \$50.1 million of transfers into completed assets. Cash paid to purchase capital assets was \$37.3 million. An additional \$45.3 million of acquisitions was financed through debt and accrued expenses. Construction-contract commitments outstanding at year-end were approximately \$18.5 million, down from \$22.8 million, and are expected to be funded from capital appropriations, grants, reimbursements, and cash. No change in capitalization policy or useful lives is disclosed. Note 6 presents the full rollforward.

The work is the Port of Davisville Master Plan, now an approximately \$260 million program (Note 12). Completed in FY 2026: reconstruction of the east/north berth at Pier 1 (\$10.2 million, funded with State Fiscal Recovery Funds) and Terminal 5 Pier (begun in FY 2024). Already complete from prior years: Pier 2 modernization (\$80.1 million), the south berth of Pier 1, Blue Economy Support Docks and boat ramp, and relocation of Davisville Road (east). The third phase of Pier 1 — reconstruction of the north berth — began in FY 2026 and is funded in part by an \$11.25 million MARAD grant, of which \$5.8 million had been drawn. A \$3.88 million MARAD grant for a stern offload ramp also began; \$0.6 million had been drawn. Right-to-use building assets increased by \$39.7 million of additions, with \$2.3 million of disposals related to terminated or modified leases. Lease-asset amortization in the year was \$5.1 million. No material subscription-based information technology arrangement liability is reported in the long-term obligation roll forward.

Long-Term Financing

Bonds, loans, and lease liabilities totaled \$156.5 million, up from \$122.2 million. The increase is lease liabilities. No new Corporation revenue bonds were issued. Note 8 presents the obligation roll forward and debt-service schedules.

The Series 2020 Economic Development Revenue Bonds have \$12.4 million remaining, payable monthly at 3.1 percent through April 2042. Principal reduction in the year was \$0.8 million. FY 2027 debt service on this bond is \$1.2 million.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2026

Significant Capital Asset and Long-Term Financing Activity (Continued)

Long-Term Financing (Continued)

Loans payable were \$18.7 million. The May 2025 consolidation with GTC, LLC (\$16.4 million at 7.31 percent through May 2040) had a remaining balance of \$15.7 million and was outstanding for a full year, which is why interest expense rose to \$1.8 million. Other notes are the West Shore Quonset building loan, the New England Waste Systems access-road loan, the Rhode Island Infrastructure Bank loan (\$25,000 of principal forgiven in the year), and vehicle notes, including four truck and van loans closed in May and June 2026 at 8.83 percent to 9.12 percent. Combined loan principal and interest due in FY 2027 is \$2.2 million.

Lessee lease liabilities were \$125.4 million, up \$36.0 million, on building leases maturing from FY 2041 to FY 2050 at discount rates of 3.10 percent to 7.00 percent. Scheduled lessee principal in FY 2027 is \$2.9 million; related interest is \$4.9 million. The lessor portfolio produced the \$299.8 million lease receivable discussed above; tenant leases run as far as FY 2109. Those receivables are not spendable cash.

State general-obligation bonds issued by the State for Port work are not Corporation debt. The \$20.0 million March 2021 Port bond is fully disbursed and expended. The \$15.0 million November 2024 Port bond was drawn in full in FY 2026 and continues to be spent down; unspent proceeds remain restricted. A \$40.0 million March 2021 general-obligation authorization funds the RI Ready custodial program, of which \$25.7 million remains.

Currently Known Facts, Decisions, or Conditions

The following facts, decisions, or conditions were known to management as of September 30, 2026, the date these financial statements were available to be issued, and are expected to produce balances or results in subsequent periods that differ significantly from FY 2026. Note 13 reports that no subsequent events requiring recognition or disclosure have been identified through that date.

Subsequent-Year Resources Available for Capital

State Fiscal Recovery Funds will not recur. FY 2027 capital funding is the unspent portion of the \$15.0 million November 2024 Port bond, RICAP, MARAD grants already under agreement, Corporation operating cash, and an \$11.25 million MARAD award notified in FY 2026 for which a grant agreement is expected in FY 2027. Until that agreement is executed, the award is not a receivable. Construction in progress of \$160.1 million and remaining contract commitments of \$18.5 million will become depreciable assets as they are placed in service, so depreciation is expected to remain at or above the FY 2026 level.

