

TRIUMPH GULF COAST, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2025

**TRIUMPH GULF COAST, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Triumph Gulf Coast, Inc.

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of Triumph Gulf Coast, Inc. (the Organization) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Organization'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 respective financial position of the governmental activities and the General Fund of the Organization as of December 31, 2025, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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, as listed in the table of contents, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2026, on our consideration of the Organization'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 Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
June 22, 2026

TRIUMPH GULF COAST, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

This Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial activities of Triumph Gulf Coast, Inc. (the Organization) for the year ended December 31, 2025, with comparative information for the year ended December 31, 2024. The discussion is presented in the following sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, and (4) Currently Known Facts, Decisions, or Conditions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Organization's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Organization's finances in a manner similar to private-sector business. The government-wide financial statements consist of the statement of net position and the statement of activities.

The statement of net position presents information on all of the Organization's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The statement of activities presents information showing how the Organization's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization maintains one governmental fund, which is the General Fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating an organization's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

**TRIUMPH GULF COAST, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL SUMMARY

Financial information for the Organization as of and for the years ended December 31, 2025 and 2024 is presented below:

| TRIUMPH GULF COAST, INC. NET POSITION DECEMBER 31, 2025 AND 2024 | | |
|---|----------------------|----------------------|
| | 2025 | 2024 |
| ASSETS | | |
| Cash and prepaid items | \$638,964,140 | \$617,674,364 |
| LIABILITIES | | |
| Accounts payable and accrued expenses | 53,161 | 51,821 |
| Funds disbursed payable | 27,097,383 | 13,026,425 |
| Total liabilities | 27,150,544 | 13,078,246 |
| NET POSITION | | |
| Restricted | 83,234,961 | 95,942,988 |
| Unrestricted | 528,578,635 | 508,653,130 |
| TOTAL NET POSITION | \$611,813,596 | \$604,596,118 |

**TRIUMPH GULF COAST, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

**TRIUMPH GULF COAST, INC.
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

| | 2025 | 2024 |
|--|---------------|---------------|
| REVENUES | | |
| General revenues: | | |
| Settlement income appropriation | \$ 80,000,000 | \$ 80,000,000 |
| Interest income | 28,743,971 | 33,038,235 |
| Total revenues | 108,743,971 | 113,038,235 |
| EXPENSES | | |
| Administrative | 1,217,820 | 1,059,384 |
| Funds disbursed | 100,308,673 | 87,254,156 |
| Total expenses | 101,526,493 | 88,313,540 |
| CHANGE IN NET POSITION | 7,217,478 | 24,724,695 |
| NET POSITION, BEGINNING OF YEAR | 604,596,118 | 579,871,423 |
| NET POSITION, END OF YEAR | \$611,813,596 | \$604,596,118 |

DETAILED ANALYSES

Net Position

The Organization continues to report a strong financial position with substantial unrestricted resources available to support future program activities. The Organization's increase in net position of \$7,217,478 in 2025 reflects the relationship between relatively stable revenue streams and increased programmatic disbursements.

Revenues

Total revenues decreased by \$4,294,264 compared to the prior year. This decrease was primarily attributable to lower interest income, which declined from \$33,038,235 in 2024 to \$28,743,971 in 2025, reflecting changes in interest rates. Settlement income appropriation remained consistent at \$80,000,000.

Expenses

Total expenses increased by \$13,212,953 compared to the prior year. This increase was driven primarily by higher funds disbursed for grant activity, which increased from \$87,254,156 in 2024 to \$100,308,673 in 2025. The increase in disbursements reflects the continued progression and funding of approved projects. Administrative expenses increased modestly, consistent with operational needs.

**TRIUMPH GULF COAST, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The Organization continues to receive annual settlement payments of \$80,000,000, which are scheduled through 2033. These recurring revenues provide a stable funding source for ongoing and future grant commitments.

Future financial activity will be influenced primarily by the timing and magnitude of project disbursements, as well as changes in interest income resulting from market conditions and investment balances. Management continues to monitor these factors in evaluating the Organization's financial position and funding capacity.

Contacting the Organization's Financial Management

This report is designed to provide a general overview of the Organization's finances for all those with an interest. Questions concerning any of the information in this report or requests for additional information should be addressed as follows:

Triumph Gulf Coast, Inc.
4100 Legendary Drive, Suite 200
Destin, Florida 32541

BASIC FINANCIAL STATEMENTS

TRIUMPH GULF COAST, INC.
FUND BALANCE SHEET / STATEMENT OF NET POSITION
DECEMBER 31, 2025

| ASSETS | | |
|---|-------------------------|------------------------------------|
| | General Fund | Governmental Activities |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$638,927,883 | \$638,927,883 |
| Prepaid items | 36,257 | 36,257 |
| TOTAL ASSETS | \$638,964,140 | 638,964,140 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 53,161 | 53,161 |
| Funds disbursed payable | 27,097,383 | 27,097,383 |
| TOTAL LIABILITIES | 27,150,544 | 27,150,544 |
| FUND BALANCE / NET POSITION | | |
| Fund balance – nonspendable | 36,257 | |
| Fund balance – restricted | 83,234,961 | |
| Fund balance – committed | 430,182,838 | |
| Fund balance – unassigned | 98,359,540 | |
| TOTAL FUND BALANCE | 611,813,596 | |
| TOTAL LIABILITIES AND FUND BALANCE | \$638,964,140 | |
| Restricted | | 83,234,961 |
| Unrestricted | | 528,578,635 |
| TOTAL NET POSITION | | \$611,813,596 |

See notes to the financial statements.

