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

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
TABLE OF CONTENTS
JUNE 30, 2017 AND 2016

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
Financial Statements:	
Statements of Net Position	8-9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11-12
Notes to Financial Statements	13-40
Required Supplementary Information - Pension Plans	41-44
Accompanying Information to Financial Statements:	
Schedule of Expenditures of Federal Awards	45
Notes to Schedule of Expenditures of Federal Awards	46
State of Rhode Island required format:	
Combined Statement of Net Position - Attachment B	47-48
Combined Statement of Activities - Attachment C	49
Combined Schedule of Long-Term Debt - Attachment D	50
Combined Schedule of Changes in Long-Term Debt - Attachment E	51
Schedule of Travel and Entertainment Expenses	52-53
Combining Statements of Net Position	54-57
Combining Statements of Revenues, Expenses and Changes in Net Position	58-59
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 <i>Government Auditing Standards</i>	60-61

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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, a component unit of the State of Rhode Island, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Rhode Island Commerce Corporation's 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 opinions on these financial statements based on our audits. We conducted our audits 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2017 and 2016, and the respective changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Corporation is dependent upon annual appropriations by the General Assembly of the State of Rhode Island and advances from the State to fund its operating expenses and debt service on its conduit debt obligations. For the years ended June 30, 2017 and 2016, appropriations by the General Assembly of the State of Rhode Island received by the Corporation to fund its expenses comprised approximately 78% and 50% of the Corporation's total operating and nonoperating revenues, respectively.

As discussed in Note 11 to the financial statements, the Corporation has a net deficit as of June 30, 2017, relating to payments received by the State of Rhode Island to repay bondholders and lenders relating to the Job Creation Guaranty Program. Pursuant to Rhode Island General Laws 42-64-18(5), these amounts shall constitute and be accounted for as advances by the State of Rhode Island to the Corporation. Through June 30, 2017, the Corporation has received \$23,634,113 which is recorded in the accompanying financial statements as a liability of the Corporation to the State of Rhode Island.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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 pension schedules on pages 41 through 44 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rhode Island Commerce Corporation's basic financial statements. The accompanying supplementary information on pages 45 through 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017 on our consideration of the Rhode Island Commerce 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 Rhode Island Commerce Corporation's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
October 30, 2017

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

As management of the Rhode Island Commerce Corporation, a component unit of the State of Rhode Island (the State), we offer readers of Rhode Island Commerce Corporation's financial statements this narrative overview and analysis of the financial activities of Rhode Island Commerce Corporation for the years ended June 30, 2017 and 2016. Rhode Island Commerce Corporation's financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Introduction

Rhode Island Commerce Corporation 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. Rhode Island Commerce Corporation, 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

The discussion and analysis is intended to serve as an introduction to Rhode Island Commerce Corporation's financial statements.

Rhode Island Commerce Corporation 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, Rhode Island Commerce Corporation's basic financial statements include the statement of net position; the statement of revenue, 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 Rhode Island Commerce Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents detail on Rhode Island Commerce Corporation'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 Rhode Island Commerce Corporation's net position serve as a useful indicator of whether Rhode Island Commerce Corporation's net position is improving or deteriorating. Readers should also consider other non-financial factors when evaluating Rhode Island Commerce Corporation's net position. The statement of revenues, expenses, and changes in net position presents information on how Rhode Island Commerce Corporation'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.

2017 Financial Highlights

Statements of Net Position

Current assets increased approximately \$39,855,000 over prior year due to appropriations funding restricted use economic incentive programs including Rebuild RI Tax Credit at \$25,000,000.

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

Deferred outflows of resources increased by approximately \$181,000 over prior year and relates specifically to the Defined Benefit Pension plan. This is a closed plan for employees hired prior to January 1, 2006. The increase in deferred outflows represents Rhode Island Commerce Corporation's proportion of the plans expected expense recognition over the expected remaining service lives of all employees in the plan. This is the actuarially determined future cost funded with existing plan assets.

Total liabilities decreased approximately \$2,247,000 over the prior year primarily resulting from settlement proceeds eliminating the need for state funding of conduit debt for 38 Studios LLC.

Net position increased by approximately \$39,891,000 over the prior year due to the recognition of economic incentives as revenue in current year.

Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues increased approximately \$17,307,000 due to economic incentive programs that were one year appropriations in fiscal year 2016 such as the Small Business Assistance Program and Anchor Institution offset by a settlement for 38 Studios LLC.

Operating expenses increased approximately \$6,082,000 primarily due to a decrease in the conduit debt payments related to the 38 Studios LLC project moral obligations offset by a settlement for 38 Studios LLC.

Net operating loss decreased approximately \$11,225,000 due to the decrease in operating expenses associated with conduit debt payments, offset by increased payroll and expenditures on economic incentive programs.

Net nonoperating revenues increased approximately \$20,079,000 primarily due to full recognition of economic incentives received in current year as required by GASB 33, which states that "revenues should be recognized when all applicable eligibility requirements are met *and* the resources are available". In addition to the recognition of revenue associated with the economic incentives, the increase is partially attributed to hotel tax proceeds to support tourism and business attraction branding and marketing.

Changes in net position improved over prior year by approximately \$31,292,000 primarily due to an influx of cash received for economic incentive programs.

2016 Financial Highlights

Statements of Net Position

Current assets increased approximately \$18,439,000 over prior year due to an influx of cash restricted for economic incentive programs including: Rebuild RI Tax Credit, Mainstreet RI Streetscape Improvement Fund, Small Business Assistance Program, Wavemaker Fellowship, Anchor Institution Tax Credit, Innovative Vouchers, Industry Cluster Grants and Innovative Matching grants. By the end of the fiscal year each of these programs were in various stages of performance. Before even one dollar could be deployed, rules and regulations for each individual program related to process and distribution of program funds had to be developed. The first award related to new program funds was approved by the Board of Directors in December 2015. Due to the length of time to prepare rules and regulations and perform due diligence related to program awards, most of the restricted cash remained obligated but unspent as of the end of the fiscal year and remains in the Statement of Net Position as a current asset.

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

Deferred outflows of resources increased by approximately \$354,000 over prior year and relates specifically to the Defined Benefit Pension plan. This is a closed plan for employees hired prior to January 1, 2006. The increase in deferred outflows represents Rhode Island Commerce Corporation's proportion of the plans expected expense recognition over the expected remaining service lives of all employees in the plan. This is the actuarially determined future cost funded with existing plan assets.

Total liabilities increased approximately \$6,520,000 over the prior year primarily resulting from advances from the state for conduit debt payment.

Net deficit decreased by approximately \$8,600,000 over the prior year due to the recognition of economic incentives as revenue in current year offset by advances from the state for guaranteed conduit debt.

Statement of Revenues, Expenses, and Changed in Net Position

Operating revenues increased approximately \$8,680,000 due to proceeds received from a legal settlement related to 38 Studios LLC project litigation and increased renewable energy projects funded throughout the year.

Operating expenses increased approximately \$17,813,000 due to several factors including: conduit debt payments made to the trustee out of 38 Studios LLC project litigation proceeds, increased personnel costs to execute, manage and promote the new economic development incentives, and increased contractual costs for the new tourism and business attraction branding and marketing campaign.

Net operating loss increased approximately \$9,133,000 and is a direct result of the conduit debt payments related to the 38 Studios LLC project moral obligations.

Net nonoperating revenues increased approximately \$26,867,000 primarily due to full recognition of economic incentives received in current year as required by GASB 33, which states that "revenues should be recognized when all applicable eligibility requirements are met and the resources are available". In addition to the recognition of revenue associated with the economic incentives, the increase is partially attributed to hotel tax proceeds to support tourism and business attraction branding and marketing.

