

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2025 AND 2024**

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

CONTENTS

Independent Auditors' Report.....	1-3
--	------------

Management's Discussion and Analysis	4-8
---	------------

Financial Statements

Statements of Net Position.....	9
Statements of Revenues, Expenses, and Changes in Net Position	10
Statements of Cash Flows.....	11

Notes to Financial Statements.....	12-18
---	--------------

Supplementary Information

Schedules of Uncommitted Mortgage Insurance Availability.....	19
State of Rhode Island Required Format	
Statement of Net Position (Attachment B)	20
Statement of Activities (Attachment C).....	21
Schedule of Maturities of Long-Term Debt (Attachment D)	22
Schedule of Changes in Long-Term Debt (Attachment E).....	23

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 <i>Government Auditing Standards</i>	24-25
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Independent Auditors' Report

To the Board of Commissioners
Rhode Island Industrial-Recreational Building Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Rhode Island Industrial-Recreational Building Authority (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 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the 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 opinion.

Prior Period Financial Statements

The financial statements of the Entity as of and for the year ended June 30, 2024, were audited by Marcum LLP, whose report dated October 8, 2024, expressed unmodified opinions on those statements.

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 the management's discussion and analysis on pages 4-8 ("required supplementary information") 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 Schedules of Uncommitted Mortgage Insurance Availability and the following reports in the State of Rhode Island's required format: Statement of Net Position, Statement of Activities, Schedule of Maturities of Long-Term Debt, and Schedule of Changes in Long-Term Debt (collectively "supplementary information") on pages 19-23 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 supplementary information 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 November 7, 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
November 7, 2025

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

As management of the Rhode Island Industrial-Recreational Building Authority (the “Authority”), a component unit of the State of Rhode Island (the “State”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2025 and 2024. The Authority’s financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

INTRODUCTION

The Authority was created by the Rhode Island General Assembly under Chapter 34 of Title 42 of the General Laws of Rhode Island. The Authority constitutes a body corporate and politic and a public instrumentality of the State having a distinct legal existence from the State.

The Authority is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (“RIIFC”), a component unit of the State, on industrial or recreational projects in the State up to a maximum of \$60,000,000 of outstanding principal balances under such insured mortgages and security agreements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority’s financial statements.

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

The statements of net position present detail on the Authority’s assets and deferred outflows of resources (if any), and liabilities and deferred inflows of resources (if any), with the difference between the two reported as net position. Changes in the Authority’s net position serve as a useful indicator of whether the Authority’s net position is improving or deteriorating. Readers should also consider other non-financial factors when evaluating the Authority’s net position. The statements of revenues, expenses, and changes in net position present information on how the Authority’s net position changed during the year.

All assets, liabilities, and changes in net position are reported as soon as the underlying event affecting the asset or liability or deferred outflow or inflow, and resulting change in net position occurs, regardless of the timing of when the cash is received or paid (accrual basis of accounting for governmental entities). Consequently, certain revenues and expenses reported in the statements of revenues, expenses, and changes in net position will result in cash flows in future periods.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

2025 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$531,440 (net position) at June 30, 2025. Higher operating expenses than mortgage premium revenue received resulted in an operating loss of \$2,863. \$315,028 in contributions from the State of Rhode Island, however, resulted in an increase in net position of \$312,250 for 2025.

2024 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$843,691 (net position) at June 30, 2024. Mortgage insurance premium revenue of \$98,041 contributed to the operating gain of \$3,742 and an increase in net position of \$551,184 for 2024.

CONDENSED COMPARATIVE INFORMATION

The following table reflects a summary of changes in certain balances in the statements of net position (in thousands):

	Summaries of Net Position				
	June 30,			Increase (decrease)	
	2025	2024	2023	2025 v 2024	2024 v 2023
Net position					
Current assets	\$ 461	\$ 623	\$ 97	\$ (162)	\$ 526
Total Assets	<u>461</u>	<u>623</u>	<u>97</u>	<u>(162)</u>	<u>526</u>
Current liabilities	607	977	572	(370)	405
Noncurrent liabilities	<u>385</u>	<u>490</u>	<u>920</u>	<u>(105)</u>	<u>(430)</u>
Total Liabilities	<u>992</u>	<u>1,467</u>	<u>1,492</u>	<u>(475)</u>	<u>(25)</u>
Net Position, Unrestricted	<u>\$ (531)</u>	<u>\$ (844)</u>	<u>\$ (1,395)</u>	<u>\$ 313</u>	<u>\$ 551</u>

