DRI RESEARCH PARKS, LTD.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR FISCAL YEARS ENDED JUNE 30, 2026 AND 2025

DRI RESEARCH PARKS, LTD.
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
DRI Research Parks, Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DRI Research Parks, Ltd., a component unit of Desert Research Institute (DRI), as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise DRI Research Parks, Ltd.'s basic financial statements as listed in the table of contents.

In our opinions, the accompanying financial statements present fairly, in all material respects, the financial position of DRI Research Parks, Ltd. as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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. 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 DRI Research Parks, Ltd. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

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 DRI Research Parks, Ltd.'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 DRI Research Parks, Ltd.'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 DRI Research Parks, Ltd.'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 5 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 auditing standards generally accepted in the United States of America, 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.

Management has omitted the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the DRI Research Parks, Ltd.'s basic financial statements. The supplementary information included in the accompanying Schedule of Selected Information on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Selected Information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Selected 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 August 12, 2026 on our consideration of DRI Research Parks, Ltd.'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 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 DRI Research Parks, Ltd.'s internal control over financial reporting and compliance.



Reno, Nevada
August 12, 2026

The Management's Discussion and Analysis is designed to provide an easily readable analysis of the Organization's financial condition, results of operations, and cash flows based on facts, decisions, and conditions known at the date of the auditor's report. The following discussion and analysis provide an overview of the financial position and activities of the Organization for the years ended June 30, 2026, and 2025. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Overview of the Financial Statements

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

The Statement of Net Position is a "point in time" financial statement presenting the financial position of the Organization. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Position (assets minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Organization. They are also able to determine how much the Organization owes vendors, employees, lending institutions and other creditors. The Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the Organization.

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Organization during the year. The statement is divided into two parts.

- The first part reports the operating cash flows and shows the net cash provided (used) by the operating activities of the Organization.
- The second part reconciles the net cash provided (used) by operating activities to the operating income or (loss) reflected on the Statements of Revenues, Expenses, and Changes in Net Position.

Financial Summary

The Organization's financial position at June 30, 2026 and 2025 reflects a deficit net position of $15,383 and $43,533, respectively. Changes in net position represent the activity of the Organization, which results from revenues, expenses, gains and losses, and are summarized for the years ended June 30, 2026, and 2025 as follows:

	2026	2025
Total operating revenues	$ 76,987	$ 85,210
Total operating expenses	48,887	57,110
Operating income	28,100	28,100
Non-operating income	50	19
Net Position – beginning of year	(43,533)	(71,652)
Net Position – end of year	$(15,383)	$(43,533)

The following table presents condensed financial information from the Organization's Statements of Net Position as of June 30, 2026 and 2025:

	2026	2025
Assets		
Current assets	$ 67,554	$ 42,504
Noncurrent assets	-	-
Total Assets	67,554	42,504
Liabilities		
Current liabilities	3,100	3,100
Long-term liabilities	79,837	82,937
Total liabilities	82,937	86,037
Net Position		
Unrestricted	$(15,383)	$(43,533)

Cash flows for the years ended June 30, 2026 and 2025 are as follows:

	2026	2025
Cash and cash equivalents provided by:		
Operating activities	$ 25,000	$ 25,000
Investing activities	50	19
Net change in cash and cash equivalents	25,050	25,019
Cash and cash equivalents - beginning of year	42,504	17,485
Cash and cash equivalents - end of year	$ 67,554	$ 42,504

Detailed Analysis

The total net position of the Organization increased by $28,150 during fiscal year 2026. The increase in net position for the year ended June 30, 2026, is due to lease option revenue and the amortization of unearned lease revenue.

Current assets consist primarily of cash and cash equivalents. As of June 30, 2026 and 2025, cash and cash equivalents totaled $67,554 and $42,504, respectively. Noncurrent assets consist of leasehold improvements to real property leased from NSHE which had been depreciated and recognized as program expense over the estimated 15-year useful life on a straight-line basis. The leasehold improvements were fully depreciated as of June 30, 2010.

Liabilities consist of unearned lease revenue which is being amortized and recognized as rental income over the entire 60-year term of a sublease to the federal government.