In November 2026, voters will consider a \$100 million general obligation bond referendum, with \$55 million designated for site development, including eligible uses at the Quonset Business Park and the I-195 Development District. QDC estimates that \$15 million will be needed to complete the Port Master Plan, which is expected to provide the required match for additional federal funding from the Maritime Administration (see Note 12).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2026

Subsequent-Year Resources Available for Capital (Continued)

QDC is also undertaking approximately \$80 million in infrastructure improvements to support General Dynamics Electric Boat (EB). EB has been informed that, subject to voter approval of the bond referendum, \$25 million will be available to support these improvements. EB plans to invest nearly \$1 billion in physical plant infrastructure and create more than 3,000 jobs.

Actions Related to Long-Term Liabilities

FY 2027 scheduled fixed charges include approximately \$1.2 million of Series 2020 bond debt service, \$2.2 million of loan principal and interest, \$2.9 million of lessee lease principal, and \$4.9 million of related lease interest. Unrestricted net position of \$(2.5) million and unrestricted cash of \$0.3 million mean those charges, and operations, must be covered from tenant charges and restricted construction cash already on hand. The Board policy that operating surplus is reserved for unfunded capital remains in effect and is the reason unrestricted net position is not being rebuilt as a general reserve.

Customer Base

Six customers provide 55 percent of rental and utility revenue, with first expirations in 2027. FY 2027 operating results depend on those leases performing as written. The lessor portfolio as a whole still extends to 2109.

Actions Other Parties have Taken; Environmental Condition

The Corporation does not receive State operating revenue. Subsequent-year operations depend on leases, utility charges, and Port fees, which in turn depend on regional industrial demand and on federal and State infrastructure appropriations. The former Davisville Naval Construction Battalion Center remains an EPA Superfund site. The Corporation has not been identified as a responsible party, and future remediation cost cannot be estimated. No amount is recorded.

Questions concerning the information in this report should be addressed to the Chief Financial Officer, 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, 2026

Assets

Current Assets

Cash and cash equivalents	\$ 305,348
Cash and cash equivalents - restricted for municipal services fund	2,646,416
Cash and cash equivalents - restricted for capital construction	26,688,176
Cash and cash equivalents - restricted - cash held in escrow	78,221
Accounts receivable, net	2,784,124
Due from primary government	230,429
Current portion of lease receivable	12,794,219
Prepaid expenses and other assets	<u>689,414</u>

Total Current Assets	<u>46,216,347</u>
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Non-Current Assets

Lease receivable, net of current portion	287,030,875
Capital assets, non depreciable	219,904,172
Capital assets, depreciable net	241,639,085
Right-to-use lease assets, net	<u>119,387,119</u>

Total Non-Current Assets	<u>867,961,251</u>
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Total Assets	<u><u>\$ 914,177,598</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 NET POSITION

June 30, 2026

Liabilities, Deferred Inflows and Net Position

Current Liabilities

Accounts payable	\$ 1,159,771
Accrued expenses	8,267,555
Due to RI READY	27,140
Current portion of due to other component units	97,572
Current portion of due to other governments	110,250
Current portion of bonds payable	785,000
Current portion of loans payable	1,041,674
Current portion of lease liability	2,886,882
Deposits and unearned revenue, current portion	<u>16,578,115</u>

Total Current Liabilities	<u>30,953,959</u>
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Non-Current Liabilities

Due to other component units, net of current portion	357,764
Due to other governments, net of current portion	127,000
Bonds payable, net of current portion	11,644,166
Loans payable, net of current portion	17,672,728
Lease liability, net of current portion	122,493,121
Deposits and unearned revenue, net of current portion	<u>131,000</u>

Total Non-Current Liabilities	<u>152,425,779</u>
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Total Liabilities	<u>183,379,738</u>
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Deferred Inflows of Resources

Deferred inflows of resources - lease related	<u>285,350,616</u>
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Total Deferred Inflows of Resources	<u>285,350,616</u>
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Net Position

Net investment in capital assets	418,959,084
Restricted for capital construction	26,688,176
Restricted for municipal services fund	2,295,756
Unrestricted	<u>(2,495,772)</u>

Total Net Position	<u>\$ 445,447,244</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, 2026

Operating Revenues

Charges for services:

