

**RHODE ISLAND
COMMERCE CORPORATION
(A COMPONENT UNIT OF THE
STATE OF RHODE ISLAND)**

YEAR ENDED JUNE 30, 2015



RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

YEAR ENDED JUNE 30, 2015

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Independent Auditors' Report

Board of Directors
Rhode Island Commerce Corporation
Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island Commerce Corporation (the Corporation), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (Continued)

Board of Directors
Rhode Island Commerce Corporation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhode Island Commerce Corporation as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015 the Corporation adopted new accounting guidance affecting the accounting for pensions. Due to the adoption of this guidance, the Corporation restated its 2015 opening net position, resulting in an increase in net position of \$506,925 at July 1, 2014.

As discussed in Note 1 to the financial statements, the Corporation is dependent upon annual appropriations by the General Assembly of the State of Rhode Island and advances from the State to fund its operating expenses and debt service on its conduit debt obligations. For the year ended June 30, 2015, appropriations by the General Assembly of the State of Rhode Island received by the Corporation to fund its expenses comprised approximately 61% of the Corporation's total operating and nonoperating revenues.

Our opinion is not modified with respect to these matters.

Other Matter

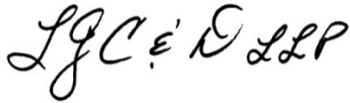
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 and the pension information on pages 48 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Independent Auditors' Report (Continued)

Board of Directors
Rhode Island Commerce Corporation

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2015 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "LJC & D LLP".

Providence, Rhode Island
September 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rhode Island Commerce Corporation (Commerce RI), a component unit of the State of Rhode Island (the State), we offer readers of Commerce RI's financial statements this narrative overview and analysis of the financial activities of Commerce RI for the year ended June 30, 2015. Commerce RI's financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Introduction

Commerce RI was authorized, created, and established in 1974 by an Act (the Act) of the General Assembly of the State for the purpose of acquiring and developing real and personal property to promote economic development in the State. Commerce RI, a governmental agency and public instrumentality of the State, has a distinct legal existence from the State and has the power to issue tax-exempt industrial development bonds and revenue bonds to accomplish its corporate purpose.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Commerce RI's financial statements.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Recent Accounting Pronouncement

For the fiscal year ended June 30, 2015, Commerce RI adopted the provisions of Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 requires the liability of employers to employees for defined benefit pensions (net pension liability) to be measured and reported as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, this Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expenses. As required by GASB 68, effective July 1, 2014, the Corporation recorded a net pension asset, the necessary deferred outflows and inflows of resources and the associated adjustment to expenses. Due to the adoption of GASB 68, the Corporation has restated its 2015 opening net position, resulting in an increase in net position of \$506,925 at July 1, 2014. The increase in beginning net position resulted from a \$132,873 increase in noncurrent assets, a \$111,516 increase in deferred outflows of resources, and a \$262,536 net reduction in noncurrent liabilities. The adoption of GASB 68 decreased the net position for the fiscal year ended June 30, 2015 by \$47,977 due to pension expense.

2015 Financial Highlights

Total liabilities exceeded total assets by \$8,169,082 (net deficit position) at June 30, 2015. Net deficit position totaling \$9,201,533 is unrestricted. Net position totaling \$860,933 is restricted to be used principally to fulfill grant requirements and for repayment of obligations under direct financing leases. Commerce RI's net position invested in capital assets, totaling \$171,518, is attributable to the acquisition and associated depreciation of Commerce RI's capital assets.

Operating loss for 2015 was \$13,880,639, an increase of \$10,119,158 when compared to 2014 (restated). The increase is primarily due to expenses related to conduit debt obligations, principally legal fees and principal and interest payments associated with the Rhode Island Economic Development Corporation v. Wells Fargo, et al. (38 Studios LLC Project) litigation.

Nonoperating expenses exceeded net nonoperating revenues by \$4,215,986 in 2015, an increase of \$2,606,085 when compared to 2014. The increase is primarily due to the re-classification of expenses related to conduit debt obligations from nonoperating expenses in 2014 to operating expenses in 2015.

Transfers from other State component units totaled \$355,762 as compared to \$445,492 in 2014.

Net position decreased by \$9,308,891 in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Comparative Information

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

Statements of Net Position			
	June 30,		Increase (decrease)
	2015	2014 (Restated)	2015 v 2014
Net position:			
Current assets	\$ 27,976	\$ 24,993	\$ 2,983
Noncurrent assets	27,965	32,275	(4,310)
Total assets	55,941	57,268	(1,327)
Deferred outflows of resources	158	111	47
Current liabilities	10,330	9,363	967
Noncurrent liabilities	53,556	46,877	6,679
Total liabilities	63,886	56,240	7,646
Deferred inflows of resources	382	-	382
Net (deficit) position	\$ (8,169)	\$ 1,139	\$ (9,308)

Statements of Revenues, Expenses, and Changes in Net Position			
	Year ended June 30,		Increase (decrease)
	2015	2014 (Restated)	2015 v 2014
Changes in net position:			
Operating revenues	\$ 5,677	\$ 2,220	\$ 3,457
Operating expenses	19,540	5,983	13,557
Operating loss	(13,863)	(3,763)	(10,100)
Nonoperating revenues, net	4,198	1,610	2,588
Transfers	356	446	(90)
Change in net position	\$ (9,309)	\$ (1,707)	\$ (7,602)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

2015 Financial Analysis

Total assets of Commerce RI decreased approximately \$1,327,000 during 2015, due principally to decreases in net investments in direct financing leases, interfund receivables, and cash and cash equivalents, offset by increases in amounts due from the State of Rhode Island, net pension asset, and grants and other receivables.

Total liabilities increased approximately \$7,646,000 due principally to increases in advances from the State for conduit debt obligations, amounts payable from restricted assets, and accrued expenses, offset by a decrease in bonds and leases payable.

Commitments

The Corporation's Renewable Energy Loan Fund (REF) had loan and grant commitments at June 30, 2015 of \$7,647,153, which includes a \$3,000,000 match commitment to the Slater Technology Fund which was approved by the Corporation's Board of Directors in September 2015. The commitment is contingent upon Slater raising \$5,000,000 of capital from other parties. In July 2015, additional grants totaling \$2,271,550 were approved.

Conduit debt obligations and credit enhancements

In reference to the Corporation's Job Creation Guaranty Program's outstanding guarantee on its loan provided to 38 Studios and in accordance with the enabling legislation and an agreement between Commerce RI, the trustee, and 38 Studios, the General Assembly of the State of Rhode Island approved approximately \$12,500,000 in its budget for the fiscal year ending June 30, 2016 to cover the scheduled bond payments in November 2015 and May 2016.

Subsequent events

Certain employees of the Corporation participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (the System or ERS).

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

2015 Operating Activity

Total operating revenues increased approximately \$3,457,000 during 2015, due principally to proceeds received from a legal settlement related to the 38 Studios LLC Project litigation.

Total operating expenses increased approximately \$13,575,000 during 2015, due principally to expenses related to conduit debt obligations, principally legal fees and principal and interest payments associated with the 38 Studios LLC Project litigation, and increases in grant and personnel expenses.

Operating loss was approximately \$13,881,000 in 2015 compared to \$3,763,000 in 2014 (restated).

Requests for Information

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

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET POSITION – JUNE 30, 2015

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,574,863	\$ 459,878
Accounts receivable	59,345	
Notes and loans receivable, less allowance for loan losses		1,295,765
Interest receivable		41,420
Interfund receivable	44,440	
Due from State of Rhode Island	799,947	
Due from other State component units	708,373	
Deposits and prepaid expenses	61,615	6,985
Restricted:		
Cash and cash equivalents	20,899,082	
Investments	946,606	
Notes receivable	57,000	32,475
Grants and other receivables	458,927	
Net investment in direct financing leases	2,365,510	
Total current assets	27,975,708	1,836,523
Noncurrent assets:		
Restricted:		
Cash and cash equivalents	4,746,488	8,030,993
Notes receivable	1,010,154	412,587
Net investment in direct financing leases, less current portion	21,559,325	
Investment in joint venture		1,385,162
Notes and loans receivable, less allowance for loan losses		4,288,088
Net pension asset	477,934	
Capital assets not being depreciated	128,762	
Capital assets being depreciated, net	42,756	
Total noncurrent assets	27,965,419	14,116,830
Total assets	55,941,127	15,953,353
DEFERRED OUTFLOWS OF RESOURCES:		
Commerce RI pension plan	137,101	
State of Rhode Island pension plan	21,260	
Total deferred outflows of resources	158,361	

(continued)

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET POSITION – JUNE 30, 2015 (CONTINUED)

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 144,456	\$ 1,674
Accrued expenses and other	1,150,870	2,194
Interfund payable		44,440
Payable from restricted assets	4,954,140	
Unearned revenue, restricted	4,080,914	3,939,829
Total current liabilities	10,330,380	3,988,137
Noncurrent liabilities:		
Liabilities payable from restricted cash and cash equivalents	3,093,268	
Net pension liability	273,850	
Bonds and leases payable, less current portion, restricted	24,144,297	
Advances from State for conduit debt obligations	11,135,000	
Unearned revenue, restricted	14,909,540	
Total noncurrent liabilities	53,555,955	
Total liabilities	63,886,335	3,988,137
DEFERRED INFLOWS OF RESOURCES:		
Commerce RI pension plan	358,254	
State of Rhode Island pension plan	23,981	
Total deferred inflows of resources	382,235	
Commitments and contingencies (Note 10)		
NET (DEFICIT) POSITION:		
Investment in capital assets	171,518	
Restricted for grants and other programs	860,933	4,091,164
Unrestricted (deficit)	(9,201,533)	7,874,052
Total net (deficit) position	\$ (8,169,082)	\$ 11,965,216