Changes in net position improved over prior year by approximately \$17,909,000 primarily due to an influx of cash received for economic incentive programs.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016

Condensed Comparative Information

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

Statements of Net Position					
	June 30,			Increase (decrease)	
	2017	2016	2015	2017 v 2016	2016 v 2015
Current assets	\$ 86,270	\$ 46,415	\$ 27,976	\$ 39,855	\$ 18,439
Noncurrent assets	21,533	24,290	27,965	(2,757)	(3,675)
Total assets	107,803	70,705	55,941	37,098	14,764
Deferred outflows of resources	704	512	158	192	354
Current liabilities	10,670	7,778	10,330	2,892	(2,552)
Noncurrent liabilities	57,489	62,628	53,556	(5,139)	9,072
Total liabilities	68,159	70,406	63,886	(2,247)	6,520
Deferred inflows of resources	26	380	382	(354)	(2)
Net (deficit) position	<u>\$ 40,322</u>	<u>\$ 431</u>	<u>\$ (8,169)</u>	<u>\$ 39,891</u>	<u>\$ 8,600</u>

Statements of Revenues, Expenses, and Changes in Net Position					
	Year Ended June 30,			Increase (decrease)	
	2017	2016	2015	2017 v 2016	2016 v 2015
Operating revenues	\$ 31,664	\$ 14,357	\$ 5,677	\$ 17,307	\$ 8,680
Operating expenses	43,435	37,353	19,540	6,082	17,813
Operating loss	(11,771)	(22,996)	(13,863)	11,225	(9,133)
Nonoperating revenues, net	51,144	31,065	4,198	20,079	26,867
Transfers	519	531	356	(12)	175
Change in net position	<u>\$ 39,892</u>	<u>\$ 8,600</u>	<u>\$ (9,309)</u>	<u>\$ 31,292</u>	<u>\$ 17,909</u>

Requests for Information

This financial report is designed as a general overview of Rhode Island Commerce Corporation's 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)
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017		2016	
	Primary Reporting Entity	Component Unit	Primary Reporting Entity	Component Unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Assets:				
Current assets:				
Cash and cash equivalents	\$ 8,862,754	\$ 1,276,723	\$ 5,486,081	\$ 482,232
Accounts receivable	721,668		226,952	
Notes and loans receivable, less allowance for loan losses		1,360,774		1,529,328
Interest receivable		23,380		18,852
Interfund receivable	34,018		182,378	
Due from State of Rhode Island	3,021,363		1,362,709	
Due from other State component units	33,414		26,164	
Deposits and prepaid expenses	228,560	5,733	255,219	6,992
Restricted:				
Cash and cash equivalents	69,637,248		34,845,240	
Investments	943,802		946,720	
Grants and other receivables	21,888		523,216	
Net investment in direct financing leases	2,765,676		2,560,075	
Total current assets	86,270,391	2,666,610	46,414,754	2,037,404
Noncurrent assets:				
Restricted:				
Cash and cash equivalents	4,757,083	5,101,077	4,757,066	4,697,589
Notes receivable	272,197		302,123	
Net investment in direct financing leases, less current portion	16,233,574		18,999,250	
Investment in joint venture		906,283		1,038,154
Notes and loans receivable, less allowance for loan losses		4,967,346		5,652,078
Capital assets not being depreciated	128,762		128,762	
Capital assets being depreciated, net	141,428		102,957	
Total noncurrent assets	21,533,044	10,974,706	24,290,158	11,387,821
Total assets	107,803,435	13,641,316	70,704,912	13,425,225
Deferred Outflows of Resources:				
Rhode Island Commerce Corporation pension plan	659,620		488,802	
State of Rhode Island pension plan	44,744		22,833	
Total deferred outflows of resources	704,364	-	511,635	-

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RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2017 AND 2016

	2017		2016	
	Primary Reporting Entity	Component Unit	Primary Reporting Entity	Component Unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Liabilities:				
Current liabilities:				
Accounts payable	\$ 2,247,875	\$ 6,288	\$ 405,994	\$ 1,450
Accrued expenses and other	1,936,836		784,386	13,115
Due to State agencies	700,000			
Interfund payable		34,018		182,378
Payable from restricted assets	2,765,676		3,397,258	
Unearned revenue, restricted	3,019,685	2,382,417	3,190,360	1,589,543
Total current liabilities	10,670,072	2,422,723	7,777,998	1,786,486
Noncurrent liabilities:				
Liabilities payable from restricted cash and cash equivalents	3,116,817		3,099,060	
Net pension obligation	623,724		1,717	
State net pension obligation	293,616		270,891	
Bonds and leases payable, less current portion, restricted	18,818,546		21,584,262	
Advances from State for conduit debt obligations - 38 Studios (Note 11)	23,634,113		23,634,113	
Unearned revenue, restricted	11,002,237		14,037,780	
Total noncurrent liabilities	57,489,053	-	62,627,823	-
Total liabilities	68,159,125	2,422,723	70,405,821	1,786,486
Deferred Inflows of Resources:				
Rhode Island Commerce Corporation pension plan			347,521	
State of Rhode Island pension plan	26,168		32,234	
Total deferred inflows of resources	26,168	-	379,755	-
Commitments and contingencies (Note 10)				
Net (Deficit) Position:				
Investment in capital assets	270,190		231,719	
Restricted for grants and other programs	54,713,347	2,718,660	17,624,970	3,108,046
Unrestricted (deficit)	(14,661,031)	8,499,933	(17,425,718)	8,530,693
Total Net Position	\$ 40,322,506	\$ 11,218,593	\$ 430,971	\$ 11,638,739

The accompanying notes are an integral part of the financial statements

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016	
	Primary Reporting Entity	Component Unit	Primary Reporting Entity	Component Unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Operating Revenues:				
Charges for services:				
Rental fees	\$ 15,236	\$	\$ 14,948	\$
Interest on loans	4,356	506,638	6,497	429,738
Other income, principally Renewable Energy Fund	5,397,861		3,663,950	
Legal settlement - 38 Studios (Note 11)	26,246,448		10,671,731	
Total operating revenues	31,663,901	506,638	14,357,126	429,738
Operating Expenses:				
Personnel services	5,855,214	144,549	4,660,172	147,322
Contractual services	8,174,687	45,753	5,373,384	40,255
Grants	4,785,428		3,104,326	
Other expenses	3,138,770	139,532	1,734,234	162,946
Expenses related to conduit debt obligations - 38 Studios (Note 11)	21,404,141		12,499,113	
Legal Settlement - 38 Studios (Note 11)			9,926,027	
Provision for loan losses and uncollectibles, net of recoveries	16,667	317,301		208,183
Depreciation and amortization	60,170		55,423	
Total operating expenses	43,435,077	647,135	37,352,679	558,706
Operating Loss	(11,771,176)	(140,497)	(22,995,553)	(128,968)
Nonoperating Revenues (Expenses):				
Appropriations from State	59,050,908		39,490,242	
Investment and other revenue	7,966,264		7,703,008	
Interest expense	(1,828,448)		(2,023,605)	
Grant income	2,821,593	1,743,926	1,053,944	2,350,286
Grant expenses	(2,705,514)	(1,891,704)	(1,173,043)	(2,200,787)
Public investment payments and job credits	(6,867,276)		(6,174,968)	
Incentive Program expenses	(4,186,936)		(837,223)	
Other	(3,106,829)	(131,871)	(6,973,630)	(347,008)
Net nonoperating revenues (expenses)	51,143,762	(279,649)	31,064,725	(197,509)
Income (Loss) Before Transfer	39,372,586	(420,146)	8,069,172	(326,477)
Transfer from Other State Component Units	518,949		530,881	
Change in Net Position	39,891,535	(420,146)	8,600,053	(326,477)
Total Net (Deficit) Position, Beginning of Year	430,971	11,638,739	(8,169,082)	11,965,216
Total Net Position, End of Year	\$ 40,322,506	\$ 11,218,593	\$ 430,971	\$ 11,638,739