Rentals and fees	\$ 34,201,566
Utilities	5,678,283
Other	<u>3,235,300</u>

Total Operating Revenues	<u>43,115,149</u>
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Operating Expenses

Personnel services	6,832,259
Contracted services	1,241,244
Utility department services	2,536,039
General expenses	12,150,514
Depreciation and amortization	<u>15,777,475</u>

Total Operating Expenses	<u>38,537,531</u>
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Operating Income	<u>4,577,618</u>
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Other Non-Operating Revenues (Expenses)

Gain on forgiveness of debt	25,278
Loss on termination of lease, as lessee	(960,867)
Rhode Island Air National Guard grant income	8,207,026
Rhode Island Air National Guard grant expense	(8,207,026)
Interest expense	(1,765,372)
Investment income	1,040,198
Capital appropriations - RICAP	2,500,000
Capital appropriations - State of Rhode Island - General Obligation Bonds	5,790,360
Capital grants	3,935,289
Contributions in aid of construction ("CIAC")	<u>1,193,111</u>

Total Other Non-Operating Revenues (Expenses)	<u>11,757,997</u>
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Change in Net Position	16,335,615
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Net Position - Beginning of Year	<u>429,111,629</u>
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Net Position - End of Year	<u><u>\$ 445,447,244</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, 2026

Cash Flows From Operating Activities

Receipts from customers	\$ 36,816,551
Payments to suppliers	(13,582,755)
Payments to employees	<u>(6,637,799)</u>

Net Cash Provided by Operating Activities	<u>16,595,997</u>
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Cash Flows From Capital and Related Financing Activities

General Obligation Bonds - State of Rhode Island	18,200,000
Capital appropriations - RICAP	2,500,000
Capital grants	3,935,289
Capital contributions	930,334
Rhode Island Air National Guard grant proceeds	5,640,229
Cash paid on Rhode Island Air National Guard grant	(6,247,836)
Purchase of capital assets	(36,996,535)
Cash paid on operating lease payable	(5,123,780)
Principal payments on debt obligations	(1,668,100)
Interest paid on debt obligations	<u>(1,768,114)</u>

Net Cash Used in Capital and Related Financing Activities	<u>(20,598,513)</u>
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Cash Flows From Investing Activities

Investment income	<u>1,040,198</u>
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Net Cash Provided by Investing Activities	<u>1,040,198</u>
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Net Decrease in Cash and Equivalents	(2,962,318)
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Cash and Equivalents - Beginning of Year	<u>32,680,479</u>
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Cash and Equivalents - End of Year	<u><u>\$ 29,718,161</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 (CONTINUED)

For the Year Ended June 30, 2026

Cash and Equivalents

Cash and cash equivalents	\$ 305,348
Cash and cash equivalents - restricted for municipal services fund	2,646,416
Cash and cash equivalents - restricted for capital construction	26,688,176
Cash and cash equivalents - restricted - cash held in escrow	<u>78,221</u>

Cash and Equivalents - End of Year \$ 29,718,161

**Reconciliation of Operating Income to
Net Cash Provided by Operating Activities**

Operating income	\$ 4,577,618
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	15,777,475
Loss on termination of lease, as lessor	1,518,905
Changes in:	
Accounts receivable, net	(1,051,422)
Due from state	(230,429)
Due to other component units	(32,523)
Due to Rhode Island Ready	341,565
Due to other governments	(110,250)
Prepaid expenses and other assets	(438,651)
Accounts payable and accrued expenses	3,040,930
Deposits and unearned revenue	<u>(6,797,221)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 16,595,997</u></u>

Supplemental Disclosure of Cash Flows Information

Non-Cash Capital and Related Financing Activities

During fiscal year 2026, the Corporation financed capital asset acquisitions of
\$45,345,335 through the issuance of debt and accrued expenses

During fiscal year 2026, the Corporation had \$25,278 of debt forgiven by the lender

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, 2026

	<u>RI READY</u>
Assets	
Cash	\$ 5,537,624
Other receivable	<u>2,727,140</u>
Total Assets	<u><u>\$ 8,264,764</u></u>
Liabilities	
Other payable	<u>\$ 11,475</u>
Total Liabilities	11,475
Net Position	
Net position restricted for other programs	<u>8,253,289</u>
Total Liabilities and Net Position	<u><u>\$ 8,264,764</u></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, 2026