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2015

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Operating revenues:		
Charges for services:		
Rental fees	\$ 20,354	
Interest on loans	9,832	\$ 385,247
Other income, principally Renewable Energy Fund	2,005,423	
Legal settlement	3,641,667	
Total operating revenues	5,677,276	385,247
Operating expenses:		
Personnel services	2,774,109	140,527
Contractual services	1,893,244	72,439
Grants	1,419,634	
Other expenses	637,343	160,560
Expenses related to conduit debt obligations	12,720,933	
Provision for loan losses and uncollectibles, net of recoveries	75,336	36,064
Depreciation and amortization	19,189	
Total operating expenses	19,539,788	409,590
Operating loss	(13,862,512)	(24,343)
Nonoperating revenues (expenses):		
Appropriations from State	15,784,954	
Investment and other revenue	2,235,873	
Interest expense	(2,199,403)	
Grant income	2,157,366	429,877
Grant expenses	(2,385,927)	(430,794)
Public investment payments and job credits	(6,750,276)	
Other	(4,644,728)	(421,594)
Total nonoperating revenues (expenses), net	4,197,859	(422,511)
Loss before transfer	(9,664,653)	(446,854)
Transfer from other State component units	355,762	
Change in net position	(9,308,891)	(446,854)
Total net position, beginning of year:		
As originally reported	632,884	12,412,070
Restatement (Note 1)	506,925	
As restated	1,139,809	12,412,070
Total net (deficit) position, end of year	\$ (8,169,082)	\$ 11,965,216

See notes to financial statements.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Cash flows from operating activities:		
Receipts from (payments to) customers/borrowers	\$ 5,894,841	\$ (602,166)
Payments to suppliers	(3,427,178)	(670,444)
Payments to employees	(2,575,266)	(487,611)
Payments related to conduit debt obligations	(12,720,933)	
Net cash used in operating activities	(12,828,536)	(1,760,221)
Cash flows from noncapital financing activities:		
State of Rhode Island appropriations received	15,046,122	
Advances from State for conduit debt obligations	8,635,000	
Grants received	1,857,091	4,775,432
Grant expenditures	(6,291,388)	(430,794)
Public investment payments and job credits	(6,750,276)	
Transfers	355,762	
Net cash provided by noncapital financing activities	12,852,311	4,344,638
Cash flows from capital and related financing activities:		
Interest paid, long-term obligations	(2,199,403)	
Acquisition of capital assets	(11,632)	
Receipts under direct financing leases	2,188,060	
Payments under direct financing leases	(2,365,511)	
Net cash used in capital and related financing activities	(2,388,486)	
Cash provided by investing activities, interest income	2,235,301	

(continued)

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2015

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Net increase (decrease) in cash and cash equivalents	\$ (129,410)	\$ 2,584,417
Cash and cash equivalents, beginning of year	27,349,843	5,906,454
Cash and cash equivalents, end of year	\$ 27,220,433	\$ 8,490,871
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (13,862,512)	\$ (24,343)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	19,189	
Pension expense	47,977	
Provision for loan losses, net		36,064
Changes in:		
Notes and accounts receivable	383,255	(987,413)
Deposits and prepaid expenses	7,794	15
Due to/from other State component units	(5,169)	(347,084)
Accounts payable, accrued expenses, and unearned revenue	665,445	(437,460)
Deferred outflows of resources for pensions	(84,515)	
Net cash used in operating activities	\$ (12,828,536)	\$ (1,760,221)

See notes to financial statements.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

1. Description of business and summary of significant accounting policies:

Description of business:

The Rhode Island Commerce Corporation (Commerce RI or the Corporation) was authorized, created, and established in 1974 by an Act (the Act) of the General Assembly of the State of Rhode Island (the State) for the purpose of acquiring and developing real and personal property to promote economic development in the State. Commerce RI, a governmental agency and public instrumentality of the State, has a distinct legal existence from the State and has the power to issue tax-exempt industrial development bonds and revenue bonds to accomplish its corporate purpose. Certain bonds issued under the provisions of the Act are not a liability of Commerce RI and, accordingly, are considered conduit debt obligations and are not reported as liabilities in the accompanying financial statements.

Commerce RI is a component unit of the State for financial reporting purposes. As such, the financial statements of Commerce RI are included in the State's comprehensive annual financial report.

Commerce RI and its component unit are exempt from federal and state income taxes.

Reporting entity:

The accompanying financial statements present Commerce RI (referred to herein as the primary reporting entity) and its component unit, an entity for which Commerce RI has control over and for which Commerce RI has financial accountability. Commerce RI and its component unit are collectively referred to herein as the Corporation.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Through the application of GASB criteria, the Small Business Loan Fund Corporation (SBLF) has been presented as a component unit of Commerce RI.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of business and summary of significant accounting policies (continued):

Reporting entity (continued):

In August 2008, pursuant to an act of the General Assembly of the State, the management and fund balance of the Renewable Energy Fund (REF) was transferred from the State's Office of Energy Resources to Commerce RI. While Commerce RI is responsible for managing REF, REF does not have separate corporate powers that would distinguish it as being legally separate from Commerce RI; therefore, its activities have been included in the primary reporting entity.

Discretely presented component unit:

SBLF, a discretely presented component unit, is reported in a separate column in the accompanying financial statements to emphasize that it is legally separate from Commerce RI.

SBLF was created and incorporated on January 21, 1986, under Rhode Island law, as a subsidiary of Commerce RI, for the purpose of granting secured and unsecured loans to small businesses located throughout Rhode Island. The SBLF Board serves at the pleasure of the Commerce RI Board.

SBLF does not prepare separate financial statements.

Financial statement presentation, measurement focus, and basis of accounting:

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

The Corporation uses the economic resources management focus and accrual basis of accounting.

The Corporation distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. Operating expenses include the cost of and losses resulting from services provided, administrative expense, and depreciation and amortization expense. All other revenues and expenses are reported as nonoperating revenues and expenses.

Deferred outflows and inflows of resources:

Deferred outflows of resources represent the consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. See Note 8.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of business and summary of significant accounting policies (continued):

Use of estimates:

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

Recent accounting pronouncements:

For the fiscal year ended June 30, 2015, Commerce RI adopted the provisions of Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 requires the liability of employers to employees for defined benefit pensions (net pension liability) to be measured and reported as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, this Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expenses. As required by GASB 68, effective July 1, 2014, the Corporation recorded a net pension asset, the necessary deferred outflows and inflows of resources and the associated adjustment to expenses. Due to the adoption of GASB 68, the Corporation has restated its 2015 opening net position, resulting in an increase in net position of \$506,925 at July 1, 2014. The increase in beginning net position resulted from a \$132,873 increase in noncurrent assets, a \$111,516 increase in deferred outflows of resources, and a \$262,536 net reduction in noncurrent liabilities. The adoption of GASB 68 decreased the net position for the fiscal year ended June 30, 2015 by \$47,977 due to pension expense.

Effective for the fiscal year ending June 30, 2016, Commerce RI will be required to adopt the provisions of Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurement, and provides guidance for determining a fair value measurement for financial reporting purposes. In addition, GASB 72 provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The effect of adopting GASB 72 on Commerce RI's financial statements has not yet been determined.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of business and summary of significant accounting policies (continued):

Recent accounting pronouncements (continued):

Effective for the fiscal year ending June 30, 2017, the Corporation will be required to adopt the provisions of Statement No. 75 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB) administered through trusts or equivalent arrangements. For defined benefit OPEBs, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB 75 will require more extensive footnote disclosures in employer financial statements. The Corporation is currently evaluating the effects of GASB 75 on its financial statements.

Cash and cash equivalents, restricted:

Unexpended grant funds, payments received under direct financing leases, and amounts restricted by federal and state requirements are reported as restricted cash and cash equivalents in the accompanying statement of net position and are classified as either current or noncurrent based on the reporting period in which the underlying monies are expected to be used.

Cash and cash equivalents:

The Corporation considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

Under the "Rhode Island Collateralization of Public Deposits Act," (the Act) depository institutions holding deposits of the State, its agencies, or governmental subdivisions of the State, shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. At June 30, 2015, \$27,071,884 of the Corporation's deposits, excluding money markets, was uninsured and uncollateralized. These deposits were not required to be collateralized based on the criteria set forth in the Act.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of business and summary of significant accounting policies (continued):

Accounts receivable:

Accounts receivable are reported at gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The Corporation does not require collateral or other forms of security from its customers.

Investments:

Money market investments having a maturity of one year or less at the time of purchase are reported on the statement of net position at their amortized cost. All other investments are reported at fair value.

SBLF's investment in a joint venture (see Note 3) is accounted for using the equity method, under which the investment in the joint venture is increased (decreased) by SBLF's share of the venture's undistributed earnings (losses) and decreased by distributions received from the joint venture.

Notes and loans receivable:

Notes and loans receivable are stated at the principal amount outstanding less any charge-offs and an allowance for loan losses. Interest income on notes and loans receivable is recognized over the term of the notes and loans and is calculated using the simple-interest method on principal amounts outstanding.

Accrual of interest income on notes and loans receivable is discontinued when management has determined that the borrower will be unable to meet contractual obligations. When a note or loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current-period income. Interest received on nonaccrual notes and loans is either applied against principal or reported as income according to management's judgment as to the collectability of principal. Nonaccrual notes and loans may be returned to accrual status when principal and interest payments are not delinquent and the risk characteristics of the note or loan have improved to the extent that concern no longer exists as to the collectability of principal.

The Corporation measures impairment using a discounted cash-flow method, or the loan's observable market price, or the fair value of the collateral if the loan is collateral-dependent. However, impairment is based on the fair value of the collateral if it is determined that foreclosure is probable.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of business and summary of significant accounting policies (continued):

Allowance for loan losses:

The allowance for loan losses is established through a provision charged to operations based on management's assessment of many factors, including the risk characteristics of the notes and loans, current economic conditions that may affect the borrowers' ability to pay, and trends in delinquencies and charge-offs. Realized losses, net of recoveries, are charged directly to the allowance. While management uses information available in establishing the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions or other factors differ substantially from the assumptions used in making the evaluation.

