

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

**YEAR ENDED JUNE 30, 2014**



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

YEAR ENDED JUNE 30, 2014

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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, 2014, 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.

## Independent Auditors' Report (Continued)

Board of Directors  
Rhode Island Commerce Corporation

### *Auditors' Responsibility (Continued)*

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

### *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, 2014, 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 Matter*

As discussed in Note 7 to the financial statements, for the year ended June 30, 2014, appropriations by the General Assembly of the State of Rhode Island received by the Corporation to fund its expenses comprised approximately 71% of the Corporation's total operating and nonoperating revenues. Our opinion is not modified with respect to this matter.

### *Other Matter*

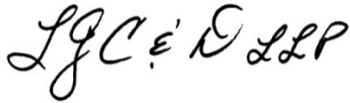
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and the schedule of funding progress on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 October 2, 2014 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.



Providence, Rhode Island  
October 2, 2014

## 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, 2014. Commerce RI's financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

### Introduction

During the year ended June 30, 2014, the General Assembly of the State passed legislation that changed the name of the Rhode Island Economic Development Corporation (RIEDC) to the Rhode Island Commerce Corporation. 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)

### 2014 Financial Highlights

Total assets exceeded total liabilities by \$632,884 (net position) at June 30, 2014. Net deficit position totaling \$1,113,183 is unrestricted. Net position totaling \$1,566,992 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 \$179,075, is attributable to the acquisition and associated depreciation of Commerce RI's capital assets.

Operating loss for 2014 was \$4,268,401, a decrease of \$712,263 when compared to 2013.

Nonoperating revenues, net of nonoperating expenses totaled \$1,609,901 in 2014 as compared to \$4,949,063 in 2013.

Transfers from other State component units totaled \$445,492 as compared to \$234,531 in 2013.

Net position decreased by \$2,213,008 in 2014.

## 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)
	2014	2013	2014 v 2013
Net position:			
Current assets	\$ 24,993	\$ 19,769	\$ 5,224
Noncurrent assets	32,142	34,528	(2,386)
Total assets	57,135	54,297	2,838
Current liabilities	9,363	6,938	2,425
Noncurrent liabilities	47,139	44,513	2,626
Total liabilities	56,502	51,451	5,051
Net position	\$ 633	\$ 2,846	\$ (2,213)

### Statements of Revenues, Expenses, and Changes in Net Position

	Year ended June 30,		Increase (decrease)
	2014	2013	2014 v 2013
Changes in net position:			
Operating revenues	\$ 2,220	\$ 2,530	\$ (310)
Operating expenses	6,489	7,511	(1,022)
Operating loss	(4,269)	(4,981)	712
Nonoperating revenues, net	1,610	4,949	(3,339)
Transfers	446	235	211
Change in net position	\$ (2,213)	\$ 203	\$ (2,416)



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 2014 Financial Analysis

Total assets of Commerce RI increased approximately \$2,838,000 during 2014, due principally to increases in cash and cash equivalents, offset by decreases in receivables, and net investment in direct financing leases.

Total liabilities increased approximately \$5,051,000 due principally to increases in unearned revenue, advances from the State for conduit debt obligations, offset by decreases in bonds and leases payable, other payables and accrued expenses, and payables from restricted assets.

### 2014 Operating Activity

Total operating revenues decreased approximately \$310,000 during 2014, due principally to a decline in revenues derived from the renewable energy program.

Total operating expenses decreased approximately \$1,022,000 during 2014, due principally to a decline in contractual and grant-related expenses.

The operating loss to Commerce RI was approximately \$4,268,000 in 2014 compared to \$4,981,000 in 2013.

### 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, 2014**

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,324,891	\$ 2,548,009
Accounts receivable	230,923	
Notes and loans receivable, less allowance for loan losses		1,414,908
Interest receivable		16,650
Interfund receivable	391,524	
Due from State of Rhode Island	61,115	
Due from other State component units	6,647	
Deposits and prepaid expenses	69,409	6,999
Restricted:		
Cash and cash equivalents	19,771,634	
Other receivables	2,795	
Investments	946,034	
Net investment in direct financing leases	2,188,058	
	24,993,030	3,986,566
Total current assets		
Noncurrent assets:		
Restricted:		
Cash and cash equivalents	6,253,317	3,358,445
Notes receivable	1,087,601	
Net investment in direct financing leases, less current portion	23,924,836	
Investment in joint venture		1,806,756
Due from other State component units	696,557	
Notes and loans receivable, less allowance for loan losses		3,687,428
Capital assets not being depreciated	128,762	
Capital assets being depreciated, net	50,313	
	32,141,386	8,852,629
Total noncurrent assets		
Total assets		
	57,134,416	12,839,195

(continued)

**RHODE ISLAND COMMERCE CORPORATION**  
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**STATEMENT OF NET POSITION – JUNE 30, 2014 (CONTINUED)**

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 154,519	\$ 8,186
Accrued expenses and other	656,671	3,265
Interfund payable		391,524
Payable from restricted assets	4,215,918	
Unearned revenue	4,335,704	24,150
Total current liabilities	9,362,812	427,125
Noncurrent liabilities:		
Liabilities payable from restricted cash and cash equivalents	3,092,223	
Net pension obligation	563,333	
Bonds and leases payable, less current portion	26,509,808	
Advance from State for conduit debt obligations	2,500,000	
Unearned revenue	14,473,356	
Total noncurrent liabilities	47,138,720	
Total liabilities	56,501,532	427,125
Commitments and contingencies (Note 10)		
<b>NET POSITION:</b>		
Investment in capital assets	179,075	
Restricted for grants and other programs	1,566,992	3,334,295
Unrestricted	(1,113,183)	9,077,775
Total net position	\$ 632,884	\$ 12,412,070

See notes to financial statements.