	<u>RI READY</u>
Additions	
Contributions:	
Bond Proceeds	\$ 3,887,777
Other income	<u>10,500</u>
Total Additions	<u>3,898,277</u>
Deductions	
Administrative and other expenses	<u>3,748,872</u>
Total Deductions	<u>3,748,872</u>
Change in Net Position	149,405
Net Position Restricted for Other Programs - Beginning of Year	<u>8,103,884</u>
Net Position Restricted for Other Programs - End of Year	<u><u>\$ 8,253,289</u></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, 2026

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, 2026, approximately 55% of rental revenues and utility and service revenues are derived from agreements with six customers. The leases for those six customers expire between 2027 and 2050.

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 charges to tenants for rent, utility services, and other services provided by the Corporation. Operating expenses include the costs incurred in connection with the Corporation’s principal ongoing operations and the provision of services to its customers, including administrative expenses and depreciation of capital assets.

Subsidies are resources received from or provided to another party without the Corporation or the other party providing goods or services in exchange and that are intended to keep the Corporation’s fees and charges lower than they otherwise would be.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Subsidies also include all other transfers. Subsidies are classified as either noncapital subsidies or capital subsidies based on the purpose for which the resources are provided.

The Corporation's State of Rhode Island appropriations provided to support operations are reported as noncapital subsidies. State appropriations and other resources restricted to capital purposes are reported as capital subsidies. Contributions in aid of construction are reported as capital subsidies when the resources are restricted to the acquisition, construction, or improvement of capital assets.

Other nonoperating revenues and expenses include investment income, interest expense and other financing-related costs, and gains or losses resulting from the disposal of capital assets.

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.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, estimation depreciation and estimation of discount rate and extensions of leases.

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, 2026, approximately 14% of the Corporation's accounts receivable are due from one customer.

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 is expensed during the period it is incurred. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

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.

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, including applicable payroll taxes 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 103 – *Financial Reporting Model Improvements*, effective for the Corporation's fiscal year ended June 30, 2026. The implementation updated the structure of management's discussion and analysis as well as the classification of certain items on the statement of revenues, expenses and changes in net position. The implementation did not have any effect on net position for the year.

GASB Statement 104 – *Disclosure of Certain Capital Assets*, effective for the Corporation's fiscal year ended June 30, 2026. The implementation updated the classification and disclosure of certain capital assets. The implementation did not have any effect on net position for the year.

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

GASB Statement 105 – *Subsequent Events* is effective for the Corporation's fiscal year ended June 30, 2027.

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

NOTES TO THE FINANCIAL STATEMENTS

For the 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, 2026 pursuant to this statutory provision.

At June 30, 2026, the carrying amount of the Corporation's cash deposits was \$29,718,161 (which includes \$78,221 of cash held by the trustee for future loan drawdowns). The bank balance of these funds was \$30,038,360, of which \$3,072,826 was covered by federal depository insurance and \$26,965,534 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, 2026.

At June 30, 2026 the carrying amount of the Corporation's custodial fund cash deposits was \$5,537,624. The bank balance of these funds was \$5,537,624 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, 2026

NOTE 3 – ACCOUNTS RECEIVABLE, NET

At June 30, 2026, accounts receivable, including the allowance for uncollectible accounts, are as follows:

Rentals	\$ 449,940
Utilities and service	566,461
Port activities	571,337
Deposit Liabilities	200,000
PFAS	421,076
Miscellaneous	521,684
Payments in lieu of taxes	<u>66,230</u>
	2,796,728
Less: allowance for uncollectable	<u>(12,604)</u>
	<u><u>\$ 2,784,124</u></u>

NOTE 4 – DUE TO OTHER COMPONENT UNITS

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. The agreement is payable in sixty equal installments of \$8,131 through February 2031.