The accompanying notes are an integral part of the financial statements

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016	
	Primary Reporting Entity	Component Unit	Primary Reporting Entity	Component Unit
		Small		Small
	Rhode Island Commerce Corporation	Business Loan Fund Corporation	Rhode Island Commerce Corporation	Business Loan Fund Corporation
Cash Flows from Operating Activities:				
Receipts from (payments to) customers/borrowers	\$ 27,992,893	\$ 1,038,095	\$ 13,192,236	\$ (908,368)
Payments to suppliers	(34,392,169)	600,571	(10,403,960)	(2,542,797)
Payments to employees	(5,722,222)	(292,909)	(4,101,497)	(9,384)
Payments related to conduit debt obligations			(9,926,027)	
Net cash provided by (used in) operating activities	<u>(12,121,498)</u>	<u>1,345,757</u>	<u>(11,239,248)</u>	<u>(3,460,549)</u>
Cash Flows from Noncapital Financing Activities:				
State of Rhode Island appropriations received	58,092,254		26,428,367	
Advances from State for conduit debt obligations - 38 Studios (Note 11)			12,499,113	
Grants received	3,322,921	1,743,926	989,655	2,350,286
Grant expenditures	(6,426,168)	(1,891,704)	(9,697,763)	(2,200,787)
Public investment payments and job credits	(6,867,276)		(6,174,968)	
Economic incentive obligations	(4,186,936)		(837,223)	
Transfers	518,949		530,881	
Net cash provided by (used in) noncapital financing activities	<u>44,453,744</u>	<u>(147,778)</u>	<u>23,738,062</u>	<u>149,499</u>
Cash Flows from Capital and Related Financing Activities:				
Interest paid, long-term obligations	(1,828,448)		(2,023,605)	
Acquisition of capital assets	(98,641)		(115,624)	
Receipts under direct financing leases	2,560,075		2,365,510	
Payments under direct financing leases	(2,765,716)		(2,560,035)	
Net cash used in capital and related financing activities	<u>(2,132,730)</u>	<u>-</u>	<u>(2,333,754)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest income	<u>7,969,182</u>	<u></u>	<u>7,702,894</u>	<u></u>
Net Increase (Decrease) in Cash and Cash Equivalents	38,168,698	1,197,979	17,867,954	(3,311,050)
Cash and Cash Equivalents, Beginning of Year	<u>45,088,387</u>	<u>5,179,821</u>	<u>27,220,433</u>	<u>8,490,871</u>
Cash and Cash Equivalents, End of Year	<u>\$ 83,257,085</u>	<u>\$ 6,377,800</u>	<u>\$ 45,088,387</u>	<u>\$ 5,179,821</u>

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RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016	
	Primary Reporting Entity	Component Unit	Primary Reporting Entity	Component Unit
		Small Business Loan Fund Corporation		Small Business Loan Fund Corporation
	Rhode Island Commerce Corporation		Rhode Island Commerce Corporation	
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (11,771,176)	\$ (140,497)	\$ (22,995,553)	\$ (128,968)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	60,170		55,423	
Pension expense	186,958		209,480	
Provision for loan losses, net		317,301		208,183
Changes in:				
Notes and accounts receivable	(316,430)	531,457	338,178	(1,338,106)
Deposits and prepaid expenses	26,659	1,259	(193,604)	(7)
Due to/from other State component units	(7,250)	(148,360)	682,209	137,938
Interfund payable			121,308	
Accounts payable, accrued expenses and unearned revenue	(211,887)	784,597	(1,867,260)	(2,339,589)
Advances from State for conduit debt obligations - 38 Studios (Note 11)			12,499,113	
Deferred outflows of resources for pensions	(88,542)		(88,542)	
Net Cash Provided by (Used in) Operating Activities	\$ <u>(12,121,498)</u>	\$ <u>1,345,757</u>	\$ <u>(11,239,248)</u>	\$ <u>(3,460,549)</u>

The accompanying notes are an integral part of the financial statements

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Rhode Island Commerce Corporation (RI Commerce 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. RI Commerce Corporation, 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 RI Commerce Corporation and, accordingly, are considered conduit debt obligations and are not reported as liabilities in the accompanying financial statements.

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

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

Reporting Entity

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

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 RI Commerce Corporation. While RI Commerce Corporation is responsible for managing REF, REF does not have separate corporate powers that would distinguish it as being legally separate from RI Commerce Corporation; 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 RI Commerce Corporation.

SBLF was created and incorporated on January 21, 1986, under Rhode Island law, as a subsidiary of RI Commerce Corporation, 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 RI Commerce Corporation Board.

SBLF does not prepare separate financial statements.

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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.

Use of Estimates

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

Deferred Outflows and Inflows of Resources

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

Cash and Cash Equivalents, Restricted

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

Cash and Cash Equivalents

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

Under the *Rhode Island Collateralization of Public Deposits Act*, (the Act) depository institutions holding deposits of the State, its agencies, or governmental subdivisions of the State, shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. At June 30, 2017 and 2016, the Corporation had deposits, excluding money markets, of \$15,095,887 and \$27,512,031, respectively, which were uninsured and uncollateralized. These deposits were not required to be collateralized based on the criteria set forth in the Act.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Accounts Receivable

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

Investments

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

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

Notes and Loans Receivable

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

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

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

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
JUNE 30, 2017 AND 2016**

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 years ended June 30, 2017 and 2016.

Unearned Revenue

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

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

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, 2017, amounts provided by REF to recipients under forgivable loan and recoverable grant agreements totaled \$261,801. As of June 30, 2017, no corresponding amounts have been recorded as receivables, or repaid or recovered.

Pensions

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

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Net Position

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

Investment in Capital Assets

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

Restricted

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

Unrestricted

A residual category for the balance of net position.

Due to expenses incurred related to conduit debt obligations, the Corporation has a net deficit position as of June 30, 2017. During the year ended June 30, 2017, the Corporation did not receive advances from the State to fund expenses related to conduit debt obligations. During the year ended June 30, 2017, the Corporation received \$7,434,514 in appropriations from the General Assembly of the State of Rhode Island to fund operating expenses. These appropriations are made in connection with the State's annual budgetary process and are therefore dependent upon the State's general financial resources and factors affecting such resources. The Corporation is dependent upon the State's annual appropriations to fund its operating expenses.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, including restricted amounts, consist of the following at June 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Rhode Island Commerce Corporation</u>	<u>SBLF</u>	<u>Rhode Island Commerce Corporation</u>	<u>SBLF</u>
Deposits held in Bank of America	\$ 9,823,863	\$ 1,411,244	\$ 18,876,958	\$ 5,179,821
Deposits held in Santander	64,146,626	4,966,556	17,658,000	
Deposits held in Bank RI	697,751			
Short-term investments, cash equivalents	<u>8,588,845</u>		<u>8,553,429</u>	
	<u>\$ 83,257,085</u>	<u>\$ 6,377,800</u>	<u>\$ 45,088,387</u>	<u>\$ 5,179,821</u>

At June 30, 2017 and 2016, the Corporation had \$83,709,467 and \$45,177,500 (bank balance), respectively, on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC).

