Virginia Commercial Space Flight Authority

(A Component Unit of the Commonwealth of Virginia)

Financial Report

June 30, 2026

BROWNEDWARDS
certified public accountants

Virginia Commercial Space Flight Authority

Contents

Independent Auditor's Report 1

Management's Discussion and Analysis – (Unaudited) 4a

Basic Financial Statements

Statement of Net Position 5

Statement of Revenue, Expenses, and Changes in Net Position 6

Statement of Cash Flows 7

Notes to Financial Statements 8

Compliance Section

Independent Auditor's 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* 18

Summary of Compliance Matters 20

Schedule of Findings and Responses 21

Summary Schedule of Prior Audit Findings 22

Other Information

Authority Officials 23

BROWNEDWARDS
certified public accountants

Independent Auditor's Report

To the Board of Directors of
Virginia Commercial Space Flight Authority
(A Component Unit of the Commonwealth of Virginia)
Norfolk, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Virginia Commercial Space Flight Authority, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Virginia Commercial Space Flight Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Commercial Space Flight Authority as of June 30, 2026, and the changes in financial position, and its 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Virginia Commercial Space Flight Authority 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2026, the Virginia Commercial Space Flight Authority adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements.* 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 these 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 Virginia Commercial Space Flight Authority'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.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Virginia Commercial Space Flight Authority'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 Virginia Commercial Space Flight Authority'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 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 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of Authority officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2026, on our consideration of the Virginia Commercial Space Flight Authority'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 Virginia Commercial Space Flight Authority'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 Virginia Commercial Space Flight Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 9, 2026

Virginia Commercial Space Flight Authority

Management's Discussion and Analysis – (Unaudited)

June 30, 2026

This section of the Virginia Commercial Space Flight Authority's (the "Authority") financial statements presents management's discussion and analysis (MD&A). The purpose of the MD&A is to help stakeholders and other readers understand what the financial statements and notes in this financial report say about the Authority's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the Authority's finances. The MD&A should be read in conjunction with the Authority's financial statements.

This financial report is designed to provide our users with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the Virginia Commercial Space Flight Authority, 101 W. Main Street, Norfolk, VA 23510.

If you have questions about this report or require further information, contact the Department of Finance at kenneth.kimball@vaspace.org or 757-719-3767.

Overview of the Financial Statements

The MD&A serves as an introduction to the basic financial statements prepared by the Authority. The MD&A represents management's examination and analysis of the financial performance of the Authority. The financial statements of the Authority are presented using the accrual method of accounting.

The financial statements consist of the Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position, the Statement of Cash Flows and Notes to the Financial Statements.

- The *Statement of Net Position* presents the net position of the Authority as measured in terms of assets and liabilities as of June 30, 2026. See the definition of these line items below. The difference between these assets and liabilities reflects the net position of the Authority at year-end. Over time, increases or decreases in net position helps determine whether the Authority's financial position is improving or declining.
- The *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of operations during fiscal year 2026 and reflects the total excess or deficiency of revenues over expenses during the year. See definitions of revenues and expenses below.
- The *Statement of Cash Flows* presents the flow of cash and cash equivalents in and out of the Authority during fiscal year 2026. Cash flows are presented by type of activity the cash flow was related to – including operating activities, non-capital financing activities, capital and related financing activities, and investing activities.
- The next section of this financial report contains *notes to financial statements*, which delve deeper into the Authority's finances as reported in the financial statements. The information in the notes is as important to understanding the Authority's finances as the information in the financial statements. The Authority uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature and amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements.

Types of Information in the Financial Statements

All the Authority's financial statements use the *economic resources measurement focus* and the *accrual basis of accounting*. In other words, they comprehensively report all types of financial statement elements including: *Assets* – resources the Authority controls, from short-term assets like cash to long-term assets like buildings and equipment.

- *Liabilities* – amounts the Authority owes, from short-term liabilities such as accounts payable to long-term liabilities such as outstanding debt and net amounts owed under leases.

- *Deferred outflows of resources and deferred inflows of resources* – flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and expenses* – inflows and outflows of economic resources, respectively, related to the current year.

More detail about the measurement focus and basis of accounting used can be found in the first note to the financial statements, the summary of significant accounting policies (Note 2), beginning on page 8.

The following analysis discusses elements from these statements, as well as an overview of the Authority's activities.

Financial Summary

Statement of Net Position

The Statement of Net Position presents the Authority's assets, liabilities and net position as of the end of the fiscal year. The purpose of this statement is to present readers a fiscal snapshot at June 30, 2026. From the data presented, readers of the Statement of Net Position can determine the assets available to continue the Authority's operations. They are also able to determine how much the Authority owes vendors and creditors.