As of June 30, 2026, the balance owed to RIAC is \$455,336. Future payments to RIAC are as follows:

Years Ending June 30,	Payments
2027	\$ 97,572
2028	97,572
2029	97,572
2030	97,572
2031	<u>65,048</u>
	<u><u>\$ 455,336</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, 2026

NOTE 5 – DUE TO OTHER GOVERNMENTS

The Corporation has an agreement with the Town of North Kingstown, Rhode Island (the Town) in connection with the Allen Harbor Dredging Project. The agreement is payable in quarterly installments of \$27,563 through July 2029. Future payments to the Town are as follows:

Years Ending June 30,	Payments
2027	\$ 110,250
2028	110,250
2029	<u>16,750</u>
	<u><u>\$ 237,250</u></u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the Corporation for the year ended June 30, 2026, 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>157,658,109</u>	<u>52,528,683</u>	<u>50,094,467</u>	<u>160,092,325</u>
Total Capital Assets, Not Depreciated		<u>217,469,956</u>	<u>52,528,683</u>	<u>50,094,467</u>	<u>219,904,172</u>
Capital assets, depreciated and amortized:					
Land improvements	40	80,442,389	18,605,648	--	99,048,037
Buildings and improvements	20-50	195,862,170	11,070,217	--	206,932,387
Furnishings and equipment	5-20	22,117,508	1,717,718	--	23,835,226
Right-to-use lease assets					
Buildings	5-30	<u>93,911,847</u>	<u>39,669,791</u>	<u>2,285,559</u>	<u>131,296,079</u>
Total Capital Assets, Depreciated and Amortized		<u>392,333,914</u>	<u>71,063,374</u>	<u>2,285,559</u>	<u>461,111,729</u>
Total Capital Assets		<u>609,803,870</u>	<u>123,592,057</u>	<u>52,380,026</u>	<u>681,015,901</u>
Less: accumulated depreciation and amortization:					
Land improvements		21,477,857	2,549,427	--	24,027,284
Buildings and improvements		42,621,143	6,868,347	--	49,489,490
Furnishings and equipment		13,423,870	1,235,921	--	14,659,791
Right-to-use lease assets					
Buildings		<u>8,122,703</u>	<u>5,123,780</u>	<u>1,337,523</u>	<u>11,908,960</u>
Total Accumulated Depreciation and Amortization		<u>85,645,573</u>	<u>15,777,475</u>	<u>1,337,523</u>	<u>100,085,525</u>
Capital Assets, Net		<u><u>\$ 524,158,297</u></u>	<u><u>\$ 107,814,582</u></u>	<u><u>\$ 51,042,503</u></u>	<u><u>\$ 580,930,376</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, 2026

NOTE 7 – DEPOSITS AND UNEARNED REVENUE

Deposits and unearned revenue consist of the following at June 30, 2026:

Deposit liabilities	\$ 16,214,466
Unearned revenue	<u>494,649</u>
Total Deposits and Unearned Revenue	16,709,115
Current portion of deposits and unearned revenue	<u>16,578,115</u>
Deposits and Unearned Revenue, Net of Current Portion	<u>\$ 131,000</u>

NOTE 8 – LONG-TERM OBLIGATIONS

Long-term liabilities consist of the following at June 30, 2026:

	Beginning Balance*	Additions	Reductions	Ending Balance	Current Portion
Bonds, loans and lease payable:					
Revenue bond payable	\$ 13,214,167	\$ --	\$ 785,001	\$ 12,429,166	\$ 785,000
Loans payable	19,648,873	149,602	1,084,073	18,714,402	1,041,674
Lease payable	<u>89,334,479</u>	<u>39,669,791</u>	<u>3,624,267</u>	<u>125,380,003</u>	<u>2,886,882</u>
Total Bonds, Loans and Lease Payable	<u>122,197,519</u>	<u>39,819,393</u>	<u>5,493,341</u>	<u>156,523,571</u>	<u>4,713,556</u>
Other long-term liabilities:					
Due to other component units	487,859	--	32,523	455,336	97,572
Due to other governments	347,500	--	110,250	237,250	110,250
Deposits and unearned revenue	<u>4,113,225</u>	<u>27,508,523</u>	<u>14,912,633</u>	<u>16,709,115</u>	<u>16,578,115</u>
Total Other Long-Term Liabilities	<u>4,948,584</u>	<u>27,508,523</u>	<u>15,055,406</u>	<u>17,401,701</u>	<u>16,785,937</u>
Total Long-Term Liabilities	<u>\$ 127,146,103</u>	<u>\$ 67,327,916</u>	<u>\$ 20,548,747</u>	<u>\$ 173,925,272</u>	<u>\$ 21,499,493</u>