Capital assets and depreciation:

Capital assets are stated at cost except for capital assets conveyed to the Corporation by the State or the United States of America, which are stated at fair value as of the date of contribution. Expenditures in excess of \$2,500 which substantially increase the useful lives of existing assets are capitalized; routine maintenance and repairs are expensed as incurred. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets.

The Corporation evaluates its capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted cash flows from the use and disposition of the asset is less than the carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Corporation did not record an impairment loss during the year ended June 30, 2015.

Unearned revenue:

For the Corporation, unearned revenue pertains principally to payments received by the Corporation in advance of revenues earned under terms of applicable energy programs. Unearned revenue is recognized as the Renewable Energy Fund incurs expenses related to its operations or makes grants to other organizations.

For SBLF, unearned revenue pertains principally to the State Small Business Credit Initiative program (see Note 3). Revenue is recognized as SBLF incurs expenses related to this program.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of business and summary of significant accounting policies (continued):

Direct financing leases:

Land and buildings leased to unrelated parties under capital leases are recorded as net investment in direct financing leases. Interest income under capital leases consists of the excess of lease payments due under the terms of the leases over the cost of land and buildings and is recognized over the lease terms using the level yield method.

Grants:

Revenues from grants are recognized as soon as all eligibility requirements imposed by the provider have been met.

From time to time, REF will issue forgivable loans or recoverable grants to entities for the purposes of furthering solar technology initiatives. In the year in which the funds are expended, such amounts are recorded as expense, and it is not until the recipient achieves the benchmarks that repayment is triggered, as set forth in the agreements between REF and the recipient, and such amounts are recorded as either loan or recoverable grant receivables. As of June 30, 2015, amounts provided by REF to recipients under forgivable loan and recoverable grant agreements totaled \$1,152,717. As of June 30, 2015, no corresponding amounts have been recorded as receivables, or repaid or recovered.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System plan (ERS) and the Rhode Island Commerce Corporation Pension Plan and Trust (the Plan) and the additions to / deductions from ERS' and the Plans' fiduciary net position have been determined on the same basis as they are reported by ERS and the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

1. Description of business and summary of significant accounting policies (continued):

Net position:

The Corporation's net position has been segregated into the following three components:

Investment in capital assets – represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to these assets, if any.

Restricted – those that have been limited to uses specified either externally by creditors, contributors, laws, or regulations of other governments or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted – a residual category for the balance of net position

Due to expenses incurred related to conduit debt obligations, the Corporation has a net deficit position as of June 30, 2015. During the year ended June 30, 2015, the Corporation received \$8,635,000 in advances from the State to fund expenses related to conduit debt obligations. The Corporation is dependent upon such advances to fund such expenses. During the year ended June 30, 2015, the Corporation received \$3,944,514 in appropriations from the General Assembly of the State of Rhode Island to fund operating expenses. These appropriations are made in connection with the State's annual budgetary process and are therefore dependent upon the State's general financial resources and factors affecting such resources. The Corporation is dependent upon the State's annual appropriations to fund its operating expenses.

2. Cash and cash equivalents:

Cash and cash equivalents, including restricted amounts, consist of the following at June 30, 2015:

	Commerce RI	SBLF
Deposits held in Bank of America	\$ 18,677,476	\$ 8,490,871
Short-term investments, cash equivalents	8,542,957	
	\$ 27,220,433	\$ 8,490,871

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

2. Cash and cash equivalents (continued):

At June 30, 2015, the Corporation had \$35,114,838 (bank balance) on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC).

The carrying amounts of cash equivalents approximate fair value and consist of the following:

Money market mutual funds, Goldman Sachs (FGTXX)	\$	3,811,268
Money market mutual funds, Fidelity (FIGXX)		4,731,689
	\$	8,542,957

The bank balance of the Corporation's cash and cash equivalents, excluding money market accounts, is as follows:

	Commerce RI	SBLF
Bank balance	\$ 19,078,385	\$ 8,493,496
Bank balance insured by the FDIC	250,000	250,000
Uninsured or uncollateralized	\$ 18,828,385	\$ 8,243,496

The Corporation's money market mutual funds invested in Goldman Sachs Financial Square Funds – Government (FGTXX) are held at Bank of America as of June 30, 2015. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 39 days as of June 30, 2015. At June 30, 2015, the funds were invested as follows: 66% in a government agency repurchase agreement, and 34% in government agency debt. As of June 30, 2015, the fund was rated Aaa-mf by Moody's Investors Services (Moody's) and AAAm by Standard & Poor's (S&P).

The Corporation's money market mutual fund accounts invested in Fidelity Institutional Money Market Government Portfolio – Class I (FIGXX) are held at U.S. Bank as of June 30, 2015. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 30 days as of June 30, 2015. At June 30, 2015, approximately 80% of the securities in which the funds are invested are backed by the full faith and credit of the United States Government; the remainder is neither insured nor guaranteed by the United States Government. As of June 30, 2015, the fund was rated AAA-mf by Moody's and AAAm by S&P.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

3. Investments (continued):

As of June 30, 2015, Commerce RI funds were invested in United States government obligations that accrue interest at .375% and have a maturity date of April 30, 2016. The obligations were rated Aaa by Moody's.

The State Small Business Credit Initiative (SSBCI) received by the State is being administered through SBLF. During fiscal year 2012, SBLF and Betaspring Managers 100, LLC (Betaspring Managers 100) formed Startup Investments, LLC (Startup), a joint venture. Under the terms of the Startup Operating Agreement, SBLF's initial contribution was \$2,000,000. In exchange for the \$2,000,000 investment, SBLF received half of the 100,000 outstanding shares of common stock in Startup.

Also during fiscal year 2012, Startup invested in BetaSpring, an entity that helps develop entrepreneurs through a "bootcamp" process to allow their "graduates" to be placed before investors to help bootstrap their idea into a future viable business. BetaSpring acquired a 6% interest in the common stock of the entrepreneurs' companies via Betaspring Managers 100. BetaSpring does not prepare separate financial statements.

SBLF has accounted for its investment in Startup as an investment in a joint venture due to SBLF's ongoing financial interest in BetaSpring. Since the date of its initial contribution, SBLF's share of net loss incurred by the investment in Startup is \$614,838, including \$421,594 for the year ended June 30, 2015 which is classified as other nonoperating expense on the statement of revenues, expenses, and changes in net position for the year ended June 30, 2015. As an equity method investor in a joint venture, SBLF is not permitted nor required to test Startup's underlying assets for impairment pursuant to relevant provisions of the applicable accounting guidance. If Startup were to recognize an impairment loss on its books, SBLF would be required to recognize its proportional share of that impairment loss.

4. Loans and notes receivable:

Provision for loan losses:

An analysis of SBLF's allowance for loan losses for the year ended June 30, 2015 is as follows:

Balance, beginning of year	\$ 394,138
Provision for loan losses	91,990
Loans charged off	<u>(26,346)</u>
Balance, end of year	<u>\$ 459,782</u>

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

4. Loans and notes receivable (continued):

Commitments:

SBLF had \$700,000 in commitments to originate loans at June 30, 2015.

SBLF's Board of Directors approved an additional \$800,000 of loans in September 2015.

REF had loan and grant commitments at June 30, 2015 of \$7,647,153, which includes a \$3,000,000 match commitment to the Slater Technology Fund which was approved by the Corporation's Board of Directors in September 2015. The commitment is contingent upon Slater raising \$5,000,000 of capital from other parties. In July 2015, additional grants totaling \$2,271,550 were approved.

Notes receivable:

Commerce RI issues notes and grants to private-sector entities and others located in Rhode Island. The ability of Commerce RI's debtors to honor their contracts is primarily dependent upon various factors, including among others, the financial success of the borrower, success of the project financed, and general economic conditions in Rhode Island.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

5. Capital assets:

	<u>Depreciable life</u>	<u>Balance, July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2015</u>
Capital assets not being depreciated, land		\$ 128,762		\$ -	\$ 128,762
Capital assets being depreciated:					
Equipment	5	112,246	\$ 11,632		123,878
Automobiles	5	22,038			22,038
Total capital assets being depreciated		134,284	11,632		145,916
Accumulated depreciation:					
Equipment		(72,217)	(14,782)		(86,999)
Automobiles		(11,754)	(4,407)		(16,161)
Total accumulated depreciation		(83,971)	(19,189)		(103,160)
Total capital assets being depreciated, net		50,313	(7,557)		42,756
Total capital assets, net		<u>\$ 179,075</u>	<u>\$ (7,557)</u>	<u>\$ -</u>	<u>\$ 171,518</u>

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

6. Long-term debt:

Bonds payable and net investment in direct financing leases:

During 1995, Commerce RI issued bonds totaling \$34,070,000 to finance the rehabilitation and other related costs of the Shepard Building. The debt service on the bonds was being funded by the State under a lease agreement between the Corporation and the State. In August 1997, the Corporation transferred the Shepard Building to the State through a Certificate of Participation Plan and the lease receivable from the State and the bonds were removed from the Corporation's financial statements. The outstanding balance of these defeased bonds at June 30, 2015 was approximately \$5,710,000.

During 1996, Commerce RI issued \$25,000,000 of 1996 Series bonds to finance the acquisition of land and to make land improvements and construct a building at Island Woods Industrial Park (the FMR Rhode Island, Inc. Project). The 1996 Series bonds bear interest at 8.28%, are payable in semi-annual installments of approximately \$1,244,000, and mature May 1, 2021. During 2002, Commerce RI issued \$10,000,000 of 2002 Series bonds to the FMR Rhode Island, Inc. Project. The 2002 Series bonds bear interest at 7.24%, interest only until 2008, and mature in 2027. Amounts outstanding under the bonds are secured by the direct financing lease discussed below.