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

	<u>2017</u>	<u>2016</u>
Money market mutual funds, Goldman Sachs (FGTXX)	\$ 3,831,762	\$ 3,816,062
Money market mutual funds, Fidelity (FIGXX)	<u>4,757,083</u>	<u>4,737,367</u>
	<u>\$ 8,588,845</u>	<u>\$ 8,553,429</u>

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

	<u>2017</u>		<u>2016</u>	
	<u>Rhode Island Commerce Corporation</u>	<u>SBLF</u>	<u>Rhode Island Commerce Corporation</u>	<u>SBLF</u>
Bank balance	\$ 74,749,507	\$ 6,378,198	\$ 40,478,148	\$ 5,199,352
Bank balance insured by FDIC	750,000	500,000	250,000	250,000
Collateralized, Santander Bank, N.A.	<u>63,896,626</u>	<u>4,716,954</u>	<u>17,665,469</u>	<u> </u>
Uninsured and Uncollateralized	<u>\$ 10,102,881</u>	<u>\$ 1,161,244</u>	<u>\$ 22,562,679</u>	<u>\$ 4,949,352</u>

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, 2017. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 35 days as of June 30, 2017. At June 30, 2017, the funds were invested as follows: 53% in a government agency and treasury repurchase agreements, and 47% in government agency and treasury debt. As of June 30, 2017, the fund was rated Aaa-mf by Moody's Investors Services (Moody's) and AAAM by Standard & Poor's Rating Service (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, 2017. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 29 days as of June 30, 2017. At June 30, 2017, approximately 50% 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, 2017, 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
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 and 2016, the Corporation's investments consist of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Rhode Island Commerce Corporation</u>	<u>SBLF</u>	<u>Rhode Island Commerce Corporation</u>	<u>SBLF</u>
United States government obligations	\$ 943,802	\$	\$ 946,720	\$
Investment in joint venture	<u> </u>	<u>906,283</u>	<u> </u>	<u>1,038,154</u>
	<u>\$ 943,802</u>	<u>\$ 906,283</u>	<u>\$ 946,720</u>	<u>\$ 1,038,154</u>

As of June 30, 2017, RI Commerce Corporation funds were invested in United States government obligations that accrue interest at 2.625% and have a maturity date of April 30, 2018. The obligations were rated Aaa by Moody's.

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

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

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

SBLF has accounted for its investment in Startup as an investment in a joint venture due to SBLF's ongoing financial interest in Beta Spring. Since the date of its initial contribution, SBLF's share of net loss incurred by the investment in Startup is \$1,093,717, including \$131,871 and \$347,008 for the years ended June 30, 2017 and 2016, which is classified as other nonoperating expense on the statement of revenues, expenses, and changes in net position for the years ended June 30, 2017 and 2016. As an equity method investor in a joint venture, SBLF is not permitted nor required to test Startup's underlying assets for impairment pursuant to relevant provisions of the applicable accounting guidance. If Startup were to recognize an impairment loss on its books, SBLF would be required to recognize its proportional share of that impairment loss.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Corporation has the following recurring fair value measurements as of June 30, 2017 and 2016:

U.S. government obligations classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments in joint ventures classified in level 3 are valued using the equity method.

	June 30, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
U.S. government obligations	\$ 943,802	\$ 943,802	\$	\$
Investment in joint venture	<u>906,283</u>			<u>906,283</u>
Total Investments by Fair Value Level	<u>\$ 1,850,085</u>	<u>\$ 943,802</u>	<u>\$ -</u>	<u>\$ 906,283</u>
	June 30, 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
U.S. government obligations	\$ 946,720	\$ 946,720	\$	\$
Investment in joint venture	<u>1,038,154</u>			<u>1,038,154</u>
Total Investments by Fair Value Level	<u>\$ 1,984,874</u>	<u>\$ 946,720</u>	<u>\$ -</u>	<u>\$ 1,038,154</u>

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

4. LOANS AND NOTES RECEIVABLE

Provision for Loan Losses

An analysis of SBLF's allowance for loan losses for the year ended June 30, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 626,216	\$ 459,782
Provision for loan losses	385,902	256,242
Loans charged off	<u>-</u>	<u>(89,808)</u>
Balance, End of Year	<u>\$ 1,012,118</u>	<u>\$ 626,216</u>

Commitments

SBLF had \$500,000 in commitments to originate loans at June 30, 2017 and 2016.

SBLF's Board of Directors approved an additional \$1,971,380 and \$800,000 of loans in fiscal year 2017 and 2016, respectively

REF had loan and grant commitments of \$10,814,121 and \$10,376,465 at June 30, 2017 and 2016, respectively. The match commitment to the Slater Technology Fund which was approved by the Corporation's Board of Directors in September 2015 was de-obligated in fiscal year 2016 due to Slater's inability to raise \$5,000,000 of capital from other parties.

Notes Receivable

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

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. CAPITAL ASSETS

	<u>Depreciable Life</u>	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:					
Land		\$ 128,762	\$	\$	\$ 128,762
Capital assets being depreciated:					
Leasehold improvements	1.42	49,953		(49,953)	-
Equipment	5	132,224	98,641		230,865
Automobiles	5	22,038		(22,038)	-
Total capital assets being depreciated		<u>204,215</u>	<u>98,641</u>	<u>(71,991)</u>	<u>230,865</u>
Less accumulated depreciation for:					
Leasehold improvements		(29,384)	(20,569)	49,953	-
Equipment		(51,305)	(38,132)		(89,437)
Automobiles		(20,569)	(1,469)	22,038	-
Total accumulated depreciation		<u>(101,258)</u>	<u>(60,170)</u>	<u>71,991</u>	<u>(89,437)</u>
Total capital assets being depreciated, net		<u>102,957</u>	<u>38,471</u>	<u>-</u>	<u>141,428</u>
Capital Assets, Net		<u>\$ 231,719</u>	<u>\$ 38,471</u>	<u>\$ -</u>	<u>\$ 270,190</u>
	<u>Depreciable Life</u>	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:					
Land		\$ 128,762	\$	\$	\$ 128,762
Capital assets being depreciated:					
Leasehold improvements	1.42		49,953		49,953
Equipment	5	123,878	75,413	(67,067)	132,224
Automobiles	5	22,038			22,038
Total capital assets being depreciated		<u>145,916</u>	<u>125,366</u>	<u>(67,067)</u>	<u>204,215</u>
Less accumulated depreciation for:					
Leasehold improvements		-	(29,384)		(29,384)
Equipment		(86,999)	(21,631)	57,325	(51,305)
Automobiles		(16,161)	(4,408)		(20,569)
Total accumulated depreciation		<u>(103,160)</u>	<u>(55,423)</u>	<u>57,325</u>	<u>(101,258)</u>
Total capital assets being depreciated, net		<u>42,756</u>	<u>69,943</u>	<u>(9,742)</u>	<u>102,957</u>
Capital Assets, Net		<u>\$ 171,518</u>	<u>\$ 69,943</u>	<u>\$ (9,742)</u>	<u>\$ 231,719</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

6. LONG-TERM DEBT

Bonds Payable and Net Investment in Direct Financing Leases

During 1995, RI Commerce Corporation 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 for these defeased bonds was \$-0- and \$2,940,000 at June 30, 2017 and 2016, respectively.

During 1996, RI Commerce Corporation 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, RI Commerce Corporation 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, RI Commerce Corporation 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 \$472,000, 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 RI Commerce Corporation's revenue bonds and total future minimum lease payments receivable at June 30, 2017 are as follows:

<u>June 30, 2017</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,765,676	\$ 1,619,895
2019	2,990,807	1,394,568
2020	3,235,839	1,151,486
2021	3,534,658	886,863
2022	1,248,928	649,638
2023-2027	<u>7,808,314</u>	<u>1,681,135</u>
	21,584,222	\$ <u><u>7,383,585</u></u>
Less current portion	<u>(2,765,676)</u>	
Net Long-Term Portion of Bonds Payable	\$ <u><u>18,818,546</u></u>	

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

RI Commerce Corporation 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 RI Commerce Corporation semi-annually over the life of the bonds provided that the lessees achieve certain job targets. For the years ended June 30, 2017 and 2016, job rent credits issued by RI Commerce Corporation totaled \$3,307,276 and \$3,295,026, respectively.

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 equals the \$2,765,676 current portion of long-term debt.