	2026	2025, as restated	$ Change	% Change
Assets:				
Current assets	$ 42,497,988	$ 49,346,656	$ (6,848,668)	(13.88%)
Capital assets	247,540,511	222,263,626	25,276,885	11.37%
Other noncurrent assets	3,850,269	4,039,462	(189,193)	(4.68%)
Total assets	293,888,768	275,649,744	18,239,024	6.62%
Liabilities:				
Current liabilities	8,679,912	9,592,566	(912,654)	(9.51%)
Noncurrent liabilities	17,758,837	2,709,648	15,049,189	555.39%
Total liabilities	$ 26,438,749	$ 12,302,214	$ 14,136,535	114.91%
Deferred inflows of resources	**$ 3,732,882**	**$ 4,073,929**	**$ (341,047)**	**(8.37%)**
Net position:				
Net investment in capital assets	$ 228,604,350	$ 217,441,241	$ 11,163,109	5.13%
Restricted	11,584,337	20,431,132	(8,846,795)	(4.33%)
Unrestricted	23,528,450	21,401,228	2,127,222	9.94%
Total net position	**$ 263,717,137**	**$ 259,273,601**	**$ 4,443,536**	**1.71%**

Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Revenue, Expenses, and Changes in Net Position presents a summary of revenue and expense activity that resulted in the change from beginning to ending net position. The purpose of this statement is to present the Authority's operating and nonoperating revenue recognized and expenses incurred and any other revenue, expenses, gains and losses.

The following schedule compares the revenue, expenses, and changes in net position for the current and previous fiscal year.

	2026	2025, as restated *	$ Change	% Change
Total operating revenue	$ 22,967,176	$ 16,755,949	$ 6,211,227	37.07%
Total operating expenses	(44,351,128)	(38,189,443)	(6,161,685)	16.13%
Net operating loss	(21,383,952)	(21,433,494)	(49,542)	.23%
Total noncapital subsidies	24,834,167	26,448,524	(1,614,357)	(6.10%)
Total nonoperating revenue	993,321	15,956,891	(14,963,570)	(93.77%)
Change in net position	4,443,536	20,971,921	(16,528,385)	(78.81%)
Net position, beginning of year	259,273,601	238,301,680	20,971,921	8.80%
Total net position, end of year	**$ 263,717,137**	**$ 259,273,601**	**$ 4,443,536**	**1.71%**

- Under GASB 103, FY2025 figures have been reclassified to adhere to the updated definitions of subsidies, operating and non-operating revenues and expenses.

Statement of Cash Flows

The Statement of Cash Flows provides relevant information that aids in assessment of the Authority's ability to generate cash to meet present and future obligations and detailed information reflecting the Authority's sources and uses of cash during the fiscal year. Cash flows from operating activities reflect the uses to support the essential mission and administration of the Authority. The primary sources of operating cash flows are from launch fees, launch support activities, PPF activities and UAS Airfield activities. The primary uses of operating cash flows are payments to personnel, including salaries, wages, and fringe benefits and payments to suppliers and subcontractors. Cash flows from noncapital financing activities reflect the nonoperating, noncapital sources and uses of cash. The primary source of noncapital financing activities cash flows is from the Commonwealth of Virginia's annual appropriation. The primary uses of noncapital financing activities cash flows are to support cash requirements of operations and to support non-capital activities related to Mid-Atlantic Regional Spaceport (MARS) facility enhancements. Cash flows from capital financing activities reflect the nonoperating capital sources and uses of cash. The primary source of capital financing cash flows is from interest received. The primary uses of cash flows from capital financing activities were for investment in construction in progress and capital assets.

	2026	2025*	$ Change	% Change
Cash flows used by operating activities	$ (12,513,666)	$ (9,557,366)	$ (2,956,300)	30.93%
Cash flows provided by noncapital financing activities	24,505,621	23,581,389	924,232	3.92%
Cash flows used by capital financing activities	(19,244,592)	(47,279,344)	28,034,752	59.30%
Net change in cash	**$ (7,252,637)**	**$ (33,255,321)**	**$ 26,002,684**	**78.19%**

- Under GASB 103, FY 2025 figures have been reclassified to adhere to the updated definitions of subsidies, operating and non-operating revenues and expenses, which affected statement of cash flow presentation.

Detailed Analyses

Statement of Net Position

The $6,848,668 decrease in current assets was primarily attributable to lower cash balance and receivable balance which was offset by the Authority carrying a higher prepaid balance. During fiscal year 2026, funds have been actively disbursed throughout the year to support supplier and contractor activities associated with the Pad 0A modification project and other spaceport enhancements. This was partially offset by funds received during the year under the Spaceport Enhancement Program (SEP) administered by the U.S. Space Force. The Authority's receivable balance was lower due to the restatement as discussed in Note 13, page 17 of the financial statements. The rise in the Authority's prepaid balance was due to a change in approach of amortizing expenses throughout a 12 month period resulting in a higher prepaid balance. The $25,276,885 increase in capital assets is primarily due to the Authority entering into an enhanced use lease (EUL) with NASA during fiscal year 2026 and several significant capital projects currently in progress. During the year, the Authority executed a 50 year lease with NASA for the real estate of where the spaceport's operations reside. The lease resulted in an increase of $15,802,255 in our capital assets. In addition, the accounting for the lease also resulted in an increase in our non-current liabilities of $15,492,885. The difference between the two figures is a result of interest and amortization being recognized as contra-assets and liabilities in fiscal year 2026. See more detail to the Authority's accounting treatment of leases in Note 2, page 8.