During November 1997, Commerce RI issued \$11,000,000 of 1997 Series bonds to finance the acquisition of land and to make improvements and renovations to a building and parking lot (the Fleet National Bank Project). The 1997 Series bonds bear interest at 7.61%, are payable in semi-annual installments of approximately \$43,000, and mature May 1, 2027. Amounts outstanding under the bonds are secured by the direct financing lease discussed below.

Aggregate scheduled principal and interest payments due on Commerce RI's revenue bonds and total future minimum lease payments receivable at June 30, 2015 are as follows:

Year ending June 30,	Principal	Interest
2016	\$ 2,365,511	\$ 2,023,604
2017	2,560,034	1,828,449
2018	2,765,676	1,619,895
2019	2,990,807	1,394,568
2020	3,235,839	1,151,486
2021-2025	9,124,765	2,889,857
2026-2027	3,467,176	327,779
	26,509,808	<u>\$ 11,235,638</u>
Less current portion	<u>2,365,511</u>	
Net long-term portion of bonds payable	<u>\$ 24,144,297</u>	

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

6. Long-term debt (continued):

Bonds payable and net investment in direct financing leases (continued):

Commerce RI has entered into direct financing leases with Bank of America and FMR Rhode Island, Inc. (FMR). Total minimum lease payments receivable and unearned income under direct financing leases is equivalent to scheduled aggregate principal payments and scheduled aggregate interest payments, respectively, under the bonds payable, net of job rent credits. Job rent credits are payable by Commerce RI semi-annually over the life of the bonds provided that the lessees achieve certain job targets. For the year ended June 30, 2015, job rent credits issued by Commerce RI totaled \$3,190,276.

Cash and investments on hand related to, and collections on, net investment in direct financing leases are restricted to pay the bonds issued to finance such direct financing lease transactions. The current portion of amounts payable from restricted assets of \$4,954,140 includes the \$2,365,511 current portion of long-term debt, \$2,027,860 pertaining to the ProvPort crane and barge project (see Note 12), and \$560,770 of other grant-related liabilities payable from restricted assets.

Changes in long-term obligations during the year ended June 30, 2015, excluding the net pension liability and including SBLF, were as follows:

	Balance, July 1, 2014	Additions	Reductions	Balance, June 30, 2015	Amounts due within one year
Revenue bonds	\$ 28,697,866		\$ 2,188,058	\$ 26,509,808	\$ 2,365,510
Advances from State for conduit debt obligations	2,500,000	\$ 8,635,000		11,135,000	
Unearned revenue Payable from restricted assets	18,833,210	8,306,161	4,209,088	22,930,283	8,020,743
	<u>3,092,223</u>	<u>561,815</u>		<u>3,654,038</u>	<u>560,770</u>
	<u>\$ 53,123,299</u>	<u>\$ 17,502,976</u>	<u>\$ 6,397,146</u>	<u>\$ 64,229,129</u>	<u>\$ 10,947,023</u>

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

7. State appropriations:

During the year ended June 30, 2015, Commerce RI received the following appropriations from the State:

Budget	\$ 3,944,514
Legislative	587,128
Bryant University – John H. Chafee Center for International Business	376,200
Public investment payment (Note 10)	3,560,000
Job rent credits (Note 6)	3,190,276
RI Airport Impact Aid	1,008,732
Science and Technology Advisory Council (STAC)	1,150,000
Innovative Matching Grants (IMG)	500,000
Leased employee	191,844
Conduit debt expenses – 38 Studios	8,635,000
Volvo Ocean Race	775,000
Other grant reimbursements	307,854
	24,226,548
Less STAC unearned revenue at June 30, 2015	(161,043)
Less IMG unearned revenue at June 30, 2015	(260,610)
Less due from State at June 30, 2015	(799,947)
Less advance from State for conduit debt expenses at June 30, 2015	(11,135,000)
Add STAC unearned revenue at June 30, 2014	442,608
Add IMG unearned revenue at June 30, 2014	156,476
Add due from State at June 30, 2014	61,115
Add advance from State for conduit debt expenses at June 30, 2014	2,500,000
Add other grant unearned revenue at June 30, 2014	15,975
	\$ 15,046,122

For the year ended June 30, 2015, appropriations by the General Assembly of the State received by Commerce RI to fund its expenses comprised approximately 61% of Commerce RI's total operating and nonoperating revenues.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans:

Rhode Island Commerce Corporation Pension Plan and Trust:

Plan description:

Employees of the Corporation hired prior to January 1, 2006 are covered by the Rhode Island Commerce Corporation Pension Plan and Trust (the Plan), a multiple-employer defined benefit pension plan administered by Commerce RI. Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the Plan.

Benefit provisions:

The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries. The Plan was amended in 2009 to eliminate the 3% cost-of-living adjustment with respect to participants and beneficiaries who commence benefit payments after March 1, 2009. The Plan assigns to Commerce RI the authority to amend benefit provisions. The actuarially determined benefits are based on 60% of average compensation and are adjusted based on length of service. The minimum length of service is one year and employees are fully vested after five years of service.

Funding policy:

The funding policy, and related contribution requirements are established by Commerce RI. Plan members are not required to contribute to the Plan. The Corporation is responsible for funding the cost of all benefits. Commerce RI is to fund 100% of the actuarially determined contribution; the rate was 7.57% of the annual covered payroll for the fiscal year ended June 30, 2015. Commerce RI contributed \$63,264 and \$88,332 for the fiscal years ended June 30, 2015 and 2014, respectively, equal to 100% of the required contributions for each year. The actuarially determined contribution is calculated in accordance with the aggregate actuarial cost method. Changes in plan provisions and actuarial assumptions give rise to changes in the unfunded liability. The new layer(s) created each year is (are) amortized over a closed 30-year period on a level dollar basis. Actuarial gains and losses are not separately amortized under this method. Rather, the impact is spread through the normal cost component over the working lifetime of the participant.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans (continued):

Rhode Island Commerce Corporation Pension Plan and Trust (continued):

Pension asset, pension expense, and deferred inflows and outflows of resources:

At June 30, 2015, Commerce RI reported an asset of \$477,934 for its proportionate share of the net pension asset related to the Plan. The net pension asset was measured as of June 30, 2014, the measurement date, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. Commerce RI's proportion of the net pension asset was based on its share of contributions to the plan for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014, Commerce RI's proportion was 42.15%.

Pension expense:

For the year ended June 30, 2015, Commerce RI recognized pension expense of \$27,760 relating to the Plan. At June 30, 2015, Commerce RI reported the following deferred outflows of resources and deferred inflows of resources related to the Plan:

Deferred outflows of resources

Differences between expected and actual experience	\$ 61,841
Changes in assumptions	11,996
Contributions subsequent to the measurement date	63,264
 Total	 \$ 137,101

Deferred inflows of resources

Net difference between projected and actual earnings on pension plan investments	\$ 358,254
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RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans (continued):

Rhode Island Commerce Corporation Pension Plan and Trust (continued):

Pension expense (continued):

For the year ending June 30, 2016, \$63,264 reported as deferred outflows of resources related to the Plan resulting from Commerce RI's contributions in fiscal year 2015 subsequent to the measurement date will be recognized as an increase in the net pension asset. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

Year ending June 30:	
2016	\$ (55,709)
2017	(55,709)
2018	(83,436)
2019	(89,563)
Thereafter	-
Total	\$ (284,417)

Actuarial assumptions:

The total pension asset was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.00%
Long-term rate of return on investments	6.50%, net of expenses, including inflation

Mortality rates are based on IRS 2014 annuitant and nonannuitant (male / female) tables; the mortality improvement included in the IRS table is assumed.

Long-term rate of return assumptions are based on historical data. In the past, the Corporation, as plan sponsor, chose to use 6.5% as the Plan's interest rate assumption. In future periods, consideration for the current expected returns on assets will be made in selecting the interest rate assumption. The money-weighted rate of return in prior year was 13.22%. This rate is determined assuming contributions and expenses are paid in the middle of the month and benefits are paid at the beginning of the month.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans (continued):

Rhode Island Commerce Corporation Pension Plan and Trust (continued):

Actuarial assumptions (continued):

The asset allocation and best estimates of rates of return for each major asset class are as follows:

<u>Asset Class</u>	<u>June 30, 2014 asset allocation</u>	<u>Target asset allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	54.54%	60.00%	10.60%
Fixed income	12.24%	40.00%	6.50%
Mutual funds	30.35%	0.00%	N/A
Real estate/other	.14%	0.00%	N/A
Cash	2.73%	0.00%	N/A
Total	<u>100.00%</u>	<u>100.00%</u>	

Discount rate:

The discount rate for purposes of determining the net pension asset was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from the employers will be made at actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of the Corporation's proportionate share of the net pension liability (asset) to changes in the discount rate:

The following presents the net pension liability (asset) calculated using the discount rate of 6.5% as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	<u>1.00% decrease (5.5%)</u>	<u>Current discount rate (6.50%)</u>	<u>1.00% increase (7.50%)</u>
Corporation's net pension asset	<u>\$ 367,988</u>	<u>\$ (477,934)</u>	<u>\$ (1,195,884)</u>

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans (continued):

Rhode Island Commerce Corporation Pension Plan and Trust (continued):

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued Rhode Island Commerce Corporation Pension Plan and Trust financial statements.

Employees' Retirement System Plan:

Plan description:

Certain employees of the Corporation participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (the System or ERS). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained at <http://www.ersri.org>.

Benefit provisions:

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than five years of service as of July 1, 2012. Members are vested after five years of service.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans (continued):

Employees' Retirement System Plan (continued):

Benefit provisions (continued):

The System provides for survivor's benefits for service-connected death and certain lump-sum death benefits. Joint and survivor benefit provision options are available to members.

Cost-of-living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost-of-living adjustments are provided at five-year intervals.