**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, 2014**

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Operating revenues:		
Charges for services:		
Rental fees	\$ 47,021	
Interest on loans	9,651	\$ 419,791
Other income, principally Renewable Energy Fund	2,163,598	
Total operating revenues	2,220,270	419,791
Operating expenses:		
Personnel services	2,967,970	160,318
Contractual services	1,622,356	37,464
Grants	900,197	
Other expenses	975,810	176,079
Provision for loan losses and uncollectibles, net of recoveries		292,759
Depreciation and amortization	22,338	
Total operating expenses	6,488,671	666,620
Operating loss	(4,268,401)	(246,829)

(continued)

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)**

**YEAR ENDED JUNE 30, 2014**

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Nonoperating revenues (expenses):		
Appropriations from State	\$ 15,049,276	
Investment and other revenue	2,490,419	
Interest expense	(2,363,960)	
Grant income	1,379,192	\$ 15,897
Grant expenses	(1,475,958)	(17,187)
Public investment payments and job credits	(6,744,026)	
Expenses related to conduit debt obligations	(2,500,000)	
Other	(4,225,042)	(70,819)
	1,609,901	(72,109)
Loss before transfer	(2,658,500)	(318,938)
Transfer from other State component units	445,492	
Change in net position	(2,213,008)	(318,938)
Total net position, beginning of year	2,845,892	12,731,008
Total net position, end of year	\$ 632,884	\$ 12,412,070

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, 2014**

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Cash flows from operating activities:		
Receipts from customers/borrowers	\$ 9,515,507	\$ 1,287,643
Payments to suppliers	(4,059,681)	(244,405)
Payments to employees	(3,230,737)	134,430
	2,225,089	1,177,668
Cash flows from noncapital financing activities:		
State of Rhode Island appropriations received	15,096,300	
Advances from State for conduit debt obligations	2,500,000	
Grants received	2,897,991	15,897
Grant expenditures	(5,701,000)	(17,187)
Public investment payments and job credits	(6,744,026)	
Expenses related to conduit debt obligations	(2,500,000)	
Transfers	445,492	
	5,994,757	(1,290)
Cash flows from capital and related financing activities:		
Interest paid, long-term obligations	(2,363,960)	
Acquisition of capital assets	(19,348)	
Receipts under direct financing leases	2,019,567	
Payments under direct financing leases	(2,019,566)	
Liabilities payable from restricted assets	(1,111,917)	
	(3,495,224)	
Cash provided by investing activities, interest income	2,491,549	

(continued)

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

**STATEMENT OF CASH FLOWS (CONTINUED)**

**YEAR ENDED JUNE 30, 2014**

	Primary reporting entity	Component unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Net increase in cash and cash equivalents	\$ 7,216,171	\$ 1,176,378
Cash and cash equivalents, beginning of year	20,133,671	4,730,076
Cash and cash equivalents, end of year	\$ 27,349,842	\$ 5,906,454
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (4,268,401)	\$ (246,829)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	22,338	
Provision for loan losses, net		292,759
Changes in assets and liabilities:		
Notes and accounts receivable	695,858	867,852
Deposits and prepaid expenses	4,792	(3,882)
Due to/from other State component units	88,715	294,748
Accounts payable, accrued expenses, and unearned revenue	5,742,731	(26,980)
Net pension obligation	(60,944)	
Net cash provided by operating activities	\$ 2,225,089	\$ 1,177,668

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, 2014

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

*Description of business:*

The Rhode Island Commerce Corporation (Commerce RI or the Corporation) (formerly the Rhode Island Economic Development 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, 2014

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. The Corporation had no deferred inflows or outflows of resources at June 30, 2014 or 2013.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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. Significant items subject to such estimates and assumptions are the allowances for doubtful accounts and loan losses. Actual results could differ from those estimates.

*Recent accounting pronouncement:*

Effective for the fiscal year ending June 30, 2015, Commerce RI will be required to adopt the provisions of Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to pension plans administered through trusts or equivalent arrangements. For defined benefit plans, GASB 68 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 68 will require more extensive footnote disclosures in employer financial statements. Commerce RI is currently evaluating the effects of GASB 68 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

*Cash and cash equivalents (continued):*

Under the "Rhode Island Collateralization of Public Deposits 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, 2014, \$24,299,136 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 Rhode Island Collateralization of Public Deposits Act.

*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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

*Notes and loans receivable (continued):*

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 collectibility 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 there no longer exists a concern as to the collectibility 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.

*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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

*Capital assets and depreciation (continued):*

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, 2014.

*Unearned revenue:*

Unearned revenue pertains principally to payments received by the Corporation in advance of revenues earned under terms of applicable energy programs.