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

CONDENSED COMPARATIVE INFORMATION (CONTINUED)

The following table reflects a summary of changes in certain balances in the statements of revenues, expenses and changes in net position (in thousands):

	Summaries of Revenues, Expenses, and Changes in Net Position				
	Year ended June 30,			Increase (decrease)	
	2025	2024	2023	2025 v 2024	2024 v 2023
Changes in Net Position					
Operating revenues	\$ 89	\$ 98	\$ 120	\$ (9)	\$ (22)
Operating expenses	92	94	94	(2)	--
Operating Gain	(3)	4	26	(7)	(22)
Nonoperating Revenues	315	547	6	(232)	541
Change in Net Position	\$ 312	\$ 551	\$ 32	\$ (239)	\$ 519

2025 FINANCIAL ANALYSIS

Total assets of the Authority decreased by \$162,746 in 2025 driven by a reduction in the receivable due from the State. This State contribution will be used to reimburse both the Rhode Island Commerce Corporation (the "Corporation") and the Rhode Island Industrial Facilities Corporation ("RIIFC") for payments made by those entities on the Authority's behalf. Total liabilities of the Authority decreased by \$474,996 in 2025. This was predominantly due to the amortization of liabilities related to insured commitments, partially offset by an increase in funds due to RIIFC.

Starting in 2024, pursuant to R.I.G.L. § 42-34-15, the Authority began requesting funding from the State of Rhode Island to continue to be able to pay its insured commitments payable obligation. Annual funding requests are approved within the State's enacted budget and are transferred as appropriations. Under R.I.G.L. § 42-34-3, the Authority's insured commitments are backed by the full faith and credit of the State of Rhode Island.

2025 OPERATING ACTIVITY

Operating revenues of the Authority decreased by \$8,595 compared to 2024, due to lower mortgage insurance premium revenue received.

Total operating expenses of the Authority decreased \$1,990 compared to 2024.

The Authority's net position increased by \$312,250 in 2025, compared to an increase of \$551,184 in 2024. Historically, revenue being generated in premiums exceeds the costs of running the program. In 2025, however, these costs were slightly higher than revenue received.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

2025 OPERATING ACTIVITY (CONTINUED)

Due to high inflation and high cost of building materials there has been less activity and fewer construction projects. As interest rates begin to decline the building and expansion activity should increase. However, with continued uncertainty surrounding potential tariff's effects on construction projects, the banks may begin tightening their lending criteria and bond issuance will become more attractive and often less costly when compared to traditional bank loans. Increased activity should translate into a positive change in net position over the upcoming years.

2024 FINANCIAL ANALYSIS

Total assets of the Authority increased by \$526,230 in 2024 driven by a receivable due from the State. This State contribution will be used to reimburse both the Rhode Island Commerce Corporation (the "Corporation") and the Rhode Island Industrial Facilities Corporation ("RIIFC") for payments made by those entities on the Authority's behalf. Total liabilities of the Authority decreased by \$24,953 in 2024. This was predominantly due to the amortization of liabilities related to insured commitments, partially offset by an increase in funds due to RIIFC.

In 2024, pursuant to R.I.G.L. § 42-34-15, the Authority requested funding from the State of Rhode Island to continue to be able to pay its insured commitments payable obligation. This funding request was approved within the 2025 State enacted budget and is currently in process of being transferred. Under R.I.G.L. § 42-34-3, the Authority's insured commitments are backed by the full faith and credit of the State of Rhode Island.

2024 OPERATING ACTIVITY

Operating revenues of the Authority decreased by \$21,946 compared to 2023, due to lower mortgage insurance premium revenue received.

Total operating expenses were relatively in line with prior year.

The Authority's net position increased \$551,184 in 2024, compared to an increase of \$31,953 in 2023. Currently the revenue being generated in premiums exceeds the costs to run the program.