Changes in long-term obligations during the year ended June 30, 2017, excluding the net pension liability and including SBLF, were as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts Due</u> <u>Within One Year</u>
Revenue bonds	\$ 24,144,297	\$	\$ 2,560,075	\$ 21,584,222	\$ 2,765,676
Advances from State for conduit debt obligations	23,634,113			23,634,113	
Unearned revenue	18,817,683	6,942,667	9,356,011	16,404,339	5,402,102
Payable from restricted assets	<u>3,397,258</u>		<u>631,582</u>	<u>2,765,676</u>	
	<u>\$ 69,993,351</u>	<u>\$ 6,942,667</u>	<u>\$ 12,547,668</u>	<u>\$ 64,388,350</u>	<u>\$ 8,167,778</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

7. STATE APPROPRIATIONS

During the years ended June 30, 2017 and 2016, RI Commerce Corporation received the following line item appropriations from the State:

	<u>2017</u>	<u>2016</u>
Base budget finding	\$ 7,434,514	\$ 7,394,514
Chafee Center at Bryant	376,200	376,200
Public investment payment (Note 10)	3,560,000	2,879,942
Job rent credits (Note 6)	3,307,276	3,295,026
RI Airport Impact Aid	1,010,146	1,004,174
Science and Technology Advisory Council (STAC)	1,150,000	1,150,000
Innovative Matching Grants (IMG)	1,000,000	1,000,000
Rebuild Rhode Island Tax Credit (Fund 91)	25,000,000	1,000,000
Industry Cluster (Fund 92)	500,000	750,000
Main Street (Fund 94)	1,000,000	1,000,000
Innovative Initiative (Fund 96)	1,500,000	1,000,000
First Wave Closing (Fund 97)	8,500,000	5,000,000
PTECH (Fund 90)	1,200,000	
Airport Services (Fund 89)	1,500,000	
Wavemaker Fellowship (Fund 98)	2,000,000	
Solarize	95,181	62,673
Other grant reimbursements	446,443	175,801
Small Business Assistance Fund (Fund 95)		5,458,000
Executive Office of Commerce Programs		3,600,000
Affordable Housing Fund		3,000,000
Legislative		789,492
Anchor Tax Credit Fund (Fund 93)		750,000
Leased employee		256,917
	<u>59,579,760</u>	<u>39,942,739</u>
Subtotal		
Less STAC unearned revenue at end of year	(463,409)	(306,452)
Less IMG unearned revenue at end of year	(938,305)	(411,506)
Less Due from State, net, at end of year	(2,321,363)	(1,362,709)
Less advance from state for conduit debt expenses at end of year		(23,634,113)
Less PTECH unearned revenue at end of year		(154,904)
Add STAC unearned revenue at beginning of year	306,452	159,755
Add IMG unearned revenue at beginning of year	411,506	260,610
Add PTECH unearned revenue at beginning of year	154,904	
Add Due from State at beginning of year	1,362,709	799,947
Add advance from state for conduit debt expenses at beginning of year		11,135,000
	<u>58,092,254</u>	<u>26,428,367</u>
Amount per Cash Flow - State Appropriations	<u>\$ 58,092,254</u>	<u>\$ 26,428,367</u>

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

For the years ended June 30, 2017 and 2016, the RI Commerce Corporation was appropriated \$5,146,107 and \$5,015,125, respectively, of hotel tax revenue from the State, which is recorded in investment and other revenue. Hotel tax revenue of \$636,486 is due from the state as of June 30, 2017.

For the years ended June 30, 2017 and 2016, appropriations by the General Assembly of the State received by RI Commerce Corporation to fund its expenses comprised approximately 78% and 50%, respectively, of RI Commerce Corporation's total operating and nonoperating revenues.

8. PENSION PLANS

A. Rhode Island Commerce Corporation Pension Plan and Trust

Plan Description

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

Benefit Provisions

Employees with five or more years of service are entitled to receive annual pension benefits beginning at their normal retirement age, or earlier, as defined. The amount of their monthly benefit shall be equal to the product of 1.715% of their average compensation over the three plan years producing the highest average and their years of service not in excess of thirty-five years. For all participants who started to receive a benefit prior to March 1, 2009, an annual cost of living adjustment (COLA) of 3% will be added to the monthly benefit. The COLA takes place July 1st of every year. The 3% COLA shall not apply to participants who began receiving their benefits after March 1, 2009. Accrued benefits of \$20,000 or less can be paid in a single sum amount.

The plan sponsor has the authority, under the plan document, to amend benefit provisions.

Participants may elect to provide pension benefits to their designated beneficiary. However, such election results in reduced benefit payment to the participants themselves.

Funding Policy

The funding policy and related contribution requirements are established by RI Commerce Corporation. Plan members are not required to contribute to the Plan. The Corporation is responsible for funding the cost of all benefits. RI Commerce Corporation is to fund 100% of the actuarially determined contribution; the rate was 8.21% of the annual covered payroll for the fiscal year ended June 30, 2016. RI Commerce Corporation contributed \$207,266 and \$88,542 for the fiscal years ended June 30, 2017 and 2016, respectively, equal to 100% of the required contributions for fiscal year ended June 30, 2017 and 91% of the required contribution for fiscal year ended June 30, 2016. The actuarially determined contribution is calculated in accordance with the aggregate actuarial cost method. Changes in plan provisions and actuarial assumptions give rise to changes in the unfunded liability. The new layer(s) created each year is (are) amortized over a closed 30-year period on a level dollar basis. Actuarial gains and losses are not separately amortized under this method. Rather, the impact is spread through the normal cost component over the working lifetime of the participant.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Pension Liability, Pension Expense, and Deferred Inflows and Outflows of Resources

At June 30, 2017 and 2016, RI Commerce Corporation reported an obligation of \$623,724 and \$1,717, respectively, for its proportionate share of the net pension liability related to the Plan. The net pension obligation was measured as of June 30, 2016, the measurement date. RI Commerce Corporation's proportion of the net pension asset was based on its share of contributions to the plan for fiscal years 2017 and 2016 relative to the total contributions of all participating employers for those fiscal years. At June 30, 2017 and 2016, RI Commerce Corporation's proportion was 40.47% and 40.89%, respectively.

Pension Expense

For the years ended June 30, 2017 and 2016, RI Commerce Corporation recognized pension expense of \$103,668 and \$117,217, respectively, relating to the Plan. At June 30, 2017 and 2016, RI Commerce Corporation reported the following deferred outflows of resources and deferred inflows of resources related to the Plan:

	<u>2017</u>	<u>2016</u>
Deferred outflows of resources:		
Differences between expected and actual experience	\$ 30,965	\$ 34,355
Changes in assumptions	93,899	365,905
Differences between projected and actual earnings	327,490	
Contributions subsequent to the measurement date	<u>207,266</u>	<u>88,542</u>
Total	<u>\$ 659,620</u>	<u>\$ 488,802</u>
Deferred inflows of resources:		
Net difference Between Projected and Actual Earnings on Pension Plan Investments	<u>\$ -</u>	<u>\$ 347,521</u>

For the years ended June 30, 2017 and 2016, \$207,266 and \$88,542, respectively, were reported as deferred outflows of resources related to the Plan resulting from RI Commerce Corporation's contributions in fiscal year 2017 and 2016 subsequent to the measurement date and will be recognized as an increase in the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2016	\$ 174,089
2017	17,763
2018	119,497
2019	<u>141,005</u>
Total	<u>\$ 452,354</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Actuarial Assumptions

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

Inflation	3.00%
Salary increases	3.00%
Long-term rate of return on investments	6.50%, net of pension plan investment expense, including inflation

Mortality rates are based on RP 2014 Generational nonannuitant/annuitant with MP 2014 Improvement (Male/Female); the mortality improvement included in the IRS table is assumed.

Long-term rate of return assumptions are based on historical data. In the past, the Corporation, as plan sponsor, chose to use 6.50% as the Plan's interest rate assumption. In future periods, consideration for the current expected returns on assets will be made in selecting the interest rate assumption. The money-weighted rate of return in prior year was -3.05%. This rate is determined assuming contributions and expenses are paid in the middle of the month and benefits are paid at the beginning of the month.