*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, 2014, amounts provided by REF to recipients under forgivable loan and recoverable grant agreements totaled \$1,153,967. As of June 30, 2014, no corresponding amounts have been recorded as receivables, or repaid or recovered.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

2. Cash and cash equivalents:

Cash and cash equivalents, including restricted amounts, consist of the following at June 30, 2014:

	Commerce RI	SBLF
Deposits held in Bank of America	\$ 18,807,598	\$ 5,906,454
Short-term investments, cash equivalents	8,542,244	
	\$ 27,349,842	\$ 5,906,454

At June 30, 2014, the Corporation had \$32,341,380 (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)	\$ 3,811,030
Money market mutual funds, Fidelity (FIGXX)	4,731,214
	\$ 8,542,244

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

2. Cash and cash equivalents (continued):

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

	Commerce RI	SBLF
Bank balance	\$ 18,892,682	\$ 5,906,454
Bank balance insured by federal depository insurance	250,000	250,000
Uninsured or uncollateralized	\$ 18,642,682	\$ 5,656,454

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, 2014. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 53 days as of June 30, 2014. At June 30, 2014, the funds were invested as follows: 58% in a government agency repurchase agreement, 41% in government agency debt, and 1% in United States treasury debt. As of June 30, 2014, the fund was rated Aaa3 by Moody's Investors Services (Moody's) and AAAm2 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, 2014. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 57 days as of June 30, 2014. At June 30, 2014, 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, 2014, the fund was rated AAA-mf by Moody's and AAAm by S&P.

*Interest rate risk:*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market value interest rates.

Although it has no established policy, the Corporation manages its exposure to declines in fair values by limiting the term of liquid investments to less than 60 days.

RHODE ISLAND COMMERCE CORPORATION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

2. Cash and cash equivalents (continued):

*Credit risk:*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment and is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities. Although it has no established policy, the Corporation manages its exposure to credit risk by monitoring the ratings assigned to such securities, as applicable.

*Concentration of credit risk:*

Although it has no established policy, the Corporation continually evaluates alternative investment options to diversify its portfolio and maximize interest income.

*Custodial credit risk:*

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Corporation's deposits and investments may not be returned. The Corporation does not have a deposit or investment policy for custodial credit risk. The Corporation manages the custody of its cash and cash equivalents through analysis and review of the custodians' or counterparties' credit worthiness.

3. Investments:

At June 30, 2014, the Corporation's investments consist of the following:

	Commerce RI	SBLF
United States government obligations	\$ 946,034	
Investment in joint venture		\$ 1,806,756
	\$ 946,034	\$ 1,806,756

As of June 30, 2014, Commerce RI funds were invested in United States government obligations that accrue interest at 2.50% and have a maturity date of April 30, 2015. The obligations were rated Aaa by Moody's and AAA by S&P.

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.



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

3. Investments (continued):

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 acquires 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 was \$193,244, which is classified as other nonoperating expense on the statement of revenues, expenses, and changes in net position for the year ended June 30, 2014.

4. Loans and notes receivable:

*Provision for loan losses:*

An analysis of SBLF's allowance for loan losses for the year ended June 30, 2014 is as follows:

Balance, beginning of year	\$ 645,400
Provision for loan losses	350,952
Loans charged off	<u>(602,214)</u>
Balance, end of year	<u>\$ 394,138</u>

*Commitments:*

SBLF had the following outstanding loan and grant commitments at June 30, 2014:

Commitments to originate loans	\$ 1,200,000
Undisbursed portions of commercial loans	7,196

REF had loan and grant commitments at June 30, 2014 of \$2,710,121.

*Notes receivable:*

Commerce RI issues notes and grants loans 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

5. Capital assets:

	<u>Depreciable life</u>	<u>Balance, July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2014</u>
Capital assets not being depreciated, land		\$ 128,762		\$ -	\$ 128,762
Capital assets being depreciated:					
Equipment	5	92,898	\$ 19,348		112,246
Automobiles	5	22,038			22,038
Total capital assets being depreciated		114,936	19,348		134,284
Accumulated depreciation:					
Equipment		(54,287)	(17,930)		(72,217)
Automobiles		(7,346)	(4,408)		(11,754)
Total accumulated depreciation		(61,633)	(22,338)		(83,971)
Total capital assets being depreciated, net		53,303	(2,990)		50,313
Total capital assets, net		<u>\$ 182,065</u>	<u>\$ (2,990)</u>	<u>\$ -</u>	<u>\$ 179,075</u>

RHODE ISLAND COMMERCE CORPORATION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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, 2014 was approximately \$8,320,000.

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, 2014 are as follows:

Year ending June 30,	Principal	Interest
2015	\$ 2,188,058	\$ 2,199,403
2016	2,365,511	2,023,604
2017	2,560,035	1,828,449
2018	2,765,676	1,619,895
2019	2,990,807	1,394,568
2020-2024	10,805,905	3,696,956
2025-2027	5,021,874	672,166
	28,697,866	<u>\$ 13,435,041</u>
Less current portion	<u>2,188,058</u>	
Net long-term portion of bonds payable	<u>\$ 26,509,808</u>	

RHODE ISLAND COMMERCE CORPORATION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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, 2014, job rent credits issued by Commerce RI totaled \$3,184,026.

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 \$4,215,918 includes the \$2,188,058 current portion of long-term debt and \$2,027,860 of other grant-related current liabilities payable from restricted assets (see Note 12).