Total net position increased by $4,443,536 in fiscal year 2026. There were 3 drivers that impacted the net change; net investment in capital assets, restricted funding, and unrestricted funding. The largest driver was a $11,163,109 increase in net investment in capital assets, reflecting an increase of $11,439,757 of construction-in-progress. Restricted net position decreased by $8,846,795 primarily due to the planned use of appropriated funds for major capital projects, including funds allocated to the Launch Pad 0A modification. Unrestricted net position increased by $2,127,222, largely due to the timing of revenues and expenses not tied to specific capital or restricted activities, as well as the recognition of depreciation and other operating expenditures during the year. For more detailed information see the accompanying Statement of Net Position.

Statement of Revenue, Expenses, and Changes in Net Position

Operating revenues increased by $6,211,227 in fiscal year 2026. There were 2 factors that influenced the variance; increase in mission revenues of $2,054,265 due to a rise in mission cadence and an increase in federal/private revenues of $4,156,962 from additional funding received under reinvestment programs in spaceports. Operating expenses increased in fiscal year 2026 by $6,161,685, primarily due to a rise in labor and related fringe benefit costs and maintenance operations at the spaceport complex. The number of missions in fiscal year 2026 has put a strain on the Authority's facilities at the spaceport and has demanded more materials and labor to support. Nonoperating revenues decreased by $14,963,570 due to lower restricted funds compared to the prior year. In fiscal year 2025, the Authority received a grant for the construction of its AIT facility which was completed during fiscal year 2026. For more detailed information see the accompanying Statement of Revenue, Expenses and Changes in Net Position.

Statement of Cash Flows

Cash flows used by operating activities declined over the prior fiscal year by $2,956,300. The decline is primarily due to the rise in operating expenses from increased payroll costs and maintenance related expenses

Cash flows provided by noncapital financing activities improved by $924,232 as a result of an increase in our regular Commonwealth appropriation.

Cash flows used in capital financing activities improved by $28,034,752 in fiscal year 2026, reflecting multiple major capital projects coming to a close. The most significant projects included the construction of Launch Pad 0D and the construction of the Assembly Integration and Test Facility (AIT).

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

The following schedule compares the capital assets for the current and previous fiscal year.

	2026	2025	Change
Capital assets:			
Construction-in-progress	$ 84,153,634	$ 72,713,877	$ 11,439,757
Land	11,627,609	11,627,609	-
Depreciable capital assets, net	151,759,268	137,922,140	13,837,128
Total capital assets	**$ 247,540,511**	**$ 222,263,626**	**$ 25,276,885**

Total capital assets increased by $25,276,885 in fiscal year 2026. Construction-in-progress rose by $11,439,757, reflecting continued execution of major projects, most notably the Launch Pad 0D construction, the Launch Pad 0A modification, and the Assembly Integration and Test Facility, which remained under development at year-end. All three projects are expected to be complete in fiscal year 2027. Depreciable capital assets, net, increased by $13,837,128 primarily due to the Authority entering into an enhanced use lease (EUL) with NASA during fiscal year 2026 and the movement of capital projects out of construction-in-progress into depreciable assets. As noted previously, the Authority executed a 50 year lease with NASA for the real estate of where the spaceport's operations reside. The lease resulted in an increase of $15,802,255 in our capital assets. In addition, the Authority added $7,169,892 from projects being completed around the launch complex and the spaceport. The offset to the additions is the associated depreciation and amortization of $9,605,999 of the Authority's depreciable and amortizable assets.

Long-Term Financing Activity

There was a significant change to long-term liabilities relating to the EUL with NASA previously mentioned that was entered into in fiscal year 2026. The accounting for the lease resulted in an increase in lease liabilities of $15,492,885.

Currently Known Facts, Decisions or Conditions

During fiscal year 2026, the Authority was notified that NASA operations at Wallops Island would be moved under the supervision of the Kennedy Space Center (KSC). While we expect more synergies with the move to KSC we still wait to see how this move impacts the Authority.

Basic Financial Statements

Virginia Commercial Space Flight Authority

Statement of Net Position

June 30, 2026

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Note 3)	$ 37,449,903
Accounts receivable	3,291,734
Current portion of lease receivable (Note 4)	189,193
Other current assets, prepaid expenses	1,567,158
Total current assets	42,497,988
CAPITAL ASSETS (Note 5)	
Nondepreciable	95,781,243
Depreciable, net accumulated depreciation and amortization	151,759,268
Total capital assets	247,540,511
OTHER NONCURRENT ASSETS	
Lease receivable, less current portion (Note 4)	3,850,269
	$ 293,888,768
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 3,184,588
Unearned revenue	3,326,180
Current portion of long-term debt (Note 8)	96,327
Current portion of subscription liability (Note 9)	226,300
Current portion of compensated absences (Note 10)	1,610,347
Current portion of lease liabilities (Note 7)	236,170
Total current liabilities	8,679,912
NONCURRENT LIABILITIES	
Long-term debt, less current portion (Note 8)	1,989,652
Compensated absences, less current portion (Note 10)	96,557
Lease liabilities, less current portion (Note 7)	15,672,628
Total liabilities	26,438,749
DEFERRED INFLOWS OF RESOURCES	
Deferred lease receivable (Note 4)	3,732,882
NET POSITION	
Net investment in capital assets	228,604,350
Restricted for:	
Mid-Atlantic Regional Spaceport Facilities	9,818,262
Accomack County Regional Airport Hanger	1,766,075
Unrestricted	23,528,450
Total net position	263,717,137
	$ 293,888,768

The Notes to Financial Statements are an integral part of this statement.