Significant Capital Assets and Long Term Financing Activities

DRI Research Parks, LTD.'s capital assets consist of leasehold improvements of real property leased from NSHE that are fully depreciated. There is no long term financing activities.

Currently Known Facts

DRI Research Parks, LTD. issued a Request for Proposals (RFP) on June 15, 2022, soliciting responses from real estate developers qualified to lease and develop parcels within the DRI Research Park. This solicitation resulted in a lease for a 2.75-acre parcel, and option agreements for an additional 42 acres plus or minus. Management expects one or more land leases may result from the option agreements in the next five to twenty-five years (the expected duration of the option agreements; the duration depends on meeting various milestones to maintain the option privileges). Rent payments for the 2.75 acre leased parcel commenced in July 2026.

DRI RESEARCH PARKS, LTD.
STATEMENTS OF NET POSITION
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
Current Assets		
Cash and cash equivalents	$ 67,554	$ 42,504
Noncurrent Assets		
Leasehold improvements	143,378	143,378
Less accumulated depreciation	(143,378)	(143,378)
Leasehold improvements net of depreciation	-	-
TOTAL ASSETS	67,554	42,504
LIABILITIES		
Current Liabilities		
Unearned lease revenue	3,100	3,100
Long-term Liabilities		
Unearned lease revenue	79,837	82,937
TOTAL LIABILITIES	82,937	86,037
NET POSITION (DEFICIT)		
Unrestricted	$(15,383)	$(43,533)

See independent auditors' report and notes to the financial statements.

DRI RESEARCH PARKS, LTD.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
REVENUES:		
Operating Revenues		
Desert Research Institute support	$ 48,887	$ 57,110
Lease & lease option revenue	28,100	28,100
Total operating revenues	76,987	85,210
EXPENSES:		
Operating Expenses		
Contributed salaries	35,465	47,407
Contributed supplies and services	13,422	9,703
Total operating expenses	48,887	57,110
Net Operating Income	28,100	28,100
Non-Operating income (expenses)		
Interest income	50	19
INCREASE IN NET POSITION (DEFICIT)	28,150	28,119
NET POSITION (DEFICIT), JULY 1	(43,533)	(71,652)
NET POSITION (DEFICIT), JUNE 30	$(15,383)	$(43,533)

See independent auditors' report and notes to the financial statements.

DRI RESEARCH PARKS, LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Lease option revenue	$ 25,000	$ 25,000
Desert Research Institute support	-	-
Payments for supplies and services	-	-
Net cash provided (used) by operating activities	25,000	25,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	50	19
Net cash provided (used) by investing activities	50	19
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,050	25,019
CASH AND CASH EQUIVALENTS, JULY 1	42,504	17,485
CASH AND CASH EQUIVALENTS, JUNE 30	$ 67,554	$ 42,504
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 28,100	$ 28,100
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease in unearned lease revenue	(3,100)	(3,100)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 25,000	$ 25,000

See independent auditors' report and notes to the financial statements.

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies

Reporting Entity

The purpose of DRI Research Parks, Ltd. (the Organization) is to develop, either by itself or in conjunction with other entities, research and development parks on real property leased from the Nevada System of Higher Education (NSHE). The Desert Research Institute is assisting the Organization in planning, developing, marketing and leasing research park sites to prospective tenants. The proceeds of such development and any funds from other sources are to be devoted to aid, support, and assist in the maintenance, promotion, growth and improvement of the Desert Research Institute.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through, August 12, 2026, the date the financial statements were issued.

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Organization has implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* Statement No. 35 establishes a fundamentally new financial reporting model for all public colleges and universities.

The Desert Research Institute (DRI) is one of nine institutions that comprise NSHE. NSHE presents combined financial statements for its operations. As a component unit of DRI, the Organization is included in the combined discrete presentation of System Related Organizations in NSHE financial statements.

Basis of Accounting

The financial statements of the Organization have been prepared on an accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred. In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting.

This is a procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined to report by classification and only the net position is shown.