Due to high inflation, high cost of building materials, and supply chain concerns, there has been less activity and fewer construction projects. As interest rates begin to decline the building and expansion activity should increase. However, the continued uncertainty in the real estate market the banks may begin tightening their lending criteria and bond issuance will become more attractive and often less costly when compared to traditional bank loans. Increased activity should translate into a positive change in net position over the upcoming years.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

REQUESTS FOR INFORMATION

This financial report is designed as a general overview of the Authority's financial picture for external and internal stakeholders. Questions concerning any of the information provided in this report or public requests for information should be addressed to the Manager, Rhode Island Industrial-Recreational Building Authority, 315 Iron Horse Way, Suite 101, Providence, Rhode Island 02908.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENTS OF NET POSITION

JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,734	\$ 55,491
Mortgage insurance premiums receivable	10,215	10,451
Due from Rhode Island Industrial Facilities Corporation	22,773	--
Due from the State of Rhode Island	409,212	546,737
Prepaid expenses	<u>10,671</u>	<u>10,671</u>
Total Current Assets	<u>460,605</u>	<u>623,350</u>
 Total Assets	 <u>460,605</u>	 <u>623,350</u>
Liabilities		
Current liabilities		
Due to Rhode Island Industrial Facilities Corporation	501,521	546,737
Due to Rhode Island Commerce Corporation	624	--
Insured commitments payable	<u>105,094</u>	<u>430,404</u>
Total Current Liabilities	<u>607,239</u>	<u>977,141</u>
Noncurrent Liabilities		
Insured commitments payable, net of current portion	<u>384,806</u>	<u>489,900</u>
Total Noncurrent Liabilities	<u>384,806</u>	<u>489,900</u>
Total Liabilities	<u>992,045</u>	<u>1,467,041</u>
Net Position, Unrestricted	<u>\$ (531,440)</u>	<u>\$ (843,691)</u>

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

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Operating Revenues, Charges for Services		
Mortgage insurance premiums	\$ 89,446	\$ 98,041
Total Operating Revenues, Charges for Services	<u>89,446</u>	<u>98,041</u>
Operating Expenses		
Contractual services	49,000	51,500
Insurance	42,685	42,799
Administrative	624	--
Total Operating Expenses	<u>92,309</u>	<u>94,299</u>
Operating (Loss) Income	(2,863)	3,742
Nonoperating Revenues, Interest and Dividend Income		
Contributions from the State of Rhode Island	315,028	546,737
Investment earnings	86	703
Total Nonoperating Revenues, Interest and Dividend Income	<u>315,114</u>	<u>547,441</u>
Change in Net Position	312,251	551,183
Net Position- Beginning of Year	<u>(843,691)</u>	<u>(1,394,874)</u>
Net Position- End of Year	<u><u>\$ (531,440)</u></u>	<u><u>\$ (843,691)</u></u>

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

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Cash Flows from Operating Activities		
Cash received for services	\$ 89,682	\$ 95,159
Cash payments to suppliers for goods and services	(91,685)	(116,335)
Cash payments for insured commitments payable	(430,404)	(430,404)
Net Cash Used in Operating Activities	<u>(432,407)</u>	<u>(451,579)</u>
Cash Provided by Investing Activities		
Interest on Investments	<u>86</u>	<u>703</u>
Cash Flows from Noncapital Financing Activities		
Cash advances from Rhode Island Industrial Facilities Corporation	46,762	427,599
Cash payments due from Rhode Island Industrial Facilities Corporation	22,773	--
Contributions from the State of Rhode Island	315,028	--
Net Cash Provided by Noncapital Financing Activities	<u>384,563</u>	<u>427,599</u>
Net Decrease in Cash and Cash equivalents	<u>(47,758)</u>	<u>(23,277)</u>
Cash and Cash Equivalents- Beginning of Year	<u>55,491</u>	<u>78,767</u>
Cash and Cash Equivalents- End of Year	<u>\$ 7,734</u>	<u>\$ 55,491</u>
Reconciliation of Operating (Loss) Income to Net Cash Used in Operating Activities		
Operating (loss) income	\$ (2,863)	\$ 3,742
Changes in assets and liabilities:		
Mortgage insurance premiums receivable	236	(2,882)
Prepaid expenses	--	113
Unearned revenue	--	(22,149)
Insured Commitments Payable	(430,404)	(430,404)
Due to Rhode Island Commerce Corporation	<u>624</u>	<u>--</u>
Net Cash Used in Operating Activities	<u>\$ (432,407)</u>	<u>\$ (451,579)</u>

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

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

The Rhode Island Industrial-Recreational Building Authority (the “Authority”) was created by the Rhode Island General Assembly under Chapter 34 of Title 42 of the General Laws of Rhode Island. The Authority constitutes a body corporate and politic and a public instrumentality of the State of Rhode Island (the State) having a distinct legal existence from the State. It is a component unit of the State for financial reporting purposes. As such, the financial statements of the Authority will be included in the State’s comprehensive annual financial report.