Virginia Commercial Space Flight Authority

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2026

OPERATING REVENUES	
Launch support revenue - private	$ 3,747,433
Commercial launch fees	673,803
Payload processing fees	1,663,142
Federal contracts	14,522,415
Private contracts	15,013
Other	2,345,370
Total operating revenue	22,967,176
OPERATING EXPENSES	
Subcontract services	5,442,561
Administration	23,551,312
Depreciation and amortization	9,605,999
Other	5,751,256
Total operating expenses	44,351,128
Net operating loss	(21,383,952)
NONCAPITAL SUBSIDIES	
State appropriation	24,834,167
Total noncapital subsidies	24,834,167
Net operating loss and noncapital subsidies	3,450,215
OTHER NONOPERATING REVENUES (EXPENSES)	
Interest income	1,721,481
Interest expense	(728,160)
Total nonoperating revenues (expenses)	993,321
Change in net position	4,443,536
NET POSITION	
Beginning of year, as previously reported	257,406,466
Restatement (Note 13)	1,867,135
Beginning of year, as restated	259,273,601
End of year	**$ 263,717,137**

Virginia Commercial Space Flight Authority

Statement of Cash Flows

Year Ended June 30, 2026

OPERATING ACTIVITIES	
Cash received from customers	$ 23,891,958
Cash paid to employees	(20,602,233)
Cash paid to suppliers	(15,803,391)
Net cash used in operating activities	(12,513,666)
NONCAPITAL FINANCING ACTIVITIES	
Cash received from state appropriation	24,505,621
Net cash provided by noncapital financing activities	24,505,621
CAPITAL FINANCING ACTIVITIES	
Cash payments for subscription liabilities	(221,882)
Cash payments for lease liabilities	(532,609)
Cash payments for long-term debt	(89,521)
Interest received	1,722,193
Interest paid	(197,677)
Investment in construction-in-progress	(17,920,777)
Investment in capital assets	(2,004,319)
Net cash used in capital financing activities	(19,244,592)
Net decrease in cash and cash equivalents	(7,252,637)
CASH AND CASH EQUIVALENTS	
Beginning of year	44,702,540
End of year	**$ 37,449,903**
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Net operating loss	$ (21,383,952)
Adjustments to reconcile net operating loss to net cash used by operating activities	
Depreciation and amortization	9,605,999
Lease revenue non-cash adjustment	(175,508)
Changes in current assets and liabilities	
Decrease in accounts receivable	1,463,691
Increase in other current assets, prepaid expenses	(1,516,172)
Decrease in unearned revenue	(363,401)
Decrease in accounts payable and accrued expenses	(144,323)
Net cash used in operating activities	**$ (12,513,666)**
SUPPLEMENTAL DISCLOSURE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Accounts payable - acquisition of property and equipment	**$ 1,315,447**
New lease assets and liabilities recognized	**$ 15,906,941**
New subscription assets and liabilities recognized	**$ 366,294**

Virginia Commercial Space Flight Authority

Notes to Financial Statements

June 30, 2026

Note 1 – Organization and Nature of Activities

Virginia Commercial Space Flight Authority (the "Authority") was established as a political subdivision of the Commonwealth of Virginia, by Chapter 758 of the 1995 Acts of Assembly. It operates as an independent entity in accordance with the provisions of the *Code of Virginia, Title 2.2, Chapter 22, Sections 2.2-2201 et. sequence,* as amended. The Authority's legislated purpose is to promote industrial and economic development and scientific and technological research and development through the development and promotion of the commercial and government aerospace industry. A Board of Directors, composed of 8 members, manages the Authority.

The Authority is considered a component unit of the Commonwealth of Virginia (the "Commonwealth"). The Governor appoints the 8-member board, and there is a potential financial benefit/burden to the primary government. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority.

Note 2 – Summary of Significant Accounting Policies

Financial Reporting Entity

The activities of the Authority are accounted for in an enterprise fund. The enterprise fund is used to account for governmental operations that are financed and operated in a manner similar to private business enterprises. Enterprise fund accounting is used where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis, including depreciation, be financed or recovered primarily through user charges. All fund accounts of the Authority are presented in total on the financial statements.