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Net Position

The DRI Research Parks, LTD's net position is classified as *unrestricted:* Unrestricted net position represents resources derived from unrestricted activities and may be used to meet current expenses for any purpose.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Leasehold Improvements

Leasehold improvements consist of improvements to real property leased from NSHE. Depreciation is provided for in amounts sufficient to relate the cost of the asset to operations over the estimated useful life of fifteen years on a straight-line basis.

Income Taxes

The Organization is classified under Section 501(c)(3) of the Internal Revenue Code as a Nonprofit Education Organization. The Organization is exempt from federal income tax and is classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The Organization believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The entity's Forms 990, 990-T and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2022.

Use of Estimates

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amount of 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.

Donated Assets and Services

Donated assets are recorded at fair market value at the date of donation.

The members of the board of trustees donate their services on the Organization's behalf. The financial statements do not reflect the value of these services, as there is no objective basis by which to measure such services.

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Donated Assets and Services (Continued)

The Organization recognizes the donation of services only if the services received (a) would be performed by salaried personnel if not contributed; (b) are controlled similar to employment; (c) have a clearly measurable basis; and (d) are not intended for the benefit of its members. The value of the donated services provided by Desert Research Institute for Organization personnel is reflected in the accompanying financial statements.

NOTE 2 – Land Leaseholds

The Organization has the right to lease property in the City of Reno, Nevada, known as the Dandini Research Park, consisting of approximately 400 acres, from the Nevada System of Higher Education. The right to lease is an operating lease that provides for annual minimum rental payments of $1.00 per year, commencing April 9, 1993 and continuing for a period of 126 years.

NOTE 3 – Leases

The Organization subleases approximately nine acres of land to the federal government for the Forecast Office of the National Weather Service under an operating lease for the term beginning on April 1, 1993 through March 31, 1994, to be automatically renewed from year to year without notice through March 31, 2053. The terms of the lease specify rent payments of $10,334 per month, paid automatically in arrears, for the first eighteen months of the lease. Consideration for the remainder of the term is the mutual benefits that both parties acknowledge will be derived from the interaction between the Organization and the tenant. The government will also be required to pay common area service costs. The government may terminate the lease by giving a minimum thirty-day notice to the Organization. The rental payments received during the first 18 months of the lease which are applicable to the entire 60-year term of the lease are reported as unearned revenue on the statement of net position. The unearned revenue is amortized and recognized as rental income over the entire term of the lease.

On July 24, 2023, the DRI Research Park Board of Trustees approved lease terms for 2.75 acres of vacant land within the Research Park. The terms of the lease specify a lease term of seventy-five years with two ten year option terms. However, the tenant may, at the tenant's sole discretion, terminate the sublease at any time in the first four years. Option consideration payments of $25,000 per year are required during the first five years and afterwards, if construction milestones are met, rent will be charged at $56,607 per year. The lease will terminate in four years if permitting and construction activities have not been initiated. If the lease is extended at the end of year five and every five year anniversary thereafter, rent will be adjusted based on the Consumer Price Index.

NOTE 4 – Related Party Transactions

The Desert Research Institute provided the Organization with administrative and support services as well as direct financial support for the years ended June 30, 2026 and 2025 in the amounts of $48,887 and $57,110, respectively.

DRI RESEARCH PARKS, LTD.
SCHEDULE OF SELECTED INFORMATION
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
OPERATING EXPENSES		
Contributed salaries and benefits	$ 35,465	$ 47,407
Audit fees and expenses	10,000	6,450
Insurance	3,296	3,202
Other expenses	126	51
Total Operating Expenses	$ 48,887	$ 57,110

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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 Trustees
DRI Research Parks, Ltd.
Reno, Nevada

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 DRI Research Parks, Ltd., a component unit of Desert Research Institute (DRI), which comprise the statement of net position as of June 30, 2026, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated August 12, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DRI Research Parks, Ltd.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DRI Research Parks, Ltd.'s internal control. Accordingly, we do not express an opinion on the effectiveness of DRI Research Parks, Ltd.'s internal control.

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

Report on Internal Control Over Financial Reporting (Continued)

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 DRI Research Parks, Ltd.'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 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 DRI Research Parks, Ltd.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Reno, Nevada
August 12, 2026