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

Asset Class	June 30, 2016 Asset Allocation	Target Asset Allocation	Long-term Expected Real Rate of Return
Domestic equity	53.57%	60.00%	9.0%
Fixed income	23.12%	40.00%	4.0%
Mutual funds	20.04%	0.00%	N/A
Real estate/other	0.26%	0.00%	N/A
Cash	3.01%	0.00%	N/A
Total	100.00%	100.00%	

Discount Rate

The discount rate for purposes of determining the net pension asset was 6.50% at June 30, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that contributions from the employers will be made at actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Sensitivity of the Corporation's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) calculated using the discount rate of 6.50% as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
2017			
Corporation's net pension liability (asset)	\$ 1,555,551	\$ 623,724	\$ (164,255)
2016			
Corporation's net pension liability (asset)	\$ 959,993	\$ 1,717	\$ (807,099)

Pension Plan Fiduciary Net Position

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

B. Employees' Retirement System Plan

Summary of Significant Accounting Policies

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

Plan Description

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

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

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Benefit Provisions

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

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

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

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

Contributions

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal years 2017 and 2016, participating RI Commerce Corporation employees with less than 20 years of service as of July 1, 2016 were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of July 1, 2016 were required to contribute 11% of their annual covered salary. RI Commerce Corporation is required to contribute at an actuarially determined rate; the rate was 25.34% and 23.64% of annual covered payroll for the fiscal years ended June 30, 2017 and 2016, respectively. RI Commerce Corporation contributed \$22,015, \$22,833 and \$21,260 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017 and 2016, RI Commerce Corporation reported a liability of \$293,616 and \$270,891, respectively, for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability reported as of June 30, 2017 was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. The net pension liability reported as of June 30, 2016 was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. RI Commerce Corporation's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017 and 2016, RI Commerce Corporation's proportion was approximately 0.014%.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

For the years ended June 30, 2017 and 2016, RI Commerce Corporation recognized pension expense of \$17,717 and \$3,721 relating to the ERS, respectively.

At June 30, 2017 and 2016, RI Commerce Corporation reported the following deferred outflows of resources and deferred inflows of resources related to the ERS:

	<u>2017</u>	<u>2016</u>
Deferred outflows of resources:		
Net difference projected and actual earning	\$ 20,959	\$
Contribution subsequent to the measurement date	<u>23,785</u>	<u>22,833</u>
Total	<u>\$ 44,744</u>	<u>\$ 22,833</u>
Deferred inflows of resources:		
Differences between expected and actual experience	\$ 7,775	\$ 3,134
Change in assumptions	1,458	2,038
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,935	26,839
Net difference between projected and actual earnings on pension plan investments		<u>223</u>
Total	<u>\$ 26,168</u>	<u>\$ 32,234</u>

Contributions of \$23,785 and \$22,833 are reported as deferred outflows of resources related to pensions resulting from RI Commerce Corporation contributions in fiscal years 2017 and 2016, respectively, subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the years ended June 30, 2017 and 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the ERS will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2018	\$ (4,936)
2019	(4,936)
2020	178
2021	<u>4,485</u>
Total	<u>\$ (5,209)</u>

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	4.00% to 14.25%
Investment rate of return	7.50%

Mortality rates were based on 115% (males) and 95% (females) of the RP-2000 combined healthy mortality tables with white collar adjustments projected with scale AA from 2000.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

The actuarial assumptions used in the June 30, 2015 valuations rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 was consistent with the results of an actuarial experience study performed as of June 30, 2013. The actuarial assumptions used in the June 30, 2014 valuations were rolled forward to June 30, 2015 and were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity:	38.0%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.0%	4.10%
Private Equity	7.0%	10.15%
Core Fixed Income	15.0%	2.37%
Absolute Return Hedge Funds	7.0%	4.10%
Infrastructure	3.0%	5.58%
Real Estate	8.0%	5.33%
Other Real Return Assets:	11.0%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.0%	0.82%
Total	<u>100.0%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7%, which will be reflected in the determination of the net pension liability (asset) for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
2017			
Corporation's proportionate share	\$ <u>359,544</u>	\$ <u>293,616</u>	\$ <u>239,643</u>
	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
2016			
Corporation's proportionate share	\$ <u>335,845</u>	\$ <u>270,891</u>	\$ <u>217,716</u>

Pension Plan Fiduciary Net Position

As noted earlier, ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>. The report contains detailed information about the pension plan's fiduciary net position.

C. Defined Contribution Plan

Employees participating in the defined benefit plan (those with less than 20 years of service as of July 1, 2016), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The Employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Plan Contributions

Certain employees (those with less than 20 years of service as of July 1, 2016) contribute 5% of their annual covered salary and employers contribute at the following percentages of annual covered salary for these employees based on their years of service as of July 1, 2016:

<u>Years of Service as of 7/1/2016</u>	<u>Employer Contribution Rate</u>
15-20 Years	1.50%
10-15 Years	1.25%
0-10 Years	1.00%

Rhode Island Commerce Corporation did not make any matching contributions into the Plan for the years ended June 30, 2017 and 2016.

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Plan Vesting and Contribution Forfeiture Provisions

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

Retirement Benefits

Benefits may be paid to an employee after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the employee attains age 70½ or terminates employment, if later.

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

D. Other Plans

Employees of RI Commerce Corporation hired on or after January 1, 2006 participate in the RI Commerce Corporation Section 401a Retirement and Savings Plan (the 401a Plan), a discretionary contribution plan. The 401a Plan provides for RI Commerce Corporation to make discretionary matching or additional contributions as approved by the Board of Directors. For the fiscal year ended June 30, 2017, RI Commerce Corporation contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the RI Commerce Corporation Section 457 Deferred Compensation Plan (the 457 Plan). Contributions for the fiscal years ended June 30, 2017 and 2016, were \$218,016 and \$161,562, respectively. All employees are eligible to participate in the 457 Plan. Both the 401a Plan and the 457 Plan are calendar-year based.

9. OTHER POSTEMPLOYMENT HEALTHCARE PLAN (OPEB)

Plan Description

For certain employees, RI Commerce Corporation 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 RI Commerce Corporation.

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

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

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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 2017 was 5.97% 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. RI Commerce Corporation's contribution to the OPEB Plan for the years ended June 30, 2017, 2016 and 2015, was approximately \$5,604, \$5,835 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

RI Commerce Corporation 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 RI Commerce Corporation 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. RI Commerce Corporation's requirement to make public investment payments to PPG is subject to the State's annual appropriations to RI Commerce Corporation of related sales tax. During the years ended June 30, 2017 and 2016, RI Commerce Corporation made public investment payments to PPG totaling \$3,560,000 and \$2,879,942, respectively.

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

Litigation

As part of the condemnation of various parcels of real estate relating to the FMR Project, actions against RI Commerce Corporation have been filed in Providence Superior Court (the Court) appealing the order of the Court regarding the amount to be paid by RI Commerce Corporation for the condemned properties. The Plaintiffs have not stated specific damage amounts. Subject to the Ground Lease entered into between RI Commerce Corporation 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 RI Commerce Corporation, if any, is unknown.

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

RI Commerce Corporation is self-insured for unemployment compensation. No accrual has been made for claims expected to arise from services rendered on or before June 30, 2017 because RI Commerce Corporation officials are of the opinion that, based upon prior years' experience, any claims will not be material.

RI Commerce Corporation 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 RI Commerce Corporation carries commercial insurance. Neither RI Commerce Corporation nor its insurers have settled any claims which exceeded RI Commerce Corporation'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.