* Beginning balance has been updated to include reclassification of 'due to other component units' in fiscal year 2026

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, 2026, the balance of this bond was \$12,429,166.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

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
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	785,000	283,572	1,068,572
2032-2036	3,925,000	1,045,063	4,970,063
2037-2041	3,925,000	420,903	4,345,903
2042	<u>654,166</u>	<u>9,545</u>	<u>663,711</u>
	<u>\$ 12,429,166</u>	<u>\$ 3,168,543</u>	<u>\$ 15,597,709</u>

LOANS PAYABLE

The Corporation entered into a consolidated loan with GTC, LLC 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, 2026, the balance of this loan was \$15,735,925.

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, 2026, the balance of this loan was \$60,978.

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, 2026, the balance of this loan was \$2,063,888.

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, 2026 was \$25,278. At June 30, 2026, the balance of this loan was \$91,093.

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, 2026, the balance of this loan was \$559,571.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

LOANS PAYABLE (CONTINUED)

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 June 2027. At June 30, 2026, the balance of this loan was \$33,688.

The Corporation entered into an agreement for the purchase of a new truck in September 2023. The loan is payable in monthly installments of \$623 that includes interest of 6.18% through August 2026. At June 30, 2026, the balance of this loan was \$21,115.

The Corporation entered into an agreement for the purchase of a new van in May 2026. The loan is payable in monthly installments of \$1,060 that includes interest of 8.83% through May 2031. At June 30, 2026, the balance of this loan was \$61,239.

The Corporation entered into an agreement for the purchase of a new truck in June 2026. The loan is payable in monthly installments of \$443 that includes interest of 9.12% through June 2031. At June 30, 2026, the balance of this loan was \$25,366.

The Corporation entered into an agreement for the purchase of a new truck in June 2026. The loan is payable in monthly installments of \$537 that includes interest of 9.12% through June 2031. At June 30, 2026, the balance of this loan was \$30,710.

The Corporation entered into an agreement for the purchase of a new truck in June 2026. The loan is payable in monthly installments of \$539 that includes interest of 9.12% through June 2031. At June 30, 2026, the balance of this loan was \$30,829.

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

Years Ending June 30,	Principal	Interest	Total
2027	\$ 1,041,674	\$ 1,120,850	\$ 2,162,524
2028	998,265	1,031,179	2,029,444
2029	1,058,332	949,306	2,007,638
2030	1,110,230	890,798	2,001,028
2031	1,189,872	828,818	2,018,690
2032-2036	6,626,474	4,160,529	10,787,003
2037-2041	6,689,555	1,916,279	8,605,834
	<u>\$ 18,714,402</u>	<u>\$ 10,897,759</u>	<u>\$ 29,612,161</u>

Interest expense on all debt for the year ended June 30, 2026 was \$1,765,372.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

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, administered 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, 2026, 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 employer contributions for the fiscal year ended June 30, 2026 were \$300,775. 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.

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, 2026 because Corporation officials are of the opinion that, based upon the Corporation’s historical experience, any claims will not be material.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

CAPITAL IMPROVEMENTS

At June 30, 2026, the Corporation was obligated for the completion of certain construction contracts under commitments totaling approximately \$18,531,382 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.

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 2041 to 2050. Discount rates on the aforementioned leases range from 3.10% to 7.00%. Rent expense amortization and interest recognized in fiscal year 2026 was \$5,123,780 and \$4,687,112, respectively. The lease asset, net of accumulated amortization and lease liability balances at June 30, 2026 are \$119,387,119 and \$125,380,003, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

NOTE 11 – LEASES (CONTINUED)

LESSEE AGREEMENTS (CONTINUED)

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

Years Ending June 30,	Principal	Interest
2027	\$ 2,886,882	\$ 4,861,050
2028	3,004,614	4,745,020
2029	3,144,571	4,623,384
2030	3,449,927	4,493,359
2031	3,677,029	4,352,232
2032-2036	21,254,911	19,368,545
2037-2041	26,778,409	14,595,786
2042-2046	30,374,960	8,683,633
2047-2051	23,698,570	2,871,415
2052-2056	<u>7,110,130</u>	<u>363,870</u>
Total	<u><u>\$ 125,380,003</u></u>	<u><u>\$ 68,958,294</u></u>