Changes in long-term obligations during the year ended June 30, 2014, excluding the net pension obligation and including SBLF, were as follows:

	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2014</u>	<u>Amounts due within one year</u>
Revenue bonds	\$ 30,717,432		\$ (2,019,566)	\$ 28,697,866	\$ 2,188,058
Advance from State for conduit debt obligations		\$ 2,500,000		2,500,000	
Unearned revenue	12,544,476	6,304,631	(15,897)	18,833,210	4,359,854
Payable from restricted assets	<u>3,092,877</u>		<u>(654)</u>	<u>3,092,223</u>	
	<u>\$ 46,354,785</u>	<u>\$ 8,804,631</u>	<u>\$ (2,036,117)</u>	<u>\$ 53,123,299</u>	<u>\$ 6,547,912</u>

RHODE ISLAND COMMERCE CORPORATION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

7. State appropriations:

During the year ended June 30, 2014, Commerce RI received the following appropriations from the State:

Budget	\$ 3,944,514
Legislative	590,836
Slater technology fund	1,000,000
Public investment payment (Note 10)	3,560,000
Job rent credits (Note 6)	3,184,026
RI Airport Impact Aid	1,007,421
Science and Technology Advisory Council (STAC)	1,150,000
Innovative Matching Grants (IMG)	500,000
Leased employee	83,443
Stimulus – State Energy	3,630,000
Other grant reimbursements	335,271
	18,985,511
Less STAC unearned revenue at June 30, 2014	(442,608)
Less IMG unearned revenue at June 30, 2014	(156,476)
Less Stimulus – State Energy unearned revenue at June 30, 2014	(3,630,000)
Less other grant unearned revenue at June 30, 2014	(15,975)
Less due from State at June 30, 2014	(61,115)
Add STAC unearned revenue at June 30, 2013	308,824
Add due from State at June 30, 2013	108,139
	15,096,300
State appropriations received	\$ 15,096,300

For the year ended June 30, 2014, appropriations by the General Assembly of the State received by Commerce RI to fund its expenses comprised approximately 71% of Commerce RI's total operating and nonoperating revenues.

RHODE ISLAND COMMERCE CORPORATION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans:

Commerce RI pension plan:

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 single-employer defined benefit pension plan administered by Commerce RI. 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 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.

*Annual pension cost and net pension obligation:*

Commerce RI's annual pension cost for the year ended June 30, 2014 and net pension obligation were as follows:

Annual required contribution	\$ 209,587
Interest on net pension obligation	96,279
Adjustment to annual required contribution	<u>(241,856)</u>
Annual pension cost	64,010
Contributions made	<u>(209,588)</u>
Decrease in net pension obligation	(145,578)
Net pension obligation, beginning of year	<u>1,481,222</u>
Net pension obligation, end of year	<u><u>\$ 1,335,644</u></u>

RHODE ISLAND COMMERCE CORPORATION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

*Annual pension cost and net pension obligation (continued):*

The net pension obligation and annual pension cost are allocated by the Plan's actuary between Commerce RI and the QDC, an entity established for the purpose of developing and managing state lands for commercial purposes. At June 30, 2014, \$563,333 and \$772,311 of the net pension obligation was allocated to Commerce RI and QDC, respectively.

The annual required contribution for the current year was determined as part of the July 1, 2014 actuarial valuation using the aggregate actuarial cost method. This method does not identify and separately amortize unfunded actuarial liabilities. The actuarial assumptions included a 6.5% investment rate of return and projected salary increases of 3% per year. The actuarial value of assets was determined using the market value of investments.

Three-year trend information

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 64,010	\$ 209,588	327.4%	\$ 1,335,644
2013	\$ 92,989	\$ 260,000	279.6%	\$ 1,481,222
2012	\$ 7,355	\$ 125,000	1700.0%	\$ 1,648,233

*Funding progress:*

As of July 1, 2014, the latest actuarial valuation date, the actuarial value of assets in the Plan was \$17,707,598 and the actuarial accrued liability was \$16,624,474, for a funding excess of \$1,083,124. The actuarial value of assets as a percentage of the actuarial accrued liability was 106.5% at June 30, 2014. Annual covered payroll was \$2,736,233; the funding excess is 39.6% of covered payroll. Since the aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using an entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the Plan.

The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

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, 2014, 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, 2014 were \$107,032. All employees are eligible to participate in the 457 Plan. Both the 401a Plan and the 457 Plan are calendar year based.

Defined benefit plan:

Certain employees of Commerce RI participate in a cost-sharing multiple-employer defined benefit pension plan administered by the State of Rhode Island Employees' Retirement System (ERS). The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. The level of benefits provided to State employees is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly.

*Funding policy:*

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. 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 23.05% of annual covered payroll for the fiscal year ended June 30, 2014. Commerce RI contributed \$21,005, \$19,301 and \$20,736 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively, equal to 100% of the required contributions for each year.

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. Employees may choose among various investment options available to plan participants. 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.



RHODE ISLAND COMMERCE CORPORATION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

Defined contribution plan (continued):

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.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

Commerce RI contributed \$911 for each of the fiscal years ended June 30, 2014 and 2013 respectively, equal to 100% of the required contributions for each year to the defined contribution plan. The fiscal year ended June 30, 2013 was the first year of the defined contribution plan.

The ERS 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 by writing to the Employees' Retirement System of Rhode Island, 50 Service Avenue, Warwick, RI 02886.

9. Postemployment healthcare plan:

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 OPEB System.

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

RHODE ISLAND COMMERCE CORPORATION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

9. Postemployment healthcare plan (continued):

*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 2014 was 7.07% 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, 2014, 2013 and 2012 was approximately \$6,400, \$6,000 and \$6,400, respectively, representing 100% of the ARC.