The Authority is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private-sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (“RIIFC”), a component unit of the State, on industrial or recreational projects in the State up to a maximum of \$60,000,000 of outstanding principal balances under such insured mortgages and security agreements.

The Authority is exempt from federal and state income taxes.

FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The Authority engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external users.

The Authority uses the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the liability for goods and services have been incurred, regardless of the timing of the related cash flows.

The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services relating to the Authority’s principal ongoing operations. Operating expenses include the cost of and losses resulting from services provided and administrative expenses. All other operating revenues and expenses are reported as nonoperating revenues and expenses.

When both restricted and unrestricted amounts are available for use, it is the Authority’s practice to use the restricted resources first.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADOPTION OF NEW ACCOUNTING STANDARDS

During the fiscal year ended June 30, 2025, the Authority adopted the following new accounting standard:

GASB Statement No. 102 - *Certain Risk Disclosures*, effective for the fiscal year ending June 30, 2025. Management has completed its review of the requirements of this standard and has determined that it is not applicable to the Authority, as the Authority does not currently have concentrations or constraints that fall within the scope of this standard.

The following are recently issued governmental accounting standards which may be applicable in future years:

GASB Statement No. 103 - *Financial Reporting Model Improvements*, effective for the fiscal year ending June 30, 2026.

GASB Statement No. 104 - *Disclosure of Certain Capital Assets*, effective for the fiscal year ending June 30, 2026.

Management has determined this standard did not have a significant impact on the Authority's financial statements as of and for the year ended June 30, 2025.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

REVENUE RECOGNITION AND CONCENTRATIONS

Mortgage insurance premiums are based on a percentage of the principal amount outstanding under mortgages insured by the Authority, determined at specified measurement dates, and are recognized when earned. Mortgage insurance premiums paid in advance are reported as unearned revenue and recognized as revenue when earned. Other revenue is recognized when received.

At June 30, 2025 and June 30, 2024, mortgage insurance premiums from three and four entities, respectively, represent 100% of the Authority's mortgage insurance premiums.

Upon the early repayment of conduit debt obligations insured by the Authority, prepayment penalties are due from the obligor and recognized as revenue by the Authority.

Commitment fees are amounts paid by prospective obligors of conduit debt that has been approved but not yet issued. Such fees are recorded as a liability when received and recognized as revenue by the Authority either when the commitment to lend is exercised or when the commitment expires.

CASH AND CASH EQUIVALENTS

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

LOSSES ON MORTGAGE INSURANCE AGREEMENTS

Losses on mortgage insurance agreements are estimated and recognized when the amount of loss is determinable, and occurrence is probable.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 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.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 - CASH AND CASH EQUIVALENTS

The Authority has cash and cash equivalents that are held by the State's General Treasurer as follows:

	<u>2025</u>	<u>2024</u>
Cash collateralized with securities that are not in the Authority's name	\$ 5,674	\$ 53,517
Cash equivalents - Ocean State Investment Pool Trust ("OSIP")	<u>2,060</u>	<u>1,974</u>
Total Cash and Cash Equivalents	<u><u>\$ 7,734</u></u>	<u><u>\$ 55,491</u></u>

The above amounts are collateralized with securities that are not in the Authority's name.

At June 30, 2025 and 2024, the Authority's cash equivalents consisted of amounts invested in OSIP, an investment pool established by the General Treasurer of the State of Rhode Island under the Rhode Island Local Government Investment Pool Act Ch. 35-10.2 of the Rhode Island General Laws as amended, as a voluntary investment vehicle for funds of, and funds under custody of, agencies, authorities, commissions, boards, municipalities, political subdivisions and other public units of the State of Rhode Island. OSIP is an external investment pool as defined by GASB and has elected to measure for financial reporting purposes all of its investments at amortized cost. OSIP has met the criteria outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, regarding portfolio maturity, quality, diversification and liquidity requirements and shadow pricing requirements, which are required for such election. The OSIP is not rated and the weighted average maturity held in the pool, by policy, is not to exceed 60 days. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

The collateralization policy of the Rhode Island General Treasurer's Office requires 100% collateralization of all bank balances held in the name of the General Treasurer.