Basis of Accounting

The Authority's records are maintained on an accrual basis whereby revenue is recognized when earned and expenses are recognized when the liability is incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Leases

The Authority is a lessee for noncancellable leases of office space, land, and warehouse space. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position related to these agreements.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, if any. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

The Authority is a lessor for noncancellable leases of business and storage space. The Authority recognizes a lease receivable and a deferred inflow of resources in the statement of net position related to these agreements. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments/receipts to present value, (2) lease term, and (3) lease payments/receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.
- The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease assets are reported with depreciable capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Subscription Assets and Liabilities

The Authority recognizes a right-of-use asset and a subscription liability in the statement of net position for information technology subscription arrangements. At the commencement of a subscription arrangement, the Authority initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the commencement date, plus certain initial direct costs, if any. Subsequently, the subscription asset is amortized on a straight-line basis over the life of the arrangement. The key estimates and judgments related to subscription arrangements are the same in nature as those described above related to leases.

Concentrations

The primary source of operating revenue is from launch fees and operations support with two commercial customers that have contracted with the Authority. These two customers represent 97% of the total launch support revenue – private and commercial launch fees on the statement of revenue, expenses, and changes in net position.

In addition, the Authority receives significant Federal and State support to maintain and construct infrastructure assets.

Accounts Receivable and Allowance for Doubtful Accounts

Receivables include amounts due from contracts and grants for reimbursable expenditures in excess of receipts at year-end. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenue net of uncollectibles, if any. Allowances are reported when accounts are proven to be uncollectible. At June 30, 2026, management believes all accounts receivable are fully collectible; therefore, there was no allowance for doubtful accounts.

Deferred Inflows

In addition to liabilities, the financial statements will sometimes provide a separate section for deferred inflows of resources which represent an acquisition of net assets that apply to future periods and will not be recognized as revenue until that time. Deferred inflows of resources are reported for amounts related to leases. Deferred lease amounts are amortized over the lives of the related lease on a straight-line basis.

Capital Assets

Capital assets are generally defined by the Authority as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Property, plant, and equipment of the Authority are stated at cost and at the time of acquisition are set up in a comprehensive fixed asset system. Depreciation of the cost of property, plant, and equipment is provided on a straight-line basis over their estimated useful lives as follows:

Launch pad and UAS airfield facilities	7 – 25 years
Building	10 years
Machinery and equipment	4 – 15 years
Computer equipment	5 years
Land improvements	15 years
Office furniture	5 – 7 years
Land, leased	term of lease
Office and warehouse space, leased	term of lease
Software subscription asset	term of arrangement

Maintenance and ordinary repairs are charged to expense as incurred. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized.

Unearned Revenue

Unearned revenue primarily includes state and federal funds received but not expended in fiscal year 2026.

Compensated Absences

The Authority permits employees to accrue annual leave each pay period at amounts based on years of service and this is accounted for as a compensated absence liability. Employees are allowed to carry over and accrue leave up to a maximum cap of 520 hours determined annually at the end of the calendar year. Employees can cash out PTO hours once per calendar year. A liability is recognized for the amount of leave that has been earned for services already rendered and is estimated to be used or taken, at current pay rates at year-end, plus salary-related payments such as the employer share of Social Security and Medicare taxes and the employer fixed contribution to the Authority sponsored 401(a) plan.

Classification of Revenue and Expenses

The Authority presents its revenue and expenses as operating or non-operating based on the following criteria:

Operating revenue and expenses generally represent the activity associated with rocket launch activities, Unmanned Aerial Systems (UAS) Airfield activities, Payload Processing Facility (PPF) activities, both federal and commercial agreements associated with the development of space launch, PPF and UAS capabilities at the Mid-Atlantic Regional Spaceport, Wallops Flight Facility located on the Eastern Shore of Virginia, cost of overall administration of the Authority,

and depreciation and amortization of its capital assets. Nonoperating revenue and expenses generally relate to interest received on our bank balance and funds received from Commonwealth of Virginia appropriations.

Restricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority's policy is to apply restricted net position first.

Restricted funds continue to be carried over from previous years for improvement of the waterfront facilities and UAS facilities, construction of the MARS Facilities, and the Accomack Regional Airport hangar. At June 30, 2026, $52,915,663 was invested in these projects. As the projects were ongoing at year-end, the unexpended funds, included in cash and cash equivalents on the statement of net position, totaling $11,584,337, are considered restricted at June 30, 2026.

Correction of an Error

During the year ended June 30, 2026, the Authority identified an error in previously issued financial statements related to the recognition of accounts receivable and related revenue. The error resulted from amounts that were not recorded as revenue in the correct fiscal year. The correction has been reported as an adjustment to beginning net position as of June 30, 2025. Additional information regarding the correction of the error, including the effect on beginning net position and the effect on the change in net position for the immediately preceding period, is presented in Note 13.

Adoption of New Accounting Standard

Effective for the fiscal year beginning July 1, 2025, the Authority adopted GASB Statement No. 103, *Financial Reporting Model Improvements.* Statement No. 103 was implemented to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

Note 3 – Cash and Investments

Deposits

The Authority follows a deposit policy in accordance with statutes of the Commonwealth of Virginia. All of the Authority's deposits were insured by federal depository insurance or the provisions of the Commonwealth of Virginia Security for Public Deposits Act ("Act"). Under the Act, banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100 percent of deposits in excess of federal depository insurance limits. The State Treasury Board has the authority to assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan institutions. Accordingly, all of the Authority's deposits are considered fully collateralized.