Subsequent Event

On September 20, 2017, the Office of Inspector General for the United States Department of Treasury issued a report (the Report) of its audit findings in relation to the administration of the SSBCI Beta Spring program undertaken by the Small Business Loan Fund Corporation relating to program administration during the 2011 - 2014 time-frame. In response to the Report, management at the Department of Treasury indicated that it would not disburse the final allocation of funding to the Small Business Loan Fund Corporation in the amount of \$2 million. The Report can be found at <https://www.treasury.gov/about/organizational-structure/ig/Audit%20Reports%20and%20Testimonies/IG-17-057.pdf>.

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

11. CONDUIT DEBT OBLIGATIONS AND CREDIT ENHANCEMENTS

From time to time, RI Commerce Corporation 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. RI Commerce Corporation 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 RI Commerce Corporation.

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

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, 2017 are \$44,705,000 (principal only), including 38 Studios, as described below, in the amount of \$42,455,000 (principal only; total debt service is \$52,710,931).

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

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

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.

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

This is a conduit debt transaction and credit enhancement with limited recourse and, accordingly, this loan is not reported as a liability in the accompanying financial statements. RI Commerce Corporation is obligated to the bondholders under the loan and trust agreement for all sums borrowed and not repaid, provided, however, that the bondholders may only satisfy such obligation by executing upon the collateral pledged pursuant to the terms of the loan and trust agreement and by proceeding against the reserve account maintained by RI Commerce Corporation pursuant to the JGCP to hold 50% of the fees that RI Commerce Corporation earned under that program. Pursuant to RIGL Section 42-64-18(5), all amounts paid to the bondholders and lenders by RI Commerce Corporation from appropriations received from the State, pursuant to the provisions of this section, shall constitute and be accounted for as advances by the State to RI Commerce Corporation. During the years ended June 30, 2017 and 2016, the amounts paid to RI Commerce Corporation to enable RI Commerce Corporation satisfy debt service obligations related to the JCGP (i.e., 38 Studios) totaled \$0- and \$12,499,113, respectively, which is recorded in the accompanying financial statements as a liability of RI Commerce Corporation payable to the State.

As of June 30, 2016, all project-related funds maintained by the Trustee have been completely expended, with the exception of \$278,294 available in the Principal and Interest Sinking Fund. This balance represents the cumulative investment earnings to date on all deposits as well as the balance available after subtracting the scheduled bond payment made in May 2016 (\$1,944,156) from the amount that was appropriated by the General Assembly and paid to RI Commerce Corporation (\$12,499,113).

On July 22, 2014, a Rhode Island Superior Court ruling upheld an initial legal settlement entered into by RI Commerce Corporation with a law firm in connection with Rhode Island Economic Development Corporation v. Wells Fargo, et al., pending in the Providence Superior Court, which resulted in the gross payment of \$4,370,000, of which RI Commerce Corporation received and recorded revenue of \$3,641,667. After payment of fees, costs and expenses, the net amount of the settlement, totaling \$3,171,441, was paid by RI Commerce Corporation 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.

On September 11, 2015, a Rhode Island Superior Court ruling upheld an initial settlement entered into by RI Commerce Corporation with four named defendants in connection with Rhode Island Economic Development Corporation v. Wells Fargo, et al. pending in Providence Superior Court. The settlement resulted in the gross payment of \$12,500,000. After payment of fees, costs and expenses, the net amount from the settlement was approximately \$9,900,000 and 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, which is included within expenses related to conduit obligations in the accompanying statement of revenues, expenses and changes in net position.

On September 8, 2016, a Rhode Island Superior Court upheld an initial settlement entered into by RI Commerce Corporation with two named defendants in connection with Rhode Island Economic Development Corporation v. Wells Fargo, et al. pending the Providence Superior Court. The settlement resulted in the gross payment of \$25,625,000. After payment of fees, costs, and expenses, the net amount from the settlement was \$21,354,167 and will be paid to Bank of New York Mellon, 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.

On or about February 9, 2017, a Rhode Island Superior Court ruling approved a settlement with the remaining defendant in connection with Rhode Island Economic Development Corporation v. Wells Fargo, et al., pending in the Providence Superior Court and dismissed the pending action. The settlement

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

resulted in a gross payment of \$16,000,000. After payment of fees, costs and expenses, the net amount from the settlement was approximately \$12,935,934 and 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 RI Commerce Corporation, the trustee, and 38 Studios, should amounts in the Capital Reserve Account fall below minimum requirements, RI Commerce Corporation 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 \$-0- in its budget for the fiscal year ended June 30, 2017 to cover the scheduled bond payments in November 2017 and May 2018. The total debt service for the issuance is \$112,587,089, but the remaining debt service as of June 30, 2017 is \$52,710,931, with reserves of approximately \$12,748,313, the maximum annual (calendar year) debt service. As of June 30, 2017, \$21,398,734 is available in the Principal and Interest Sinking Fund to fund future debt service payments.

The total aggregate principal amount outstanding under all conduit debt obligations at June 30, 2017 and 2016 was approximately \$1,076,819,000 and \$991,396,000, respectively.

12. PROVPORT CRANE AND BARGE PROJECT

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

Title to the cranes, barges, and other equipment (the Project Equipment) is held solely by RI Commerce Corporation. The Project Equipment, which is located at the Port of Providence, has been leased by RI Commerce Corporation 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. RI Commerce Corporation 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. RI Commerce Corporation has provided a first priority security interest in the barges to Bank of America. RI Commerce Corporation 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, RI Commerce Corporation has accounted for this lease as a direct financing capital lease.

During fiscal year 2016, the barge was successfully delivered and all remaining payments were processed.

RI Commerce Corporation earned an annual administrative fee from the Organization in the amount of one-eighth of one percent of the Project cost, which amounted \$-0- and \$23,991 for the years June 30, 2017 and 2016, respectively.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

13. CONTRACTUAL SERVICES

Contractual services expense by service category for RI Commerce Corporation and SBLF for the year ended June 30, 2016 is as follows:

	2017		2016	
	RI Commerce Corporation	SBLF	RI Commerce Corporation	SBLF
Marketing	\$ 2,130,197	\$	\$ 3,144,102	\$
Consulting	846,614		983,806	10,045
Legal services	4,928,712	44,043	866,889	23,879
Other	94,808	1,710	189,471	6,331
Informational technology	174,356		189,116	
	<u>\$ 8,174,687</u>	<u>\$ 45,753</u>	<u>\$ 5,373,384</u>	<u>\$ 40,255</u>

14. FINANCIAL STATEMENT RECLASSIFICATIONS

The accompanying financial statements for 2016 have been reclassified to conform to the 2017 presentation.

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
SCHEDULE OF CORPORATION CONTRIBUTIONS
RI COMMERCE CORPORATION PENSION PLAN AND TRUST
LAST 10 FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$97,831	\$92,525	\$63,264	\$88,332	\$100,969	\$53,064	\$127,299	\$188,504	\$253,762	\$226,399
Contributions in relation to the actuarially determined contribution	\$88,549	\$45,990	\$63,264	\$88,332	\$108,596	\$53,515	\$128,436	\$218,400	\$293,262	\$249,464
Contribution deficiency / (excess)	\$9,282	\$46,535	\$0	\$0	(\$7,627)	(\$451)	(\$1,137)	(\$29,896)	(\$39,500)	(\$23,065)
Covered employee payroll	\$1,077,914	\$1,118,572	\$1,154,143	\$1,166,710	\$1,264,082	\$1,419,660	\$1,495,990	\$1,500,256	\$1,770,236	\$1,639,024
Contributions as a percentage of covered employee payroll	8.21%	4.11%	5.48%	7.57%	8.59%	3.77%	8.59%	14.56%	16.57%	15.22%