The amount of federal depository insurance on cash and cash equivalents held by the General Treasurer is determined on a State-wide basis.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value interest rates. Although it has no established policy, the Authority manages its exposure to declines in fair values by limiting the term of liquid investments to less than 60 days.

The Authority assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority is authorized to invest excess funds, by provisions of its Act, in obligations of the State and of the United States Government or certain agencies thereof, and in certificates of deposit. The Authority is also authorized to enter into repurchase agreements.

In accordance with State of Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, are required, at a minimum, to insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators are required to insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. The Authority does not have a separate deposit policy for custodial credit risk.

NOTE 3 - DUE TO RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION ("RIIFC")

Due to RIIFC represents amounts paid by RIIFC on behalf of the Authority. The payments pertain to the Authority's guarantee of defaulted revenue bonds issued by RIIFC on behalf of a private-sector entity.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4 - DUE TO RHODE ISLAND COMMERCE CORPORATION

The Rhode Island Commerce Corporation, a component unit of the State, provides accounting services and other administrative services to the Authority. At June 30, 2025 and 2024, due to Rhode Island Commerce Corporation represents amounts owed for services provided.

NOTE 5 - CONDUIT DEBT OBLIGATIONS

At June 30, 2025 and 2024, the Authority has insured contractual principal and interest payments required under first mortgages and first security agreements principally for land and buildings of manufacturing and distribution entities located throughout Rhode Island. Principal balances outstanding under first mortgages and first security agreements insured by the Authority at June 30, 2025, and 2024 total approximately \$8,199,218 and \$8,731,451, respectively.

NOTE 6 - INSURED COMMITMENTS PAYABLE AND CONTINGENCY

The Authority insures a bond issued by RIIFC on behalf of a private-sector entity. During the year ended June 30, 2012, the private-sector entity defaulted on its payments to the bondholder and the Authority assumed responsibility for making the debt payments. In July 2018, a mediation settlement in connection with a case in the Providence Superior Court was entered into and approved with a formal vote by the board of Rhode Island Industrial-Recreational Building Authority. This settlement resulted in a payment of \$1,500,000 to the Rhode Island Industrial-Recreational Building Authority replenishing available financial resources. Bond payments will continue to be made by first exhausting the Authority's available existing financial resources and if losses related to the default exceed available resources, the Authority will then request appropriations of the Rhode Island General Assembly for any loss in excess of the insured amount.

The Authority has determined an insured commitment payable of \$489,900 at June 30, 2025. The commitment payable is based on the outstanding principal balance for Series B at June 30, 2025, amortized over the remaining loan terms at a rate of 3.83% (Federal Home Loan Bank 5 Year Rate + 2.75%). In 2025, the remaining outstanding principal balance on the defaulted issuer's Series A bonds was paid off, with no scheduled payments due heading into 2026.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 6 - INSURED COMMITMENTS PAYABLE AND CONTINGENCY (CONTINUED)

At June 30, 2025, there are no scheduled principal and interest payments due to be paid by the Authority on the defaulted issuer's Series A bonds, as the last payment was made for the year ending as of June 30, 2025.

At June 30, 2025, aggregate scheduled principal and interest payments due to be paid by the Authority on the defaulted issuer's Series B bonds, based on rates in effect as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 89,295	\$ 15,799
2027	92,824	12,270
2028	96,472	8,622
2029	151,937	5,704
2030	<u>16,895</u>	<u>83</u>
	<u>\$ 447,422</u>	<u>\$ 42,478</u>

During the years ended June 30, 2025 and June 30, 2024 there were no gains or losses recognized by the Authority on insured commitments.

NOTE 7 - LIQUIDITY

Starting in 2024, the Authority requested and received approval for supplemental funding from the State of Rhode Island. Under R.I.G.L. § 42-34-15, the Authority may request funding from the State of Rhode Island to satisfy its insured commitments. In addition, under R.I.G.L. § 42-34-3, the Authority's insured commitments are backed by the faith and credit of the State of Rhode Island.

In the short term, the Authority can obtain funding from RIIFC to pay expenses as they are incurred. See Note 3 to the financial statements.

NOTE 8 - RISKS AND UNCERTAINTIES

There were no risks or uncertainties during the years ended June 30, 2025 and June 30, 2024.