**TRIUMPH GULF COAST, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025**

| | <u>General Fund</u> | <u>Governmental Activities</u> |
|---|-----------------------------|------------------------------------|
| REVENUES | | |
| General revenues | | |
| Settlement revenue appropriation | \$ 80,000,000 | \$ 80,000,000 |
| Interest income | <u>28,743,971</u> | <u>28,743,971</u> |
| Total revenues | 108,743,971 | 108,743,971 |
| EXPENDITURES/EXPENSES | | |
| Current | | |
| Administrative and general | 1,217,820 | 1,217,820 |
| Funds disbursed | <u>100,308,673</u> | <u>100,308,673</u> |
| Total expenditures/expenses | <u>101,526,493</u> | <u>101,526,493</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 7,217,478 | |
| FUND BALANCE, BEGINNING OF YEAR | <u>604,596,118</u> | |
| FUND BALANCE, END OF YEAR | <u><u>\$611,813,596</u></u> | |
| CHANGE IN NET POSITION | | 7,217,478 |
| NET POSITION, BEGINNING OF YEAR | | <u>604,596,118</u> |
| NET POSITION, END OF YEAR | | <u><u>\$611,813,596</u></u> |

See notes to the financial statements.

TRIUMPH GULF COAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Triumph Gulf Coast, Inc. (the Organization) was organized in 2017, as a Florida not-for-profit corporation, to oversee the expenditure of 75 percent of all funds received by the Florida Department of Commerce (FloridaCommerce), for economic damages to the state that resulted from the 2010 Deepwater Horizon oil spill. The Organization is required to administer the distribution of funds to be used for the recovery, diversification and enhancement of the eight Northwest Florida counties disproportionately affected by the oil spill. Those counties include Escambia, Santa Rosa, Okaloosa, Walton, Bay, Gulf, Franklin and Wakulla.

The Organization is governed by a seven-member Board, which is appointed by the Governor (1), the Attorney General (1), the Chief Financial Officer (1), the President of the Senate (2) and the Speaker of the House (2). Appointments and terms of office are established pursuant to Florida Statute 288.8014.

The following is a summary of the more significant accounting policies and practices of the Organization, which affect significant elements of the accompanying financial statements.

Reporting Entity

The accounting policies adopted by the Organization conform to accounting principles generally accepted in the United States of America as applied to not-for-profit organizations reporting using the governmental model. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Organization (the primary government). There were no entities that required inclusion as a component unit within the Organization's financial statements.

Basis of Presentation

Government-wide financial statements – While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund and reports information on all of the nonfiduciary activities of the Organization. Separate financial statements are provided for the governmental fund.

Fund financial statements – The fund financial statements provide information about the Organization's governmental fund:

- The General Fund is established to account for resources devoted to financing the general operations of the Organization. All operating resources are recorded in the General Fund.

Measurement Focus and Basis of Accounting

The Organization's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, which requires the Organization to present *basic financial statements*, which are defined as follows:

TRIUMPH GULF COAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

The statement of net position and the statement of activities report information using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. These statements focus on the Organization's activities, as a whole, and report all of the assets, liabilities, revenues, expenses, and gains and losses of the Organization.

The fund balance sheet and the statement of revenues, expenditures and changes in fund balance report information using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or within 60 days after year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

GASB Statement No. 34 requires disclosure of the reconciliation adjustments, which convert the *fund financial statements* into *government-wide financial statements*. The Organization has elected to present the respective *fund financial statements* and the *government-wide financial statements* in a combined format containing the reconciliation adjustments. There were no reconciliation adjustments as of and for the year ended December 31, 2025.

Assets, Liabilities and Net Position or Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, as well as investments that are readily convertible to cash. Investments purchased within three months of maturity are considered to be cash equivalents.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded when consumed, rather than when purchased.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Classification of Fund Balance

GASB Statement No. 54 (GASB 54) establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which an Organization is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are comprised of the following:

Nonspendable – includes amounts that are (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items not expected to be converted to cash, such as inventories and prepaid items.

TRIUMPH GULF COAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the Organization’s highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Organization that can, by passing a motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the action remains in place until a similar action is taken to remove or revise the limitation.

Unassigned – includes amounts that have not been restricted, committed or assigned to specific purposes. Unassigned amounts are technically available for any purpose.