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 2027 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 \$19,435,897 and \$8,067,151, respectively. The lease receivable and deferred inflows related to these leases are \$299,825,094 and \$285,350,616, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

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
2027	\$ 12,794,219	\$ 8,561,134
2028	12,411,769	8,190,111
2029	12,343,729	7,819,591
2030	11,240,102	7,463,235
2031	9,799,628	7,145,758
2032-2036	49,985,179	31,397,659
2037-2041	41,751,018	24,052,084
2042-2046	30,847,013	19,167,291
2047-2051	34,384,984	14,185,475
2052-2056	23,180,334	10,102,552
2057-2061	30,312,283	6,230,829
2062-2066	16,159,535	2,372,900
2067-2071	6,380,768	1,289,278
2072-2076	1,954,509	779,335
2077-2081	411,108	706,064
2082-2086	559,846	650,943
2087-2091	735,110	576,645
2092-2096	940,852	479,718
2097-2101	1,181,569	356,195
2102-2106	1,479,943	201,629
2107-2111	971,596	32,725
	<u> </u>	<u> </u>
Total	<u>\$ 299,825,094</u>	<u>\$ 151,761,151</u>

The following reports the cost and accumulated depreciation for buildings under non-cancelable lease agreements at June 30, 2026:

Cost	\$ 29,423,763
Less: accumulated depreciation	<u>7,502,932</u>
Total	<u>\$ 21,920,831</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2026

NOTE 12 – MAJOR CAPITAL PROJECTS

PORT OF DAVISVILLE MASTER PLAN IMPLEMENTATION

QDC is implementing a \$260 million master plan to improve the Port of Davisville. The modernization and extension of Pier 2, reconstruction of the south and east berths at Pier 1, construction of the new Terminal 5 Pier and Blue Economy Support Docks and Boat Ramp, and relocation of Davisville Road east of the port have all been completed. The remaining master plan projects will be funded through a combination of grants, a Rhode Island general obligation bond, and QDC's own revenues.

QDC has committed approximately \$176 million from state, federal, and internal sources. This leaves approximately \$84 million of remaining work to be funded.

In FY 2026, QDC was notified that it would receive an additional \$11.25 million MARAD grant for infrastructure and access improvements throughout the port. QDC expects to finalize the grant agreement in FY 2027.

The remaining work is expected to be supported by \$15 million from the general obligation bond referendum on the November 2026 ballot, together with additional internal and external funding sources.

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, 2026, 26 sites have been enrolled in the Program for a total of 1,320.5 acres. These sites support up to 5,917,415 square feet of new industrial development. As of June 30, 2026, \$25.7m remains in the program.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2026, 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, 2026

Date	Payee	Amount	Purpose	Traveler
9/3/2025	Joseph Riccio	\$ 930	Breakbulk Conference - Houston, TX	Joseph Riccio
9/26/2025	Antonio Ambrosio	494	NEARC Fall Conference - Falmouth, MA	Antonio Ambrosio
10/1/2025	Joseph Riccio	2,997	AAPA Conference - Quebec City, Canada	Joseph Riccio
10/1/2025	Richard Golish	204	NERPCA Conference - Nashua, NH	Richard Golish
11/17/2025	Joseph Riccio	1,009	NAPA Conference - Alexandria, VA	Joseph Riccio
2/17/2026	Joseph Riccio and Christian Jones	3,705	AAPA Conference - Long Beach, CA	Joseph Riccio and Christian Jones
3/19/2026	Joseph Riccio	1,604	American Port Association Legislative Summit 2026 - Washington, DC	Joseph Riccio
5/1/2026	Joseph Riccio	2,170	Finished Vehicles Logistics Conference - Huntington Beach, CA	Joseph Riccio
6/25/2026	Joseph Riccio	407	NAPA 76th Annual Meeting - New London, CT	Joseph Riccio
Various	Various	<u>155</u>	Less than \$200 each instance	Various
Total		<u>\$ 13,675</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 -
ATTACHMENT B - STATEMENT OF NET POSITION

June 30, 2026

Assets

Current Assets

Cash and cash equivalents	\$ 305,348
Receivables (net)	2,784,124
Restricted assets:	
Cash and cash equivalents	29,412,813
Due from primary government	230,429
Other assets	<u>13,483,633</u>