The Authority's cash and cash equivalents consist of the following at June 30, 2026:

Demand deposits	$ 4,295,911
Local Government Investment Pool (LGIP)	33,153,992
	$ 37,449,903

Investment Policy

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development ("World Bank"), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool ("LGIP").

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. government or agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. government or agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. government or agency securities.

Interest Rate Risk

The Authority is exposed to little interest rate risk since all investments had maturities of less than one year at June 30, 2026.

Note 4 – Lease Receivable/Deferred Inflow of Resources

The Authority is a lessor for noncancellable leases of business and storage space with Rocket Lab USA, Inc. ("Rocket Lab"). The Authority has a lease receivable with an outstanding balance of $4,039,462 of which $189,193 is current, and deferred inflow of resources of $3,732,882, as of June 30, 2026. During 2026, the Authority recognized lease revenue of $341,047 and interest revenue of $279,204, using discount rates between 3.25% and 7.5%, which are included in other operating revenues and interest income, respectively, on the statement of revenue, expenses, and changes in net position.

Future maturities of the lease receivable are as follows:

	Principal	Interest	Total
2027	$ 189,193	$ 271,757	$ 460,950
2028	214,850	262,233	477,083
2029	242,664	251,117	493,781
2030	272,801	238,262	511,063
2031	220,229	224,086	444,315
2032-2036	1,104,597	907,562	2,012,159
2037-2041	1,795,128	334,588	2,129,716
	$ 4,039,462	**$ 2,489,605**	**$ 6,529,067**

Note 5 – Capital Assets

The schedule below shows the breakdown of capital assets by category:

	Balance at July 1, 2025	Acquisitions (Increases)	Disposals/ Transfers (Decreases)	Balance at June 30, 2026
Nondepreciable and nonamortizable capital assets				
Land	$ 11,627,609	$ -	$ -	$ 11,627,609
Construction-in-progress	72,713,877	18,365,768	(6,926,011)	84,153,634
Total nondepreciable and nonamortizable capital assets	84,341,486	18,365,768	(6,926,011)	95,781,243
Depreciable and amortizable capital assets				
Launch pad facilities	149,520,650	4,657,755	(961,556)	153,216,849
UAS Airfield	5,984,532	-	-	5,984,532
Machinery and equipment	10,911,137	2,364,149	-	13,275,286
Building	44,895,000	98,077	961,556	45,954,633
Computer equipment	607,252	34,000	-	641,252
Land improvements	175,000	15,911	-	190,911
Office furniture	272,469	-	-	272,469
Land, leased	-	15,802,255	-	15,802,255
Office and warehouse space, leased	1,215,142	104,686	-	1,319,828
Software subscription asset	199,532	366,294	-	565,826
Total depreciable and amortizable capital assets	213,780,714	23,443,127	-	237,223,841
Accumulated depreciation and amortization				
Launch pad facilities	63,535,685	5,910,160	-	69,445,845
UAS Airfield	2,140,900	299,503	-	2,440,403
Machinery and equipment	3,272,897	1,295,133	-	4,568,030
Building	5,446,842	1,440,002	-	6,886,844
Computer equipment	388,170	75,191	-	463,361
Land improvements	175,000	-	-	175,000
Office furniture	53,860	40,322	-	94,182
Land, leased	-	158,023	-	158,023
Office and warehouse space, leased	725,502	210,398	-	935,900
Software subscription asset	119,718	177,267	-	296,985
Total accumulated depreciation and amortization	75,858,574	9,605,999	-	85,464,573
Total depreciable and amortizable capital assets, net	137,922,140	13,837,128	-	151,759,268
Capital assets, net	**$ 222,263,626**	**$ 32,202,896**	**$ (6,926,011)**	**$247,540,511**

Note 6 – Retirement and Pension Systems

Authority employees receive a fixed contribution of 11 percent of their base salary if hired before September 1, 2025, and 6 percent of their base salary if hired on or after September 1, 2025, which is invested through an Authority-sponsored 401(a) Plan. Total Authority contributions to the Plan for 2026 were $1,437,491, which is included in administration operating expense on the statement of revenue, expenses, and changes in net position.