Fund Balance/Net Position Flow Assumptions

Sometimes, the Organization will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Organization’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. However, there is an exception to this policy for the \$5 million of appropriated interest received for administrative costs. Only certain administrative costs that have been approved by the Board of Directors are applied to the appropriated interest. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Revenue Sources and Agency Transactions

Settlement income is received by FloridaCommerce pursuant to the Deepwater Horizon settlement agreement and is recognized when received.

In 2023, legislation passed authorizing the Organization to retain interest earned on invested settlement funds from July 1, 2023, through June 30, 2024. In 2024, legislation passed authorizing the Organization to retain interest earned on invested settlement funds effective July 1, 2024. This interest is recognized as revenue when earned.

Income Taxes

The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization files income tax returns in the U.S. federal jurisdiction. Income tax returns for the past three years are subject to examination by tax authorities and may change upon examination. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

TRIUMPH GULF COAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

2. CASH AND CASH EQUIVALENTS

The amount reported as cash and cash equivalents consists of cash in a demand account, money market funds and the SBA Florida PRIME investment account.

At December 31, 2025, the carrying amounts of cash and money market funds held were \$252,953. Custodial credit risk is the risk that the Organization's deposits might not be recovered. The Organization does not have a deposit policy for custodial credit risk; however, the Organization has not experienced any losses in its cash and money market fund accounts and believes it is not exposed to any significant risk.

Cash invested with the SBA represents the Organization's participation in Florida PRIME, which is authorized by Section 218.415(17), Florida Statutes. Florida PRIME operates under investment guidelines established by Section 215.47, Florida Statutes. The Organization's investments in Florida PRIME are reported at amortized cost. As of December 31, 2025, the balance was \$638,674,930. The fair value of the Organization's position in Florida PRIME is the same as the value of the pool shares.

Since Florida PRIME is similar to money market funds where shares are owned in the fund rather than the actual underlying investments, disclosures for foreign currency risk are not applicable. In addition, there are no security lending activities for these funds, as the Organization does not own the underlying shares. In accordance with GASB Statement No. 79, Florida PRIME qualifies for measuring its investments at amortized cost, and management of the pool believes that the pool is exempt from the GASB Statement No. 72 fair value hierarchy disclosures. As of December 31, 2025, there were no redemption fees or maximum transaction amounts or any other requirements that serve to limit a participant's daily access to 100% of their account value.

The SBA's interpretation of GASB Statement No. 40 is that information related to credit risk and interest rate risk are applicable to the SBA accounts as noted below:

Credit Quality:

Florida PRIME is rated by Standard and Poor's and carries an AAAm rating for December 31, 2025.

Interest Rate Risk:

The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 47 days at December 31, 2025. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM is relevant as an assessment of the sensitivity of Florida PRIME's investments to interest rate changes.

3. RESTRICTED FUND BALANCE

Per Florida Statute 288.8013, at least \$120,000,000 of the initial settlement appropriation must be allocated equally among the eight disproportionately affected counties. In addition, beginning in 2019, at least \$3,200,000 of the annual settlement appropriations received must be allocated to each county. Further, \$5 million of appropriated interest received in 2022 is restricted for administrative costs. As of December 31, 2025, the Organization had a restricted fund balance of \$83,234,961.

TRIUMPH GULF COAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

4. COMMITTED FUND BALANCE

The Board has committed funds in excess of the amounts restricted for administrative costs and funds disbursed. As of December 31, 2025, the Organization had a committed fund balance of \$430,182,838.

5. FUNDS DISBURSED

During 2025, funds were disbursed as follows:

| | <u>Disbursed</u> |
|--|-----------------------------|
| Bay County | \$ 6,639,267 |
| Escambia County | 39,052,437 |
| Franklin County | 4,262,288 |
| Gulf County | 652,072 |
| Okaloosa County | 18,693,619 |
| Santa Rosa County | 11,453,956 |
| Wakulla County | 7,061,301 |
| Walton County | 6,017,555 |
| Supplemental - award impacts multiple counties | <u>6,476,178</u> |
| | <u><u>\$100,308,673</u></u> |

6. CONCENTRATION OF FUNDING SOURCES

The Organization's sole source of funding is received from FloridaCommerce. A significant reduction in the level of this funding could have an adverse effect on the Organization.

7. CHANGE IN ACCOUNTING PRINCIPLE

The Organization implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements* for the year ended December 31, 2025, due to its presentation as a discretely presented component unit in the State of Florida's financial statements for the fiscal year ending June 30, 2026.

GASB Statement No. 103 provides guidance related to targeted improvements in the financial reporting model, including changes to the structure and content of Management's Discussion and Analysis (MD&A). The statement primarily affects the presentation of financial information and does not change recognition or measurement principles.

The Organization's implementation of GASB Statement No. 103 resulted in presentation-only changes. There was no effect on total assets, liabilities, net position, change in net position, or cash flows as a result of implementing GASB Statement No. 103.

COMPLIANCE SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Triumph Gulf Coast, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Triumph Gulf Coast, Inc. (the Organization) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise of the Organization's basic financial statements and have issued our report thereon dated June 22, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 the Organization'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 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida
June 22, 2026