Total Current Assets	<u>46,216,347</u>
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Noncurrent Assets

Capital assets - nondepreciable	219,904,172
Capital assets - depreciable (net)	241,639,085
Right to use lease assets (net)	119,387,119
Other assets, net of amortization	<u>287,030,875</u>

Total Noncurrent Assets	<u>867,961,251</u>
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Total Assets	<u><u>\$ 914,177,598</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 -
ATTACHMENT B - STATEMENT OF NET POSITION

June 30, 2026

Liabilities

Current Liabilities

Cash overdraft	
Accounts payable	\$ 1,159,771
Due to other component units	97,572
Due to other governments	110,250
Accrued Expenses	8,267,555
Current portion of long-term lease liability	2,886,882
Unearned revenue	16,578,115
Other current liabilities	27,140
Current portion of long-term debt	<u>1,826,674</u>

Total Current Liabilities	<u>30,953,959</u>
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Noncurrent Liabilities

Due to primary government	
Due to other component units	357,764
Due to other governments	127,000
Unearned revenue	131,000
Loans payable	17,672,728
Lease liability	122,493,121
Bonds payable	<u>11,644,166</u>

Total Noncurrent Liabilities	<u>152,425,779</u>
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Total Liabilities	<u><u>\$ 183,379,738</u></u>
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Deferred inflows of resources	<u>285,350,616</u>
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Net Position

Net investment in capital assets	\$ 418,959,084
Restricted for:	
Other	28,983,932
Unrestricted	<u>(2,495,772)</u>

Total Net Position	<u><u>\$ 445,447,244</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 -
ATTACHMENT C - STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2026

Total Operating Revenues	\$ 43,115,149
Total Operations Expenses	<u>(38,537,531)</u>
Operating Income (Loss)	<u>4,577,618</u>
Other Nonoperating Revenues (Expenses)	
Earnings on investments	1,040,198
Interest expense	(1,765,372)
Capital contributions	13,418,760
Other	<u>(935,589)</u>
Total Other Nonoperating Revenues (Expenses)	<u>11,757,997</u>
Increase (Decrease) in Fund Net Position	16,335,615
Total Fund Net Position - Beginning of Period	<u>429,111,629</u>
Total Fund Net Position - End of Period	<u><u>\$ 445,447,244</u></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 -
ATTACHMENT D - SCHEDULE OF DEBT SERVICE TO MATURITY - LONG-TERM DEBT

For the Year Ended June 30, 2026

Fiscal Years Ending June 30,	Other (Bonds Payable)	
	Principal	Interest
2027	\$ 785,000	\$ 408,212
2028	785,000	359,323
2029	785,000	333,426
2030	785,000	308,499
2031	785,000	283,572
2032 - 2036	3,925,000	1,045,063
2037 - 2041	3,925,000	420,903
2042 - 2046	654,166	9,545
	<u>\$ 12,429,166</u>	<u>\$ 3,168,543</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 -
ATTACHMENT E - SCHEDULE OF CHANGES IN LONG-TERM DEBT

For the Year Ended June 30, 2026

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	<u>\$ 13,214,167</u>	<u>\$ --</u>	<u>\$ 785,001</u>	<u>\$ 12,429,166</u>	<u>\$ 785,000</u>	<u>\$ 11,644,166</u>
Bonds Payable	13,214,167	--	785,001	12,429,166	785,000	11,644,166
Loans payable	19,648,873	149,602	1,084,073	18,714,402	1,041,674	17,672,728
Due to component units	487,859	--	32,523	455,336	97,572	357,764
Due to other governments and agencies	347,500	--	110,250	237,250	110,250	127,000
Unearned revenue	4,113,225	27,508,523	14,912,633	16,709,115	16,578,115	131,000
Other liabilities - lease liability	<u>89,334,479</u>	<u>39,669,791</u>	<u>3,624,267</u>	<u>125,380,003</u>	<u>2,886,882</u>	<u>122,493,121</u>
	<u>\$ 127,146,103</u>	<u>\$ 67,327,916</u>	<u>\$ 20,548,747</u>	<u>\$ 173,925,272</u>	<u>\$ 21,499,493</u>	<u>\$ 152,425,779</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 activity of Quonset Development Corporation (the "Corporation"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

Providence, Rhode Island
September 30, 2026