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, 2014, Commerce RI made public investment payments to PPG totaling \$3,560,000.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

10. Commitments and contingencies (continued):

*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.

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, 2014 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.

RHODE ISLAND COMMERCE CORPORATION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

10. Commitments and contingencies (continued):

*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 will return to Commerce RI any unused funds. At June 30, 2014, \$696,557 is due from RIIRBA.

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.

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(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

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, 2014 are \$71,929,674 (principal only), including 38 Studios, as described below, in the amount of \$67,560,000 (principal only; total debt service is \$86,802,093).

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><u>\$ 75,000,000</u></u>

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, 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. Pursuant to RIGL Section 42-64-18(5), all 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. During the year ended June 30, 2014, the amounts paid to Commerce RI to satisfy debt service obligations related to the JCGP (i.e., 38 Studios) totaled \$2,500,000, which is recorded in the accompanying financial statements as a liability of Commerce RI payable to the State.

As of June 30, 2014, all project-related funds maintained by the Trustee have been completely expended, with the exception of \$68,742 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 2014 (\$2,431,506) from the amount that was appropriated by the General Assembly and paid to Commerce RI (\$2,500,000).

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

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. After payment of fees, costs and expenses, the net amount from the settlement of \$3,171,441 was 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.

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 \$12.3 million in its budget for the fiscal year ending June 30, 2015 to cover the scheduled bond payments in November 2014 and May 2015. The total debt service for the issuance is \$112,587,089, but the remaining debt service as of June 30, 2014 is \$86,802,093, with reserves of approximately \$465,817. The maximum annual debt service is \$12,749,913.

The total aggregate principal amount outstanding under all conduit debt obligations at June 30, 2014 was approximately \$903,668,000.

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).

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

12. ProvPort crane and barge project (continued):

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.

At June 30, 2014, 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, 2014.

13. Contractual services:

Contractual services expense by service category for Commerce RI and SBLF for the year ended June 30, 2014 is as follows:

	Commerce RI	SBLF
Information technology	\$ 187,300	
Legal services	569,217	\$ 31,354
Consulting	589,276	
Other	276,563	6,110
	\$ 1,622,356	\$ 37,464

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

14. Subsequent events:

On August 27, 2014, Bridge Bank sent a notice of nonpayment to Commerce RI in accordance with Commerce RI's guaranty (the Guaranty) of a term loan advanced by Bridge Bank to a borrower under the JCGP. The loan was a part of the JCGP created in 2010 by the General Assembly. Under this program, the State used its "moral obligation" authority to guarantee debt service payments to the bondholders.

In accordance with its obligations under the Guaranty, Commerce RI made payment of the amounts sought by Bridge Bank (the Advance) and subsequently made demand upon the borrower to pay Commerce RI for such Advance. As of September 30, 2014, the amounts paid from JCGP reserves held by Commerce RI totaled \$75,336, representing the August payment on the Advance. In the event Commerce RI is further called upon to meet the obligations under the Guaranty, BankRI holds approximately \$1,000,000 in a reserve account (Capital Reserve Account) to partially satisfy the obligations under the Guaranty. The approximate amount of the term loan for which Commerce RI provided the Guaranty is \$3,300,000 and after payment of the funds in the Capital Reserve Account, the remaining obligation due from the borrower on the term loan would be approximately \$2,300,000. As of September 30, 2014, it is unclear whether Commerce RI will be called upon to make additional payments in connection with the Guaranty.

Should Commerce RI be called upon to meet additional obligations under the Guaranty, the Corporation may ultimately be required to present the Governor of Rhode Island with a certificate (Certificate) stating the amounts required to fulfill the obligations under the Guaranty. The Governor may be required to include such amounts as set forth in the Certificate in the Governor's budget submitted to the General Assembly. The General Assembly may, but is not required to, appropriate such amounts as the Governor proposes in a budget.



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

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2014

Commerce RI's schedule of funding progress for the Pension Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as a percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$14,895,987	\$14,943,184	\$ 47,197	99.7%	\$3,026,453	1.6%
7/1/2013	\$16,002,801	\$15,973,599	\$ (29,202)	100.2%	\$2,768,284	-1.1%
7/1/2014	\$17,707,598	\$16,624,474	\$(1,083,124)	106.5%	\$2,736,233	-39.6%

Since the aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress was prepared using the entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the Plan.



**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 2014 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 41 through 51 is presented for purposes of additional analysis and is not a required part of the 2014 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.

Providence, Rhode Island  
October 2, 2014

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grantor/Program Title/ Pass-through grantor	Federal CFDA Number	Federal Expenditures
<b>DEPARTMENT OF DEFENSE</b>		
Procurement Technical Assistance for Business Firms	12.002	\$ 419,849
<b>DEPARTMENT OF COMMERCE</b>		
Investing in Manufacturing Communities Partnership	11.307	48,347
Technical Emergency Support Equipment & Planning Grant	97.042	16,000
State Broadband Data and Development Grant Program - ARRA	11.558	796,625
Economic Adjustment Assistance	11.307	10,305,881
<b>Total Department of Commerce</b>		<u>11,166,853</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>		
Port Security Grant Program	97.056	87,651
<b>ENVIRONMENTAL PROTECTION AGENCY</b>		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	1,290
<b>Total expenditures of federal awards</b>		<u><u>\$ 11,675,643</u></u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2014