The System also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Contributions:

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the System. Participating Commerce RI employees are required to contribute 3.75% of their annual covered salary. Commerce RI is required to contribute at an actuarially determined rate; the rate was 23.33% of annual covered payroll for the fiscal year ended June 30, 2015. Commerce RI contributed \$21,260, \$23,188 and \$21,005 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources:

At June 30, 2015, Commerce RI reported a liability of \$273,850 for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. Commerce RI's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014, Commerce RI's proportion was approximately .015%.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans (continued):

Employees' Retirement System Plan (continued):

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources (continued):

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost-of-living increases will occur at four year rather five year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for State employees (determined on a funding basis) decreased from 57.4% to 56.1%.

For the year ended June 30, 2015, Commerce RI recognized pension expense of \$20,217 relating to the ERS.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans (continued):

Employees' Retirement System Plan (continued):

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources (continued):

At June 30, 2015, Commerce RI reported the following deferred outflows of resources and deferred inflows of resources related to the ERS:

Deferred outflows of resources

Contribution subsequent to the measurement date	\$ 21,260
Total	\$ 21,260

Deferred inflows of resources

Change in assumptions	\$ 2,974
Net difference between projected and actual earnings on pension plan investments	21,007
Total	\$ 23,981

For the year ending June 30, 2016, \$21,260 reported as deferred outflows of resources related to the ERS resulting from RI Commerce's contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the ERS will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	
2016	\$ (5,929)
2017	(5,929)
2018	(5,929)
2019	(5,929)
2020	(265)
Total	\$ (23,981)

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans (continued):

Employees' Retirement System Plan (continued):

Actuarial assumptions:

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

Mortality rates were based on 115% (males) and 95% (females) of the RP-2000 combined healthy mortality tables with white collar adjustments projected with scale AA from 2000. The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Medium-term expected real rate of return</u>
Global equity	38%	6.05%
Private equity	7%	9.05%
Equity hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real return	14%	3.85%
Real estate	8%	4.45%
Core fixed	15%	0.25%
Cash	3%	-0.50%
	<u>100%</u>	

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans (continued):

Employees' Retirement System Plan (continued):

Actuarial assumptions (continued):

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount rate:

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate.

	1% decrease (6.5%)	Current discount rate (7.5%)	1% increase (8.5%)
Corporation's proportionate share	<u>\$ 338,229</u>	<u>\$ 273,850</u>	<u>\$ 208,151</u>

Defined contribution plan:

Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The Employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

8. Pension plans (continued):

Defined contribution plan (continued):

Plan contributions

Employees contribute 5% of their annual covered salary and employers contribute 1% of annual covered salary. Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly. As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

Commerce RI contributed and recognized as pension expense \$21,000 for the fiscal year ended June 30, 2015, equal to 100% of the required contributions for the fiscal year.

Plan vesting and contribution forfeiture provisions

The total amount contributed by the employee, including associated investment gains and losses, shall immediately vest in the employee's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the employee and is non-forfeitable upon completion of three years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement benefits

Benefits may be paid to an employee after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the employee attains age 70 ½ or terminates employment, if later.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the System. The report may be obtained at <http://www.ersri.org>.

Other plans:

Employees of Commerce RI hired on or after January 1, 2006 participate in the Commerce RI Section 401a Retirement and Savings Plan (the 401a Plan), a discretionary contribution plan. The 401a Plan provides for Commerce RI to make discretionary matching or additional contributions as approved by the Board of Directors. For the fiscal year ended June 30, 2015, Commerce RI contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the Commerce RI Section 457 Deferred Compensation Plan (the 457 Plan). Contributions for the fiscal year ended June 30, 2015 were \$110,863. All employees are eligible to participate in the 457 Plan. Both the 401a Plan and the 457 Plan are calendar year based.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

9. Other postemployment healthcare plan (OPEB):

Plan description:

For certain employees, Commerce RI contributes to the State Employees' Defined Benefit Post-employment Health Care Plan (OPEB Plan), a cost-sharing multiple employer plan administered through the Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System). The State of Rhode Island OPEB Board (OPEB Board) was authorized, created, and established under Chapter 36-12.1 of the Rhode Island General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB System. The plan provides medical benefits to certain retired employees of participating employers, including Commerce RI.

Pursuant to legislation enacted by the General Assembly, a trust has been established to accumulate assets and pay benefits and other costs associated with the system.

The OPEB system issues a stand-alone financial report. A copy can be obtained from the State Controller's Office, 1 Capitol Hill, Providence RI 02908.

Funding policy:

Rhode Island General Law (RIGL) Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB Plan. Employees who retired after October 1, 2008 must contribute 20% of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

All participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 2015 was 6.75% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years. Commerce RI's contribution to the OPEB Plan for the years ended June 30, 2015, 2014 and 2013 was approximately \$6,400, \$6,400 and \$6,000, respectively, representing 100% of the ARC.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

10. Commitments and contingencies:

Grants:

Under the terms of federal and other grants, periodic expenditures financed by grants are subject to audits by the grantors or their representatives and, consequently, certain costs may be questioned as not being appropriate, and result in reimbursement to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Corporation officials believe that such disallowances, if any, would not be material.

Public investment payments:

Commerce RI has entered into a Public Investment and HOV Agreement dated September 9, 1996 (the PIP Agreement) with Providence Place Group Limited Partnership (PPG). The PIP Agreement requires Commerce RI to make annual public investment payments to PPG equal to the lesser of \$3,680,000 or two-thirds of the actual amount of sales tax paid to the State by virtue of sales occurring at or within Providence Place Mall (the Mall) for the first five years, and annual public investment payments to PPG equal to the lesser of \$3,560,000 or two-thirds of the actual amount of sales tax paid to the State by virtue of sales occurring at or within the Mall for the next 15 years. Commerce RI's requirement to make public investment payments to PPG is subject to the State's annual appropriations to Commerce RI of related sales tax. During the year ended June 30, 2015, Commerce RI made public investment payments to PPG totaling \$3,560,000.

Litigation:

As part of the condemnation of various parcels of real estate relating to the FMR Project, actions against Commerce RI have been filed in Providence Superior Court (the Court) appealing the order of the Court regarding the amount to be paid by Commerce RI for the condemned properties. The Plaintiffs have not stated specific damage amounts. Subject to the Ground Lease entered into between Commerce RI and FMR (see Note 6), FMR is obligated to pay the Corporation's costs resulting from such condemnation. The likelihood of an unfavorable outcome and the amount or range of potential loss to Commerce RI, if any, is unknown.

Commerce RI and SBLF are defendants in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of Commerce RI's management, the resolution of these matters will not have a material adverse effect on the financial position of Commerce RI or SBLF.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

10. Commitments and contingencies (continued):

Litigation (continued):

The Corporation has been named, along with other parties, in a pending lawsuit for negligence. The Corporation is unable to determine the likely outcome and potential liability due as a result of the lawsuit; therefore, no liability has been recorded in the accompanying financial statements.

Risk management:

Commerce RI is self-insured for unemployment compensation. No accrual has been made for claims expected to arise from services rendered on or before June 30, 2015 because Commerce RI officials are of the opinion that, based upon prior years' experience, any claims will not be material.

Commerce RI is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which Commerce RI carries commercial insurance. Neither Commerce RI nor its insurers have settled any claims which exceeded Commerce RI's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

Private-sector entity insured commitment:

Under a Settlement Agreement, dated March 3, 2001, by and between Cyto Therapeutics, Inc. (CTI), Commerce RI, Rhode Island Industrial-Recreational Building Authority (RIIRBA), and Rhode Island Industrial Facilities Corporation (RIIFC) (both component units of the State), Commerce RI advanced to RIIRBA an amount equal to that previously funded by CTI and held in reserve by RIIRBA. The reserve is to be used by RIIRBA to fund shortfalls, if any, resulting from the difference between the amounts required to repay the outstanding bonds on the related building formerly occupied by CTI and insured by RIIRBA and the lease payments received or proceeds from the sale of the building. Upon repayment of all outstanding bonds relating to the building, RIIRBA is required to return to Commerce RI any unused funds. At June 30, 2015, \$696,557 is due from RIIRBA for such amounts. During the fiscal year ended June 30, 2015, the underlying revenue bond was paid off. Accordingly, amounts due from RIIRBA are classified as a current asset in the accompanying 2015 financial statements.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

11. Conduit debt obligations and credit enhancements:

From time to time, Commerce RI issues revenue bonds and notes to provide financial assistance to private-sector and public-sector entities for the acquisition and construction of industrial and commercial facilities. The bonds and notes are secured by the property financed and are payable solely from payments received on the underlying mortgage loans and lease agreements. Upon repayment of the bonds and notes, ownership of the acquired facilities transfers to the private-sector or public-sector entity serviced by the bond or note issuance. Commerce RI is not obligated in any manner for repayment of the bonds and notes, except for those obligations in default that were issued with a credit enhancement by the Corporation under the Job Creation Guaranty Program, as described below. The bonds and notes are not reported as liabilities in the accompanying financial statements.

Under the terms of the various indentures and related loan and lease agreements, the private-sector and public-sector entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. Accordingly, the payments are not shown as receipts and disbursements of Commerce RI.

During the fiscal 2010 legislative session, the General Assembly approved the Job Creation Guaranty Program (JCGP), which authorizes Commerce RI to provide credit enhancements of up to \$125,000,000 on bonds or loans privately placed with capital providers and banks. The State will use its "moral obligation" authority to guarantee debt service payments to the bondholders and lenders. In the event of default by one of the obligors in this program, any amounts paid to the bondholders and lenders by the State on behalf of Commerce RI pursuant to the provisions of this section shall constitute and be accounted for as advances by the State to Commerce RI.

In 2013, the General Assembly eliminated the JCGP, however, existing guarantees or bond obligations under the JCGP will remain in force and effect until retired pursuant to the terms of each transaction. Total outstanding guarantees as of June 30, 2015 are \$62,675,000 (principal only), including 38 Studios, as described below, in the amount of \$59,675,000 (principal only; total debt service is \$76,485,589).