Note 7 – Right-to-Use Lease Assets and Lease Liabilities

The Authority is a lessee for noncancellable leases of office space, land, and warehouse space, for which the Authority has recognized lease assets and lease liabilities discounted between 3.25% and 8.5%. During 2026, the Authority recognized lease amortization and interest expense of $368,421 and $550,752, respectively, which is included in the statement of revenues, expenses, and changes in net position in operating expenses and nonoperating expenses, respectively. The following is a summary of changes in lease liabilities reported in the statement of net position for the fiscal year ended June 30, 2026:

Lease liabilities – July 1, 2025	$ 534,466
Additions	15,597,572
Subtractions	(223,240)
Balance – June 30, 2026	15,908,798
Less current portion	(236,170)
Long-term lease liabilities – June 30, 2026	**$ 15,672,628**

Future maturities are as follows:

	Principal	Interest	Total
2027	$ 236,170	$ 478,287	$ 714,457
2028	68,233	571,828	640,061
2029	1,321	673,979	675,300
2030	1,365	828,620	829,985
2031	1,410	853,324	854,734
2032-2036	7,780	4,663,915	4,671,695
2037-2041	9,150	5,402,642	5,411,792
2042-2046	10,763	6,259,006	6,269,769
2047-2051	12,659	7,251,740	7,264,399
2052-2056	14,889	8,402,558	8,417,447
2057-2061	17,512	9,736,634	9,754,146
2062-2066	20,598	11,283,149	11,303,747
2067-2071	5,409,073	7,681,086	13,090,159
2072-2076	10,097,875	1,846,467	11,944,342
	$ 15,908,798	**$ 65,933,235**	**$ 81,842,033**

Note 8 – Long-Term Debt

Long-term debt consists of the following at June 30, 2026:

Mortgage loan payable due in monthly installments of $20,539, including principal and interest at approximately 7.25%, matures June 2039, secured by the property, with debt terms that include events of default and termination events with finance- related consequences.	**$ 2,085,979**

Activity in long-term debt accounts was as follows:

	Balance at July 1, 2025	Increase	Decrease	Balance at June 30, 2026	Amount Due Within One Year
Mortgage loan	**$ 2,175,500**	**$ -**	**$ (89,521)**	**$ 2,085,979**	**$ 96,327**

Future principal and interest obligations related to long-term debt are as follows:

	Principal	Interest	Total
2027	$ 96,327	$ 150,146	$ 246,473
2028	103,257	143,216	246,473
2029	111,503	134,970	246,473
2030	119,981	126,492	246,473
2031	129,103	117,370	246,473
2032-2036	808,011	424,354	1,232,365
2037-2040	717,797	91,841	809,638
	$ 2,085,979	**$ 1,188,389**	**$ 3,274,368**

Note 9 – Subscription-Based Information Technology Arrangements

The Authority has subscription-based information technology arrangements for communication software and a cloud-based software suite for which the Authority has recognized subscriptions asset and subscription liabilities, discounted between 4.75% and 7%, in the statement of net position. During 2026, the Authority recognized subscription amortization and interest expense of $177,267 and $15,021, respectively, which are included in the statement of revenues, expenses, and changes in net position in operating expenses and nonoperating expenses, respectively. The following is a summary of changes in subscription liabilities reported in the statement of net position for the fiscal year ended June 30, 2026:

Subscription liability – July 1, 2025	$ 81,888
Additions	318,151
Subtractions	(173,739)
Balance – June 30, 2026	226,300
Less current portion	(226,300)
Long-term subscription liability – June 30, 2026	**$ -**

Future maturities consist of a fiscal year 2027 payment totaling $236,520, including $226,300 in principal and $10,220 in interest.

Note 10 – Compensated Absences

Authority employees are granted paid time off in varying amounts based on length of service. They may accumulate, subject to certain limitations, unused paid time off and upon separation may be compensated for certain amounts at their then current rates of pay. The following is a summary of changes in compensated absences reported in the statement of net position for the fiscal year ended June 30, 2026:

Compensated absences – July 1, 2025	$ 1,879,901
Net change	(172,997)
Balance – June 30, 2026	1,706,904
Less current portion	(1,610,347)
Long-term compensated absences – June 30, 2026	**$ 96,557**

Note 11 – Commitments

At June 30, 2026, the Authority has contractual commitments of approximately $21.0 million for work remaining to be performed under outstanding contracts, approximately $10.8 million of which will be reimbursable under separate private and federal contract agreements, and approximately $4.3 million of which are funded by the Commonwealth of Virginia.

Note 12 – Virginia Commercial Space Flight Authority Risk Management Plan

The Authority is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The employees, directors, and agents of the Authority were insured for these risks under a self-insured liability plan, VaRISK 2, administered by the Commonwealth of Virginia's Department of Treasury, Division of Risk Management with liability limits of $1,000,000 for each occurrence. In addition to the coverage provided by VaRISK 2, the Authority has General Liability coverage through a commercial policy issued by Chubb/Ace Property and Casualty Insurance Company, with a coverage limit of $25,000,000.

The Authority has Public Officials Liability/Employment Practice Liability Insurance through VAcorp, a Virginia public entity risk pool, in the amount of $1,000,000. The policy provides coverage for a loss caused by a wrongful act committed while conducting duties by or on behalf of a public entity and covers the Authority against claims by workers that their legal rights as employees of the company have been violated.

The Authority has Fiduciary Liability insurance provided through VAcorp, a Virginia public entity risk pool, with limits of $1,000,000 that protects the Authority from claims of mismanagement and the legal liability related to serving as a fiduciary.

The Authority has Cyber Liability insurance with VAcorp, a Virginia public entity risk pool, with limits of $3,000,000 that covers liability for first-party financial losses, and third-party data breach involving sensitive customer information.