**Combined Statement of Net Position**

**Attachment B**

**Assets**

Current assets:

Cash and cash equivalents	\$ 3,872,900
Investments	
Receivables (net)	1,662,481
Restricted assets:	
Cash and cash equivalents	19,771,634
Investments	3,134,092
Receivables (net)	2,795
Other assets	
Due from primary government	61,115
Due from other State component units	6,647
Due from other governments	
Inventories	
Other assets	<u>76,408</u>

Total current assets 28,588,072

Noncurrent assets:

Investments	1,806,756
Receivables (net)	3,687,428
Restricted assets:	
Cash and cash equivalents	9,611,762
Investments	23,924,836
Receivables (net)	
Other assets	1,087,601
Due from other State component units	696,557
Capital assets - nondepreciable	128,762
Capital assets - depreciable (net)	50,313
Other assets, net of amortization	

Total noncurrent assets 40,994,015

Total assets 69,582,087

**Deferred outflows of resources, accumulated**  
decrease in fair value of hedging derivatives

(continued)

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2014

<u>Combined Statement of Net Position (Continued)</u>	<u>Attachment B</u>
<b>Liabilities</b>	
Current liabilities:	
Cash overdraft	
Accounts payable	\$ 162,705
Due to primary government	
Due to other State component units	
Due to other governments	
Unearned revenue	4,359,854
Other liabilities	2,687,796
Current portion of long-term debt	<u>2,188,058</u>
Total current liabilities	<u>9,398,413</u>
Noncurrent liabilities:	
Due to primary government	
Advance from State for conduit debt obligations	2,500,000
Due to other governments	
Due to other State component units	
Unearned revenue	14,473,356
Notes payable	
Loans payable	
Obligations under capital leases	
Net pension obligation	563,333
Other liabilities	3,092,223
Compensated absences	
Bonds payable	<u>26,509,808</u>
Total noncurrent liabilities	<u>47,138,720</u>
Total liabilities	<u>56,537,133</u>
<b>Deferred inflows of resources</b>	
Accumulated increase in fair value of hedging derivatives	
Deferred service concession agreement receipts	<u>                    </u>
Total deferred inflows of resources	<u>                    </u>

(continued)

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2014

**Combined Statement of Net Position (Continued)**

**Attachment B**

**Net position**

Investment in capital assets	\$ 179,075
Restricted for:	
Debt	
Other (deficit)	
Other nonexpendable	4,901,287
Unrestricted	<u>7,964,592</u>
Total net position	<u><u>\$ 13,044,954</u></u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2014

<u>Combined Statement of Activities</u>	<u>Attachment C</u>
<b>Expenses</b>	<u>\$ 24,552,283</u>
<b>Program revenues:</b>	
Charges for services	2,640,061
Operating grants and contributions	1,395,089
Capital grants and contributions	<u>-</u>
Total program revenues	<u>4,035,150</u>
Net (expenses) revenues	<u>(20,517,133)</u>
<b>General revenues:</b>	
Interest and investment earnings	2,490,419
Miscellaneous revenue	<u>15,494,768</u>
Total general revenues	<u>17,985,187</u>
Income before transfers and special and extraordinary items	(2,531,946)
Transfer from other State component unit	
Special items	
Extraordinary items	<u>-</u>
Change in net position	(2,531,946)
Total net position - beginning	<u>15,576,900</u>
Total net position - ending	<u><u>\$ 13,044,954</u></u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2014

<u>Combined Schedule of Long-Term Debt</u>		<u>Attachment D</u>
<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,188,058	\$ 2,199,403
2016	2,365,511	2,023,604
2017	2,560,035	1,828,449
2018	2,765,676	1,619,895
2019	2,990,807	1,394,568
2020-2024	10,805,905	3,696,956
2025-2027	5,021,874	672,166
	<u>\$ 28,697,866</u>	<u>\$ 13,435,041</u>



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

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2014

Attachment E

**Combined Schedule of Changes in Long-Term Debt**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 30,717,432		\$ 2,019,566	\$ 28,697,866	\$ 2,188,058	\$ 26,509,808
Net unamortized premium/discount						
Deferred amount on refunding						
Bonds payable	30,717,432		2,019,566	28,697,866	2,188,058	26,509,808
Notes payable						
Loans payable						
Obligations under capital leases						
Net OPEB obligation	624,277		60,944	563,333		563,333
Due to primary government and agencies						
Due to other governments						
Advance from State for conduit debt obligations	-	\$ 2,500,000		2,500,000	-	2,500,000
Unearned revenue	12,544,476	6,304,631	15,897	18,833,210	4,359,854	14,473,356
Due to other State component units						
Other liabilities, payable from restricted assets	3,092,877		654	3,092,223		3,092,223
	<u>\$ 46,979,062</u>	<u>\$ 8,804,631</u>	<u>\$ 2,097,061</u>	<u>\$ 53,686,632</u>	<u>\$ 6,547,912</u>	<u>\$ 47,138,720</u>