On November 2, 2010, a loan in the amount of \$75,000,000 was provided to 38 Studios LLC (38 Studios) under the JCGP as follows:

Capital Reserve Account, held by trustee	\$ 12,750,000
Capitalized Interest Account, held by trustee	10,600,000
Amount available for the 38 Studios Project and bond issuance costs	<u>51,650,000</u>
	<u>\$ 75,000,000</u>

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

11. Conduit debt obligations and credit enhancements (continued):

Under this program, the State used its “moral obligation” authority to guarantee debt service payments to the bondholders.

On June 7, 2012, 38 Studios filed for bankruptcy under Chapter 7 in Delaware listing \$151,000,000 in liabilities and \$21,700,000 in assets. On August 8, 2012, a federal judge allowed the assets to be liquidated through the state court in Rhode Island.

This is a conduit debt transaction and credit enhancement with limited recourse and, accordingly, this loan is not reported as a liability in the accompanying financial statements. Commerce RI is obligated to the bondholders under the loan and trust agreement for all sums borrowed and not repaid, provided, however, that the bondholders may only satisfy such obligation by executing upon the collateral pledged pursuant to the terms of the loan and trust agreement and by proceeding against the reserve account maintained by Commerce RI pursuant to the JGCP to hold 50% of the fees that Commerce RI earned under that program. Pursuant to RIGL Section 42-64-18(5), all amounts paid to the bondholders and lenders by Commerce RI from appropriations received from the State, pursuant to the provisions of this section, shall constitute and be accounted for as advances by the State to Commerce RI. During the year ended June 30, 2015, the amounts paid to Commerce RI to enable Commerce RI satisfy debt service obligations related to the JCGP (i.e., 38 Studios) totaled \$8,635,000, which is recorded in the accompanying financial statements as a liability of Commerce RI payable to the State.

As of June 30, 2015, all project-related funds maintained by the Trustee have been completely expended, with the exception of \$278,294 available in the Principal and Interest Sinking Fund. This balance represents the cumulative investment earnings to date on all deposits as well as the balance available after subtracting the scheduled bond payment made in May 2015 (\$2,194,956) from the amount that was appropriated by the General Assembly and paid to Commerce RI (\$8,635,000).

On July 22, 2014, a Rhode Island Superior Court ruling upheld an initial legal settlement entered into by Commerce RI with a law firm in connection with Rhode Island Economic Development Corporation v. Wells Fargo, et al. pending in the Providence Superior Court, which resulted in the gross payment of \$4,370,000, of which Commerce RI received and recorded revenue of \$3,641,667. After payment of fees, costs and expenses, the net amount of the settlement, totaling \$3,171,441, was paid by Commerce RI to Bank of New York Mellon Trust Company, N.A. for the benefit of the bondholders of the “Rhode Island Economic Development Corporation’s Job Creation Guaranty Program Series 2010 (38 Studios LLC Project)” bonds, which is included within expenses related to conduit obligations in the accompanying statement of revenues, expenses, and changes in net position.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

11. Conduit debt obligations and credit enhancements (continued):

In accordance with the enabling legislation and an agreement between Commerce RI, the trustee, and 38 Studios, should amounts in the Capital Reserve Account fall below minimum requirements, Commerce RI has agreed to present the Governor of Rhode Island with a certificate stating the amounts required to restore any shortfall and the Governor is required to include such amounts in a budget request for appropriation to the General Assembly. The General Assembly may, but is not required to, appropriate such amounts. The General Assembly approved approximately \$12,500,000 in its budget for the fiscal year ending June 30, 2016 to cover the scheduled bond payments in November 2015 and May 2016. The total debt service for the issuance is \$112,587,089, but the remaining debt service as of June 30, 2015 is \$74,290,631, with reserves of approximately \$293,000. The maximum annual (calendar year) debt service is \$12,749,913.

The total aggregate principal amount outstanding under all conduit debt obligations at June 30, 2015 was approximately \$896,000,000.

12. ProvPort crane and barge project:

During the year ended June 30, 2013, the United States Department of Transportation, Maritime Administration (MARAD), and Commerce RI executed a Grant Agreement, and Commerce RI and ProvPort, Inc. (the Organization) executed a Sub-grant Agreement, regarding a Transportation Investments Generating Economic Recovery Grant II (TIGER II Grant). Under the terms of the Grant Agreement, Commerce RI and the Organization were designated as grant recipient and sub-recipient, respectively, of TIGER II Grant funds of up to \$10,500,000 for the purchase of two mobile harbor cranes, two barges, and related equipment (collectively, the Project).

Title to the cranes, barges, and other equipment (the Project Equipment) is held solely by Commerce RI. The Project Equipment, which is located at the Port of Providence, has been leased by Commerce RI to the Organization. Upon final payment of the lease obligations, or after a minimum of three years and repayment of the Organization's Bank of America loan, title to the Project Equipment will vest in the Organization. Commerce RI and the Organization have entered into separate lease agreements for the cranes and barges. Each lease features a term of twelve years and annual payments of \$1. At the end of each lease term, the Organization has the option to purchase the cranes and barges for \$1. Commerce RI has provided a first priority security interest in the barges to Bank of America. Commerce RI and the Organization have granted a collateral assignment of their respective interests in the leases to Bank of America. Based on the terms of this agreement, Commerce RI has accounted for this lease as a direct financing capital lease.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

12. ProvPort crane and barge project (continued):

At June 30, 2015, Commerce RI has restricted cash on hand and a liability payable to the Organization from restricted cash of \$2,027,860 pertaining to amounts received by Commerce RI from MARAD yet to be remitted to the Organization.

Commerce RI earned an annual administrative fee from the Organization in the amount of one-eighth of one percent of the Project cost, which amounted to \$26,572 for the year ended June 30, 2015.

13. Contractual services:

Contractual services expense by service category for Commerce RI and SBLF for the year ended June 30, 2015 is as follows:

	Commerce RI	SBLF
Information technology	\$ 191,038	
Legal services	984,566	\$ 66,236
Consulting	589,267	6,203
Other	128,373	
	\$ 1,893,244	\$ 72,439

14. Subsequent event:

On September 11, 2015, a Rhode Island Superior Court ruling upheld an initial settlement entered into by Commerce RI with four named defendants in connection with Rhode Island Economic Development Corporation v. Wells Fargo, et al. pending in Providence Superior Court. The settlement will result in the gross payment of \$12,500,000. After payment of fees, costs and expenses, the net amount from the settlement is expected to be approximately \$9,900,000 and will be paid to Bank of New York Mellon Trust Company, N.A. for the benefit of the bondholders of the “Rhode Island Economic Development Corporation’s Job Creation Guaranty Program Series 2010 (38 Studios LLC Project)” bonds.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

SCHEDULE OF CORPORATION CONTRIBUTIONS
RI COMMERCE CORPORATION PENSION PLAN AND TRUST
LAST 10 FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$63,264	\$88,332	\$100,969	\$53,064	\$127,299	\$188,504	\$253,762	\$226,399	\$268,577	\$260,888
Contributions in relation to the actuarially determined contribution	\$63,264	\$88,332	\$108,596	\$53,515	\$128,436	\$218,400	\$293,262	\$249,464	\$268,577	\$261,034
Contribution deficiency / (excess)	\$0	\$0	(\$7,627)	(\$451)	(\$1,137)	(\$29,896)	(\$39,500)	(\$23,065)	\$0	(\$146)
Covered employee payroll	\$1,154,143	\$1,166,710	\$1,264,082	\$1,419,660	\$1,495,990	\$1,500,256	\$1,770,236	\$1,639,024	\$1,701,648	\$1,703,432
Contributions as a percentage of covered employee payroll	5.48%	7.57%	8.59%	3.77%	8.59%	14.56%	16.57%	15.22%	15.78%	15.32%

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

SCHEDULE OF CORPORATION CONTRIBUTIONS
EMPLOYEES RETIREMENT SYSTEM (ERS) PLAN
LAST 10 FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily determined contribution	\$21,260	Schedule is intended to show information for 10 years - additional years will be displayed as they become available.								
Contributions in relation to the statutorily determined contribution	\$21,260									
Contribution deficiency/(excess)	\$0									
Covered employee payroll	\$91,129									
Contributions as a percentage of covered employee payroll	23.33%									

Note - RIGL requires participating employers to contribute an actuarially determined rate to the ERS plan.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

SCHEDULE OF CORPORATION'S PROPORTIONATE SHARE OF NET PENSION ASSET
RI COMMERCE CORPORATION PENSION PLAN AND TRUST
LAST 10 FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Corporation's proportion of the net pension asset	42.15%	Schedule is intended to show information for 10 years - additional years will be displayed as they become available.								
Corporation's proportionate share of the net pension liability (asset)	(\$477,935)									
Corporation's covered-employee payroll	\$1,166,710									
Corporation's proportionate share of the net pension asset as a percentage of its covered employee payroll	-40.96%									
Plan fiduciary net position as a percentage of the total pension asset	106.84%									

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

SCHEDULE OF CORPORATION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
EMPLOYEES RETIREMENT SYSTEM (ERS) PLAN
LAST 10 FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Corporation's proportion of the net pension liability	0.02%	Schedule is intended to show information for 10 years - additional years will be displayed as they become available.								
Corporation's proportionate share of the net pension liability (asset)	\$273,850									
Corporation's covered-employee payroll	\$91,129									
Corporation's proportionate share of the net pension liability as a percentage of its covered employee payroll	300.51%									
Plan fiduciary net position as a percentage of the total pension liability	58.58%									

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

RI Commerce Plan – Changes in Plan Provisions

The name of the Plan sponsor was changed to Rhode Island Commerce Corporation, and the name of the Plan was changed to Rhode Island Commerce Corporation Pension Plan and Trust. The amendment was effective as of January 1, 2014. There were no changes to the benefit terms of the plan since the June 30, 2013 actuarial valuation.