In addition, the Authority maintains an excess liability policy, through VAcorp, which provides an additional $1,000,000 in coverage above the limits of the General Liability, Business Auto Liability, and Public Officials Liability policies.

The Authority maintains an all-risk property insurance program through Chubb, AXIS, and other participating insurers with a policy limit of $100,000,000. The program insures all Authority-owned buildings, infrastructure, and other scheduled and non-scheduled property against covered causes of loss.

The Authority maintains its own insurance coverage for health and workers' compensation; there is no self-insurance.

Northrop Grumman Systems Corporation (Northrop Grumman) has also agreed to maintain insurance in amounts set forth in the Federal Aviation Administration (FAA) launch license to cover loss of or damage to U.S. Government and Commonwealth of Virginia facilities or property (including Authority facilities) that arises from licensed launch activities. This insurance includes $50,000,000 minimum coverage for loss or damage arising from licensed launch activities as defined under applicable FAA regulations. The Authority is listed as an additional insured party on such insurance. In addition, Northrop Grumman, at no cost to the Authority, has obtained insurance with $50,000,000 coverage for damage to Commonwealth of Virginia facilities and property (including Authority facilities), which loss or damage arises directly from Northrop Grumman's performance under the Launch Site Access and Operations Support Agreement, but does not arise from licensed launch activities as defined under applicable FAA regulations.

Rocket Lab USA, Inc. (Rocket Lab) has also agreed to maintain insurance in amounts set forth in the Federal Aviation Administration (FAA) launch license to cover loss of or damage to U.S. Government and Commonwealth of Virginia facilities or property (including Authority facilities) that arises from licensed launch activities. The amount of insurance obtained by Rocket Lab is no less than the FAA-established maximum probable loss amount set forth in the FAA Launch License. In addition, Rocket Lab, at no cost to the Authority, has obtained commercial general liability insurance in a minimum amount of $10 million coverage for activities other than licensed launch activities, with the Authority named as an additional insured.

Finally, Firefly Aerospace Inc. (Firefly) has agreed to maintain insurance in amounts set forth in the Federal Aviation Administration (FAA) launch license to cover loss of or damage to U.S. Government and Commonwealth of Virginia facilities or property (including Authority facilities) that arises from licensed launch activities in the amount of $10 million per occurrence, with VSA named as an additional insured. In addition, Firefly maintains property insurance for the Premises at a minimum amount of $40 Million per occurrence covering property loss or damage arising from their activities on the premises.

Note 13 – Restatement

During the year ended June 30, 2026, the Authority determined that previously issued financial statements contained an error related to accounts receivable and revenue not recognized in the correct fiscal year. The error affected assets and revenues. The correction of the error has been reported as an adjustment to beginning net position as of June 30, 2025, as follows:

	Net Position
June 30, 2025, as previously reported	$ 257,406,466
Correction of an error, revenue and receivable previously unreported	1,867,135
June 30, 2025, as restated	**$ 259,273,601**

This correction of an error has been applied retrospectively, and prior year comparative numbers have been restated accordingly, where applicable.

Compliance Section

BROWNEDWARDS
certified public accountants

Independent Auditor's 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
Virginia Commercial Space Flight Authority
(A Component Unit of the Commonwealth of Virginia)
Norfolk, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specification for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Virginia Commercial Space Flight Authority as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Virginia Commercial Space Flight Authority's basic financial statements, and have issued our report thereon dated September 9, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Commercial Space Flight Authority'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 Virginia Commercial Space Flight Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Commercial Space Flight Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **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 have not been identified.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia Commercial Space Flight Authority's financial statements are free of 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 determination of financial statement amounts. 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 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 Virginia Commercial Space Flight Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
September 9, 2026

Virginia Commercial Space Flight Authority

Summary of Compliance Matters

June 30, 2026

As more fully described in the Independent Auditor's 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*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia:

Cash and Investment Laws
Conflicts of Interest Act
Uniform Disposition of Unclaimed Property Act

Virginia Commercial Space Flight Authority

Schedule of Findings and Responses
June 30, 2026

A – Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No material weaknesses and no significant deficiencies relating to the audit of the financial statements were reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements were disclosed.

B – Findings – Financial Statement Audit

None

C – Findings – Commonwealth of Virginia

None

Virginia Commercial Space Flight Authority

Summary Schedule of Prior Audit Findings
June 30, 2026

VA-2025-001: Conflicts of Interest

Condition: Two out of nine conflict of interest forms were not filed by the February 1, 2025, deadline.

Recommendation: We recommend that applicable board members be contacted prior to the deadline to ensure forms are filed in a timely manner.

Current Status: The issue appears to have been corrected as we had no similar findings for 2026.

Other Information

Virginia Commercial Space Flight Authority

Norfolk, Virginia
Authority Officials

Board Members
(As of June 30, 2026)

James McArthur, Jr., Board Chair

Christine Daines	Robert Kehler
John Curtis	Greg Campbell
Robert Hinson	Nick Donohue

Michael Wettlaufer

Roosevelt Mercer, Jr., CEO and Executive Director