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

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

YEAR ENDED JUNE 30, 2014

Date	Payee	Amount	Purpose
7/18/2013	Dorothy Reynolds	\$ 1,254	APTAC Summer Board Meeting in New Orleans, LA
7/18/2013	Mark Brodeur	675	Registration Fee for US Travel Assoc. ESTO conference in Richmond, VA
8/8/2013	National Tour Association	500	Registration Fee for Katrina White for NTA meeting in Kona, Hawaii
8/8/2013	RI Food Dealers Association	550	RI Food Dealers Assoc for RI Business Day Conference in Washington, DC for D. Reynolds
8/8/2013	John Riendeau	524	USDOD Lightweight & Modern Metals Mfg. Conference in Falls Church, VA
8/8/2013	Mark Brodeur	396	Discover NE Board Meeting in Laconia, NH
8/22/2013	APTAC	3,225	Registration Fee for Fall 2013 APTAC Conference in Washington, DC for PTAC Employees
8/22/2013	Mark Brodeur	1,136	US Travel Assoc. ESTO conference in Richmond, VA
8/29/2013	Katrina White	1,116	National Tour Association meeting in Kona, Hawaii
9/20/2013	Christine Smith	978	SSTI Conference in Portland, OR
9/27/2013	RLF Management Services	720	Registration Fee for Richard Ferro for the APTAC Fall Conference in Washington, DC
10/10/2013	Alisson Walsh	394	SHLB Conference in Washington, DC
10/24/2013	Marcel Valois	990	NEDA Conference in Portland, ME
10/31/2013	Christine Smith	30	NSF EPSCORE Conference in Arlington, VA
11/7/2013	Stuart Freiman	596	NECoPA Conference in Newark, DE
11/7/2013	Stuart Freiman	186	Airfare fee for NTIA ConnectED Conference in Washington, DC (Conference Cancelled)
11/14/2013	Louis Francis	1,118	APTAC Fall 2013 Conference in Washington, DC
11/14/2013	Stephen Katz	1,053	APTAC Fall 2013 Conference in Washington, DC
11/21/2013	Soraya Sundberg	1,385	APTAC Fall 2013 Conference in Washington, DC
11/21/2013	Victor J. Howard	1,151	APTAC Fall 2013 Conference in Washington, DC
11/27/2013	Mark Brodeur	441	Discover NE Board Meeting in Freeport, ME
11/27/2013	Dorothy Reynolds	1,460	APTAC Fall 2013 Conference in Washington, DC
12/5/2013	Michael Fine, MD	1,278	Airfare fee for Trade Mission to Israel
12/5/2013	Marcel Valois	543	National Governor's Association Conference in Chicago, IL
12/5/2013	Marcel Valois	1,199	SelectUSA Conference in Washington, DC
12/12/2013	Stuart Freiman	172	New England Broadband Meeting in Durham, NH
12/20/2013	RLF Management Services	1,369	New England Broadband Meeting in Durham, NH
1/16/2014	Dorothy Reynolds	752	APTAC Winter Board Meeting in Washington, DC
1/23/2014	Mark Brodeur	1,645	ABA Marketplace in Nashville, TN
1/30/2014	APTAC	645	Registration Fee for Wnter 2014 APTAC Conference in San Francisco, CA for Victor Howard
1/30/2014	APTAC	645	Registration Fee for Wnter 2014 APTAC Conference in San Francisco, CA for Richard Ferro
1/30/2014	APTAC	645	Registration Fee for Wnter 2014 APTAC Conference in San Francisco, CA for Dorothy Reynolds
2/6/2014	RLF Management Services	338	Airfare for Wnter 2014 APTAC Conference in San Francisco, CA
2/20/2014	Discover New England	840	Registration Fee for Mark Brodeur for Pow Wow 2014 in Chicago, IL

(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, 2014

Date	Payee	Amount	Purpose
2/27/2014	Mark Brodeur	\$ 2,618	National Tour Association Travel Exchange in Los Angeles, CA
3/31/2014	Mark Brodeur	570	New York Media Meeting in New York City, NY
4/3/2014	Dorothy Reynolds	1,773	APTAC Spring Conference in San Francisco, CA
4/3/2014	Victor J. Howard	2,170	APTAC Spring Conference in San Francisco, CA
4/3/2014	RLF Management Services	1,574	APTAC Spring Conference in San Francisco, CA
4/17/2014	Mark Brodeur	1,357	POWWOW 2014 Conference in Chicago, IL
5/15/2014	Alisson Walsh	1,865	NTIA/SHLB Conference in Washington, DC
5/15/2014	Stuart Freiman	1,687	NTIA/SHLB Conference in Washington, DC
5/15/2014	Hannah Morini	695	Clean Energy States Alliance Spring Meeting in Sacramento, CA
5/29/2014	Alisson Walsh	1,633	ICA Conference in Seattle, WA
6/13/2014	Mark Brodeur	823	Discover New England Conference in Groton, CT
6/13/2014	Mark Brodeur	351	New York City Media Meeting in New York City, NY
6/26/2014	Christine Smith	1,382	SBIR/STTR Conference in Washington, DC
6/30/2014	Marcel Valois	152	International Trade Mission to Italy & Ireland
6/30/2014	William Ash	1,588	SSBCI Conference in Washington, DC
6/30/2014	Alisson Walsh	2,139	ISTE 2014 Conference in Atlanta, GA
	<b>Total</b>	<b><u>\$ 52,326</u></b>	