RI Commerce Plan – Changes of assumptions

The discount rates used as of 7/1/2013 and 6/30/2014 were as follows:

	<u>7/1/2013</u>	<u>6/30/2014</u>
Long-term rate of return for investments	6.50%	6.50%
Municipal bond rate	4.42%	3.66%
Discount rate for net pension liability purposes	6.50%	6.50%

State of RI ERS Plan – Changes in Plan provisions

There were no changes to plan provisions between July 1, 2013 and June 30, 2014.

State of RI ERS Plan – Changes of actuarial methods or assumptions since July 1, 2013:

There were no changes to actuarial methods or assumptions between July 1, 2013 and June 30, 2014.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED JUNE 30, 2015

State of RI ERS Plan - Changes in benefit provisions

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5 year intervals.
- Minor adjustments were made to the actuarial valuation for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for state employees (determined on a funding basis) decreased from 57.4% to 56.1%.



Independent Auditors' Report on Accompanying Information

Board of Directors
Rhode Island Commerce Corporation
Providence, Rhode Island

Our audit was performed for the purpose of forming an opinion on the 2015 basic financial statements of the Rhode Island Commerce Corporation, a component unit of the State of Rhode Island, taken as a whole. The accompanying supplementary information on pages 55 through 65 is presented for purposes of additional analysis and is not a required part of the 2015 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads 'LGCD LLP'.

Providence, Rhode Island
September 30, 2015

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

Federal Grantor/Program Title Pass-through grantor	Federal CFDA Number	Federal Expenditures
DEPARTMENT OF DEFENSE		
Economic Adjustment Assistance for State Governments	12.617	\$ 901,527
Procurement Technical Assistance for Business Firms	12.002	386,754
Total Department of Defense		<u>1,288,281</u>
DEPARTMENT OF COMMERCE		
Investing in Manufacturing Communities Partnership	11.307	45,723
State Broadband Data & Development - ARRA	11.558	753,603
Economic Adjustment Assistance	11.307	9,346,481
Total Department of Commerce		<u>10,145,807</u>
U.S. DEPARTMENT OF ENERGY		
RI Business Energy Assistance Program	81.041	33,606
Total expenditures of federal awards		<u><u>\$ 11,467,694</u></u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2015

<u>Combined Statement of Net Position</u>	<u>Attachment B</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,034,741
Investments	
Receivables (net)	1,396,530
Restricted assets:	
Cash and cash equivalents	20,899,082
Investments	3,312,116
Receivables (net)	92,172
Other assets	
Due from primary government	799,947
Due from other State component units	708,373
Due from other governments	456,230
Inventories	
Other assets	68,600
Total current assets	29,767,791
Noncurrent assets:	
Investments	1,385,162
Receivables (net)	4,288,088
Restricted assets:	
Cash and cash equivalents	12,777,481
Investments	21,559,325
Receivables (net)	1,422,741
Other assets	
Due from other State component units	
Capital assets - nondepreciable	128,762
Capital assets - depreciable (net)	42,756
Net pension asset	477,934
Other assets, net of amortization	
Total noncurrent assets	42,082,249
Total assets	71,850,040
Deferred outflows of resources:	
Accumulated decrease in fair value of hedging derivatives	
Deferred losses on refunding	
Other deferred outflows of resources	158,361
Total deferred outflows of resources	158,361

(continued)

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2015

	Combined Statement of Net Position	Attachment B
Liabilities		
Current liabilities:		
Cash overdraft		
Accounts payable		\$ 146,130
Due to primary government		
Due to other State component units		
Due to other governments		
Unearned revenue		8,020,743
Other current liabilities		3,741,694
Current portion of long-term debt		2,365,510
Total current liabilities		14,274,077
Noncurrent liabilities:		
Due to primary government		
Advance from State for conduit debt obligations		11,135,000
Due to other governments		
Due to other State component units		
Net pension liability		273,850
Net OPEB obligation		
Unearned revenue		14,909,540
Notes payable		
Loans payable		
Obligations under capital leases		
Compensated absences		
Other liabilities		3,093,268
Bonds payable		24,144,297
Total noncurrent liabilities		53,555,955
Total liabilities		67,830,032
Deferred inflows of resources:		
Accumulated increase in fair value of hedging derivatives		
Deferred gains on refunding		
Other deferred inflows of resources		382,235
Total deferred inflows of resources		382,235
Net position		
Investment in capital assets		171,518
Restricted for:		
Debt		
Other		
Nonexpendable		4,952,097
Unrestricted (deficit)		(1,327,481)
Total net position		\$ 3,796,134

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2015

<u>Combined Statement of Activities</u>	<u>Attachment C</u>
Expenses	<u>\$ 36,782,100</u>
Program revenues:	
Charges for services	2,420,856
Operating grants and contributions	2,587,243
Capital grants and contributions	
	<hr/>
Total program revenues	<u>5,008,099</u>
Net (expenses) revenues	<u>(31,774,001)</u>
General revenues:	
Interest and investment earnings	2,235,873
Miscellaneous revenue	19,426,621
	<hr/>
Total general revenues	<u>21,662,494</u>
Income before transfers and special and extraordinary items	(10,111,507)
Transfer from other State component unit	355,762
Special items	
Extraordinary items	
	<hr/>
Change in net position	<u>(9,755,745)</u>
Total net position - beginning, as originally reported	13,044,954
Restatement	506,925
	<hr/>
Total net position- beginning, as restated	<u>13,551,879</u>
Total net position - ending	<u><u>\$ 3,796,134</u></u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2015

Combined Schedule of Long-Term Debt

Attachment D

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,365,510	\$ 2,023,604
2017	2,560,034	1,828,449
2018	2,765,676	1,619,895
2019	2,990,807	1,394,568
2020	3,235,839	1,151,486
2021-2025	9,124,765	2,889,857
2026-2027	3,467,177	327,779
	<u>\$ 26,509,808</u>	<u>\$ 11,235,638</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2015

Attachment E

Combined Schedule of Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
	(Restated)					
Bonds and leases payable, restricted	\$ 28,697,866	\$ -	\$ 2,188,058	\$ 26,509,808	\$ 2,365,510	\$ 24,144,298
Net unamortized premium / discount						
Deferred amount on refunding						
	<u>28,697,866</u>	<u>-</u>	<u>2,188,058</u>	<u>26,509,808</u>	<u>2,365,510</u>	<u>24,144,298</u>
Bonds payable	28,697,866	-	2,188,058	26,509,808	2,365,510	24,144,298
Notes payable						
Loans payable						
Obligations under capital leases						
Net pension obligation			-	-		
Net pension liability - ERS plan	300,802		26,952	273,850	-	273,850
Due to primary government and agencies						
Due to other governments						
Advance from State for conduit debt obligations	2,500,000	8,635,000	-	11,135,000		11,135,000
Unearned revenue, restricted	18,833,210	8,306,161	4,209,088	22,930,283	8,020,743	14,909,540
Due to other State component units				-		
Other liabilities, payable from restricted assets	3,092,223	561,815	-	3,654,038	560,770	3,093,268
	<u>\$ 53,424,101</u>	<u>\$ 17,502,976</u>	<u>\$ 6,424,098</u>	<u>\$ 64,502,979</u>	<u>\$ 10,947,023</u>	<u>\$ 53,555,956</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

YEAR ENDED JUNE 30, 2015

Date	Payee	Amount	Purpose
7/10/2014	RI Food Dealers Association	\$ 550	RI Food Dealers Assoc for RI Business Day Conference in Washington, DC for S. Katz
7/10/2014	APTAC	2,580	Registration Fee for Fall 2014 APTAC Conference in Washington, DC for PTAC Employees
7/24/2014	Int'l Economic Development Council	795	Registration Fee for Marcel Valois for the IEDC Annual Conference in Ft. Worth, TX
7/30/2014	RI Food Dealers Association	550	RI Food Dealers Assoc for RI Business Day Conference in Washington, DC for M. Valois
8/21/2014	Marcel Valois	543	NGA Conference in Bretton Woods, NH
8/7/2014	New Garden Park, Inc./Build NE Conf.	395	Registration Fee for Marcel Valois for NEDA Conference in Worcester, MA
8/21/2014	New Garden Park, Inc./Build NE Conf.	395	Registration Fee for Mike Walker for NEDA Conference in Worcester, MA
9/11/2014	Michael Walker	405	NEDA Conference in Worcester, MA
9/18/2014	Christine Smith	1,567	SSTI Conference in Chicago, IL
10/3/2014	Marcel Valois	448	NEDA Conference in Worcester, MA
10/3/2014	Lavan Coaches	19	Limo Service for Ireland Trade Mission
10/3/2014	Stuart Freiman	357	BBRI Communities Economic Devel. Conf. in Springfield, MA
11/6/2014	Marcel Valois	1,333	EDA IMCP Summit in Washington, DC
11/6/2014	Marcel Valois	1,828	IEDC 2014 Annual Conference in Fort Worth, TX
11/17/2014	Michael Walker	710	OEA Defense Industry Adjustment Grantee Workshop in Alexandria, VA
11/17/2014	Stephen Katz	1,130	APTAC Fall 2014 Conference in Washington, DC
11/17/2014	Louis Francis	974	APTAC Fall 2014 Conference in Washington, DC
11/21/2014	Soraya Sundberg	1,473	APTAC Fall 2014 Conference in Washington, DC
11/21/2014	Victor Howard	1,120	APTAC Fall 2014 Conference in Washington, DC
11/21/2014	John Riendeau	713	OEA Defense Industry Adjustment Grantee Workshop in Alexandria, VA
11/26/2014	Shauna Beland	908	CESA Conference in Annapolis, Maryland
1/29/2015	APTAC	2,980	Registration Fee for Spring 2015 APTAC Conference in Denver, CO for PTAC Employees
2/19/2015	Int'l Economic Development Council	435	Registration fee for Mike Walker for Economic Development Training Course in Arlington, VA
3/13/2015	ASK Associates, Inc.	500	Booth Fee for the Select USA Investment Summit in National Harbor, MD
3/13/2015	ASK Associates, Inc.	550	Registration Fee for John Riendeau for the Select USA Investment Summit in National Harbor, MD
3/13/2015	ASK Associates, Inc.	550	Registration Fee for Kathy Therieau for the Select USA Investment Summit in National Harbor, MD
3/26/2015	Victor Howard	1,906	APTAC Spring Conference in Denver, CO
3/26/2015	Louis Francis	1,906	APTAC Spring Conference in Denver, CO
3/26/2015	Kelly Bennett	2,106	APTAC Spring Conference in Denver, CO
3/26/2015	Stephen Katz	2,031	APTAC Spring Conference in Denver, CO
4/2/2015	State of Vermont	450	Registration fee for K. Bennett & V. Howard for PTAC Matchmaker Event in Montpelier, VT