SUPPLEMENTARY INFORMATION

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

SCHEDULES OF UNCOMMITTED MORTGAGE INSURANCE AVAILABILITY

JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Maximum Contractual Principal Payments the Authority is Authorized to Insure	\$ 60,000,000	\$ 60,000,000
Principal balances outstanding under first mortgages and first security agreements at year end	<u>8,199,218</u>	<u>8,731,451</u>
Uncommitted Mortgage Insurance Availability	<u>\$ 51,800,782</u>	<u>\$ 51,268,549</u>

The amounts presented above exclude interest accrued at year-end and contractual interest to become due in future periods under the bonds and notes.

See independent auditors' report on supplementary information.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF NET POSITION (ATTACHMENT B)**

JUNE 30, 2025

Assets

Current assets

Cash and cash equivalents	\$ 7,734
Mortgage insurance premiums receivable	10,215
Due from other component units	22,773
Due from primary government	409,212
Other assets	<u>10,671</u>

Total Current Assets	<u><u>460,605</u></u>
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Total Assets	<u><u>\$ 460,605</u></u>
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Liabilities

Current Liabilities

Due to other component units	\$ 502,145
Other Liabilities	<u>105,094</u>

Total Current Liabilities	<u><u>607,239</u></u>
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Noncurrent Liabilities

Other liabilities	<u>384,806</u>
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Total Noncurrent Liabilities	<u><u>384,806</u></u>
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Total Liabilities	<u><u>992,045</u></u>
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Net Position, Unrestricted	<u><u>\$ (531,440)</u></u>
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See independent auditors' report on supplementary information.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF ACTIVITIES (ATTACHMENT C)**

FOR THE YEAR ENDED JUNE 30, 2025

Expenses	\$ <u>92,309</u>
Program Revenues	
Charges for services	<u>89,446</u>
Total Program Revenues	<u>89,446</u>
Net (Expenses) Revenues	<u>(2,863)</u>
General Revenues	
Contributions from primary government	315,028
Interest and investment earnings	<u>86</u>
Total General Revenues	<u>315,114</u>
Income before Contributions, Transfers, and Special and Extraordinary Items	<u>312,251</u>
Total Net Position - Beginning	<u>(843,691)</u>
Total Net Position - Ending	\$ <u><u>(531,440)</u></u>

See independent auditors' report on supplementary information.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATE OF RHODE ISLAND REQUIRED FORMAT
SCHEDULE OF MATURITIES OF LONG-TERM DEBT (ATTACHMENT D)**

JUNE 30, 2025

June 30,	Principal	Interest	Total
2026	\$ 89,295	\$ 15,799	\$ 105,094
2027	92,824	12,270	105,094
2028	96,472	8,622	105,094
2029	151,937	5,704	157,641
2030	<u>16,895</u>	<u>83</u>	<u>16,978</u>
Total Insured Commitments Payable	447,422	42,477	489,900
Less Current Portion	<u>89,295</u>	<u>15,799</u>	<u>105,094</u>
Net Long-Term Portion of Insured Commitments Payable	<u>\$ 358,127</u>	<u>\$ 26,678</u>	<u>\$ 384,805</u>

See independent auditors' report on supplementary information.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATE OF RHODE ISLAND REQUIRED FORMAT
SCHEDULE OF CHANGES IN LONG-TERM DEBT (ATTACHMENT E)**

FOR THE YEAR ENDED JUNE 30, 2025

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Due to other component units	\$ 546,737	\$ --	\$ (44,592)	\$ 502,145	\$ 502,145	\$ --
Other liabilities - insured commitments payable	<u>920,304</u>	<u>--</u>	<u>(105,094)</u>	<u>489,900</u>	<u>105,094</u>	<u>384,806</u>
	<u>\$ 1,467,041</u>	<u>\$ --</u>	<u>\$ (149,686)</u>	<u>\$ 992,045</u>	<u>\$ 607,239</u>	<u>\$ 384,806</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
Rhode Island Industrial-Recreational Building Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rhode Island Industrial-Recreational Building Authority, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Rhode Island Industrial-Recreational Building Authority basic financial statements, and have issued our report thereon dated November 7, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rhode Island Industrial-Recreational Building Authority 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 Rhode Island Industrial-Recreational Building Authority internal control. Accordingly, we do not express an opinion on the effectiveness of Rhode Island Industrial-Recreational Building Authority internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rhode Island Industrial-Recreational Building Authority 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 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
November 7, 2025