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

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2014

	Rhode Island Commerce Corporation	Renewable Energy Fund	Job Creation Guaranty	ARRA Energy	Total
<b>ASSETS:</b>					
Current assets:					
Cash and cash equivalents	\$ 1,324,891				\$ 1,324,891
Accounts receivable	215,451		\$ 15,472		230,923
Interfund receivable	419,926	\$ 126,384	(154,786)		391,524
Due from State of Rhode Island	61,115				61,115
Due from other State component units	6,647				6,647
Deposits and prepaid expenses	69,409				69,409
Restricted:					
Cash and cash equivalents	2,713,448	13,363,081	44,889	\$ 3,650,216	19,771,634
Investments	946,034				946,034
Other receivables		2,795			2,795
Net investment in direct financing leases	2,188,058				2,188,058
<b>Total current assets</b>	<b>7,944,979</b>	<b>13,492,260</b>	<b>(94,425)</b>	<b>3,650,216</b>	<b>24,993,030</b>
Noncurrent assets:					
Restricted:					
Cash and cash equivalents	4,731,214		1,522,103		6,253,317
Notes receivable	-	1,087,601			1,087,601
Net investments in direct financing leases, less current portion	23,924,836				23,924,836
Due from other State component units	696,557				696,557
Capital assets not being depreciated	128,762				128,762
Capital assets being depreciated, net	47,121	3,192			50,313
<b>Total noncurrent assets</b>	<b>29,528,490</b>	<b>1,090,793</b>	<b>1,522,103</b>	<b>-</b>	<b>32,141,386</b>
<b>Total assets</b>	<b>37,473,469</b>	<b>14,583,053</b>	<b>1,427,678</b>	<b>3,650,216</b>	<b>57,134,416</b>
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable	129,644		24,875		154,519
Accrued expenses and other	462,917	38,619	155,135		656,671
Payable from restricted assets	4,215,918				4,215,918
Unearned revenue	685,488			3,650,216	4,335,704
<b>Total current liabilities</b>	<b>5,493,967</b>	<b>38,619</b>	<b>180,010</b>	<b>3,650,216</b>	<b>9,362,812</b>
Noncurrent liabilities:					
Liabilities payable from restricted cash and cash equivalents	3,092,223				3,092,223
Net pension obligation	563,333				563,333
Bonds and leases payable, less current portion	26,509,808				26,509,808
Advance from State for conduit debt obligations	2,500,000				2,500,000
Unearned revenue	-	14,473,356	-		14,473,356
<b>Total noncurrent liabilities</b>	<b>32,665,364</b>	<b>14,473,356</b>	<b>-</b>	<b>-</b>	<b>47,138,720</b>
<b>Total liabilities</b>	<b>38,159,331</b>	<b>14,511,975</b>	<b>180,010</b>	<b>3,650,216</b>	<b>56,501,532</b>
<b>NET POSITION:</b>					
Investment in capital assets	175,883	3,192	-	-	179,075
Restricted			1,566,992	-	1,566,992
Unrestricted (deficit)	(861,745)	67,886	(319,324)	-	(1,113,183)
<b>Total net (deficit) position</b>	<b>\$ (685,862)</b>	<b>\$ 71,078</b>	<b>\$ 1,247,668</b>	<b>\$ -</b>	<b>\$ 632,884</b>

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, 2014

	Rhode Island Commerce Corporation	Renewable Energy Fund	Job Creation Guaranty	ARRA Energy	Total
Operating revenues:					
Charges for services:					
Rentals and fees	\$ 47,021				\$ 47,021
Interest on loans	-	\$ 9,651			9,651
Other income	93,444	1,306,260	\$ 763,894	\$ -	2,163,598
<b>Total operating revenues</b>	<b>140,465</b>	<b>1,315,911</b>	<b>763,894</b>	<b>-</b>	<b>2,220,270</b>
Operating expenses:					
Personnel services	2,840,070	127,900	-		2,967,970
Contractual services	1,397,827	154,849	69,680		1,622,356
Grants	-	900,197			900,197
Other expenses	659,624	115,658	200,528	-	975,810
Depreciation and amortization	15,930	6,408			22,338
<b>Total operating expenses</b>	<b>4,913,451</b>	<b>1,305,012</b>	<b>270,208</b>	<b>-</b>	<b>6,488,671</b>
Operating income (loss)	(4,772,986)	10,899	493,686	-	(4,268,401)
Nonoperating revenues (expenses):					
Appropriations from State	15,049,276				15,049,276
Investment and other revenue	2,489,081	1,338			2,490,419
Interest expense	(2,363,960)				(2,363,960)
Grant income	1,379,192				1,379,192
Grant expenses	(1,475,958)				(1,475,958)
Public investment payments and job credits	(6,744,026)				(6,744,026)
Expenses related to conduit debt obligations	(2,500,000)				(2,500,000)
Other	(4,225,042)				(4,225,042)
<b>Total nonoperating revenues, net</b>	<b>1,608,563</b>	<b>1,338</b>	<b>-</b>	<b>-</b>	<b>1,609,901</b>
Income (loss) before transfers	(3,164,423)	12,237	493,686	-	(2,658,500)
Transfer from other State component units	445,492				445,492
Change in net position	(2,718,931)	12,237	493,686	-	(2,213,008)
Total net position, beginning of year	2,033,069	58,841	753,982	-	2,845,892
Total net position, end of year	\$ (685,862)	\$ 71,078	\$ 1,247,668	\$ -	\$ 632,884



**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, 2014, 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 October 2, 2014.

**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  
Providence, Rhode Island

**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.

*LJC & D LLP*

Providence, Rhode Island  
October 2, 2014