(continued)

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2015

Date	Payee	Amount	Purpose
4/2/2015	Michael Walker	\$ 944	IEDC Training Conference in Arlington, VA
4/2/2015	Katherine Therieau	1,139	Select USA Conference in Washington, DC
4/2/2015	John Riendeau	1,316	Select USA Conference in Washington, DC
4/2/2015	Hannah D. Morini	255	Cleantech Navigate Summit in Niskayuna, NY
4/16/2015	Stephen Katz	1,465	Navy League's 2015 Sea-Air-Space Expo in Washington, DC
4/16/2015	Mark Brodeur	308	ITB in Berlin, Germany
4/16/2015	Discover New England	3,500	Travel Fees for Mark Brodeur to attend ITB in Berlin, Germany
5/14/2015	Kelly Bennett	657	Matchmaker Conference in Manchester, VT
5/14/2015	Victor Howard	722	Matchmaker Conference in Manchester, VT
5/14/2015	NCMA	1,850	Registration Fee for L. Francis & S. Sundberg to Attend the NCMA's World Congress in Grapevine, TX
6/4/2015	Stuart Freiman	782	NTIA Broadband Workshop in Arlington, VA
6/4/2015	William J. Ash, Jr.	1,742	SSBCI Annual Conference in Washington, DC
6/12/2015	Christine Smith	1,267	SSTI Conference in Washington, DC
6/19/2015	Christine Smith	2,039	SBIR Conference in Washington, DC
6/25/2015	Discover New England	580	Hotel fees for M. Brodeur DNE Summit in
6/25/2015	Mark Brodeur	236	Meals & Parking fees for Pow Wow in Orlando, FL
6/30/2015	Mark Brodeur	316	DNE Summit in Portland, ME
6/30/2015	Daniel Jennings	1,159	SSTI Conference in Washington, DC
	Total	<u>\$ 52,484</u>	

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2015

	Rhode Island Commerce Corporation	Renewable Energy Fund	Job Creation Guaranty	ARRA Energy	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 1,574,863				\$ 1,574,863
Accounts receivable	32,831		\$ 26,514		59,345
Interfund receivable	229,054	\$ (24,870)	(154,786)	\$ (4,958)	44,440
Due from State of Rhode Island	760,434	39,513			799,947
Due from other State component units	708,373				708,373
Deposits and prepaid expenses	61,615				61,615
Restricted:					
Cash and cash equivalents	3,095,887	14,145,036	36,590	3,621,569	20,899,082
Investments	946,606				946,606
Notes receivable		57,000			57,000
Grants and other receivables	456,230	2,676		21	458,927
Net investment in direct financing leases	2,365,510				2,365,510
Total current assets	10,231,403	14,219,355	(91,682)	3,616,632	27,975,708
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	4,731,689		14,799		4,746,488
Notes receivable, less current portion		985,154		25,000	1,010,154
Net investments in direct financing leases, less current portion	21,559,325				21,559,325
Net pension asset	477,934				477,934
Capital assets not being depreciated	128,762				128,762
Capital assets being depreciated, net	42,756				42,756
Total noncurrent assets	26,940,466	985,154	14,799	25,000	27,965,419
Total assets	37,171,869	15,204,509	(76,883)	3,641,632	55,941,127
DEFERRED OUTFLOWS OF RESOURCES:					
Commerce RI pension plan	137,101				137,101
State of Rhode Island pension plan	21,260				21,260
Total deferred outflows of resources	158,361				158,361

(continued)

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF NET POSITION (CONTINUED)

YEAR ENDED JUNE 30, 2015

	Rhode Island Commerce Corporation	Renewable Energy Fund	Job Creation Guaranty	ARRA Energy	Total
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 128,537		\$ 15,919		\$ 144,456
Accrued expenses and other	840,555	\$ 156,260	154,055		1,150,870
Payable from restricted assets	4,954,140				4,954,140
Unearned revenue, restricted	464,304			\$ 3,616,610	4,080,914
Total current liabilities	<u>6,387,536</u>	<u>156,260</u>	<u>169,974</u>	<u>3,616,610</u>	<u>10,330,380</u>
Noncurrent liabilities:					
Liabilities payable from restricted cash and cash equivalents	3,093,268				3,093,268
State net pension liability	273,850				273,850
Bonds and leases payable, less current portion, restricted	24,144,297				24,144,297
Advances from State for conduit debt obligations	11,135,000				11,135,000
Unearned revenue, restricted		14,909,540			14,909,540
Total noncurrent liabilities	<u>38,646,415</u>	<u>14,909,540</u>			<u>53,555,955</u>
Total liabilities	<u>45,033,951</u>	<u>15,065,800</u>	<u>169,974</u>	<u>3,616,610</u>	<u>63,886,335</u>
DEFERRED INFLOWS OF RESOURCES:					
Commerce RI pension plan	358,254				358,254
State of Rhode Island pension plan	23,981				23,981
Total deferred inflows of resources	<u>382,235</u>				<u>382,235</u>
NET POSITION:					
Investment in capital assets	171,518	-	-	-	171,518
Restricted for grants and other programs	499,238	280,326	51,389	29,980	860,933
Unrestricted (deficit)	(8,756,712)	(141,617)	(298,246)	(4,958)	(9,201,533)
Total net (deficit) position	<u>\$ (8,085,956)</u>	<u>\$ 138,709</u>	<u>\$ (246,857)</u>	<u>\$ 25,022</u>	<u>\$ (8,169,082)</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2015

	Rhode Island Commerce Corporation	Renewable Energy Fund	Job Creation Guaranty	ARRA Energy	Total
Operating revenues:					
Charges for services:					
Rentals and fees	\$ 20,354				\$ 20,354
Interest on loans		\$ 9,811		\$ 21	9,832
Other income	50,699	1,873,899	\$ 80,825		2,005,423
Legal settlement	3,641,667				3,641,667
Total operating revenues	<u>3,712,720</u>	<u>1,883,710</u>	<u>80,825</u>	<u>21</u>	<u>5,677,276</u>
Operating expenses:					
Personnel services	2,625,932	148,177			2,774,109
Contractual services	1,198,155	109,675	585,414		1,893,244
Grants		1,419,634			1,419,634
Other expenses	503,826	133,408	109		637,343
Expenses related to conduit debt obligations	11,806,441		914,492		12,720,933
Provision for loan losses and uncollectibles			75,336		75,336
Depreciation and amortization	15,997	3,192			19,189
Total operating expenses	<u>16,150,351</u>	<u>1,814,086</u>	<u>1,575,351</u>	<u>21</u>	<u>19,539,788</u>
Operating income (loss)	<u>(12,437,631)</u>	<u>69,624</u>	<u>(1,494,526)</u>	<u>21</u>	<u>(13,862,512)</u>
Nonoperating revenues (expenses):					
Appropriations from State	15,726,777	58,177			15,784,954
Investment and other revenue	2,235,691	182			2,235,873
Interest expense	(2,199,403)				(2,199,403)
Grant income	2,123,760			33,606	2,157,366
Grant expenses	(2,377,322)			(8,605)	(2,385,927)
Public investment payments and job credits	(6,750,276)				(6,750,276)
Other	(4,584,375)	(60,353)			(4,644,728)
Total nonoperating revenues (expenses), net	<u>4,174,852</u>	<u>(1,994)</u>		<u>25,001</u>	<u>4,197,859</u>
Income (loss) before transfer	<u>(8,262,779)</u>	<u>67,630</u>	<u>(1,494,526)</u>	<u>25,022</u>	<u>(9,664,653)</u>
Transfer from other State component units	<u>355,762</u>				<u>355,762</u>
Change in net position	<u>(7,907,017)</u>	<u>67,630</u>	<u>(1,494,526)</u>	<u>25,022</u>	<u>(9,308,891)</u>
Total net (benefit) position, beginning of year:					
As originally reported	(685,864)	71,079	1,247,669		632,884
Restatement (Note 8)	506,925				506,925
As restated	<u>(178,939)</u>	<u>71,079</u>	<u>1,247,669</u>		<u>1,139,809</u>
Total net (deficit) position, end of year	<u>\$ (8,085,956)</u>	<u>\$ 138,709</u>	<u>\$ (246,857)</u>	<u>\$ 25,022</u>	<u>\$ (8,169,082)</u>



**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**

Board of Directors
Rhode Island Commerce Corporation
Providence, Rhode Island

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 Rhode Island Commerce Corporation (the Corporation), a component unit of the State of Rhode Island, which comprise the statement of net position as of June 30, 2015, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

A Limited Liability Partnership

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**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards (Continued)**

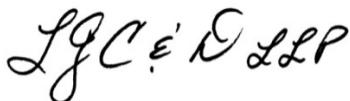
Board of Directors
Rhode Island Commerce Corporation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under Government Auditing Standards.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Providence, Rhode Island
September 30, 2015