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
SCHEDULE OF CORPORATION CONTRIBUTIONS
EMPLOYEES RETIREMENT SYSTEM (ERS) PLAN
LAST 10 FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily determined contribution	\$54,199	\$22,833	\$21,260	Schedule is intended to show information for 10 years - additional years will be displayed as they become available.						
Contributions in relation to the statutorily determined contribution	\$23,785	\$22,833	\$21,260							
Contribution deficiency/(excess)	\$30,414	\$0	\$0							
Covered employee payroll	\$92,891	\$91,340	\$91,129							
Contributions as a percentage of covered employee payroll	25.61%	25.00%	23.33%							

Note - Rhode Island General Laws requires participating employers to contribute an actuarially determined rate to the ERS plan.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
SCHEDULE OF CORPORATION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
RI COMMERCE CORPORATION PENSION PLAN AND TRUST
LAST 10 FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Corporation's proportion of the net pension asset	40.47%	40.89%	42.15%	Schedule is intended to show information for 10 years - additional years will be displayed as they become available.						
Corporation's proportionate share of the net pension liability (asset)	\$623,724	\$1,717	(\$477,935)							
Corporation's covered-employee payroll	\$1,077,914	\$1,118,572	\$1,166,710							
Corporation's proportionate share of the net pension asset as a percentage of its covered employee payroll	57.86%	0.15%	-40.96%							
Plan fiduciary net position as a percentage of the total pension asset	91.89%	99.98%	106.84%							

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017
SCHEDULE OF CORPORATION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
EMPLOYEES RETIREMENT SYSTEM (ERS) PLAN
LAST 10 FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Corporation's proportion of the net pension liability	0.01%	0.01%	0.02%	Schedule is intended to show information for 10 years - additional years will be displayed as they become available.						
Corporation's proportionate share of the net pension liability (asset)	\$293,616	\$270,891	\$273,850							
Corporation's covered-employee payroll	\$92,891	\$91,340	\$91,129							
Corporation's proportionate share of the net pension liability as a percentage of its covered employee payroll	316.09%	296.58%	300.51%							
Plan fiduciary net position as a percentage of the total pension liability	51.88%	58.58%	55.03%							

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Defense		
<i>Direct Programs:</i>		
Defense Industry Economic Diversification Strategy (STEAMengine)	12.617	\$ 1,591,944
Procurement Technical Assistance for Business Firms	12.002	<u>395,918</u>
Total U.S. Department of Defense		1,987,862
U.S. Department of Commerce		
<i>Direct Programs:</i>		
Public Works and Economic Development Cluster: Economic Adjustment Assistance	11.307	9,561,908
U.S. Environmental Protection Agency		
<i>Direct Programs:</i>		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	193
U.S. Department of Transportation		
<i>Direct Programs:</i>		
MARAD	20.932	760,770
U.S. Department of Energy		
<i>Passed Through State of Rhode Island:</i>		
State Energy Program	81.041	<u>32,944</u>
Total Expenditures of Federal Awards		\$ <u><u>12,343,677</u></u>

The accompanying notes are an integral part of this schedule

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Rhode Island Commerce Corporation (RI Commerce Corporation) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the RI Commerce Corporation, it is not intended to and does not present the financial position, changes in net position or cash flows of the RI Commerce Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance.

3. DETERMINATION OF MAJOR PROGRAMS

The determination of major federal financial assistance programs was based on the overall level of expenditures for all federal programs for the State of Rhode Island, of which RI Commerce Corporation is a component unit. As such, the determination of major programs is made at the State level, where it was determined that none of RI Commerce Corporation's federal programs were major programs during the State fiscal year ended June 30, 2017.

4. LOANS BALANCE OUTSTANDING

RI Commerce Corporation did not have any loans outstanding with continuing compliance requirements under federal loan and loan guarantee programs at June 30, 2017.

The Small Business Loan Fund Corporation had \$9,561,908 in loans outstanding with continuing compliance requirements under federal loan and loan guarantee programs at June 30, 2017.

5. PASSED THROUGH TO SUBRECIPIENTS

RI Commerce Corporation did pass through federal awards to subrecipients during the State fiscal year ended June 30, 2017 as follows:

12.617 Economic Adjustment Assistance for State Governments	
The University of Rhode Island Research Foundation	\$ 2,900,000
Design Catalyst, LLC,	336,800
Rhode Island School of Design	448,527
Bryant University	49,400

6. INDIRECT COST RATE

RI Commerce Corporation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance in certain circumstances.

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
JUNE 30, 2017

Combined Statement of Net Position

Attachment B

Assets

Current assets:

Cash and cash equivalents	\$ 10,139,477
Investments	
Receivables (net)	2,105,822
Restricted assets:	
Cash and cash equivalents	69,637,248
Investments	3,709,478
Receivables (net)	21,888
Other assets	
Due from primary government	3,021,363
Due from other State component units	33,414
Due from other governments	
Inventories	
Other assets	234,293
Total current assets	<u>88,902,983</u>

Noncurrent assets:

Investments	906,283
Receivables (net)	4,967,346
Restricted assets:	
Cash and cash equivalents	9,858,160
Investments	16,233,574
Receivables (net)	272,197
Other assets	
Due from other State component units	
Capital assets - nondepreciable	128,762
Capital assets - depreciable (net)	141,428
Net pension asset	
Other assets, net of amortization	
Total noncurrent assets	<u>32,507,750</u>

Total assets

121,410,733

Deferred Outflows of Resources

Accumulated decrease in fair value of hedging derivatives	
Deferred losses on refunding	
Other deferred outflows of resources	704,364
Total deferred outflows of resources	<u>704,364</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT (CONTINUED)
JUNE 30, 2017

Combined Statement of Net Position

Attachment B

Liabilities

Current liabilities:

Cash overdraft	
Accounts payable	\$ 2,254,163
Due to primary government	700,000
Due to other State component units	
Due to other governments	
Unearned revenue	5,402,102
Other current liabilities	1,936,836
Current portion of long-term debt	2,765,676
Total current liabilities	<u>13,058,777</u>

Noncurrent liabilities:

Due to primary government	
Advance from State for conduit debt obligations	23,634,113
Due to other governments	
Due to other State component units	
Net pension liability	917,340
Net OPEB obligation	
Unearned revenue	11,002,237
Notes payable	
Loans payable	
Obligations under capital leases	
Compensated absences	
Other liabilities	3,116,817
Bonds payable	18,818,546
Total noncurrent liabilities	<u>57,489,053</u>

Total liabilities 70,547,830

Deferred Inflows of Resources

Accumulated increase in fair value of hedging derivatives	
Deferred gains on refunding	
Other deferred inflows of resources	26,168
Total deferred inflows of resources	<u>26,168</u>

Net Position

Investment in capital assets	270,190
Restricted for:	
Debt	
Other	65,931,940
Nonexpendable	
Unrestricted (deficit)	<u>(14,661,031)</u>
Total net position	<u>\$ 51,541,099</u>

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Combined Statement of Activities</u>	<u>Attachment C</u>
Expenses	\$ <u>64,800,790</u>
Program Revenues	
Charges for services	5,924,091
Operating grants and contributions	4,565,519
Capital grants and contributions	
Total program revenues	<u>10,489,610</u>
Net (expenses) revenues	<u>(54,311,180)</u>
General Revenues	
Interest and investment earnings	7,966,264
Miscellaneous revenue	85,297,356
Total general revenues	<u>93,263,620</u>
Income before transfers and special and extraordinary items	38,952,440
Transfer from other State component unit	518,949
Special items	
Extraordinary items	<u> </u>
Change in net position	39,471,389
Total net position - beginning	<u>12,069,710</u>
Total net position - ending	\$ <u><u>51,541,099</u></u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
JUNE 30, 2017

<u>Combined Schedule of Long-Term Debt</u>		<u>Attachment D</u>
<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,765,676	\$ 1,619,895
2019	2,990,807	1,394,568
2020	3,235,839	1,151,486
2021	3,534,658	886,863
2022	1,248,928	649,638
2023-2027	<u>7,808,314</u>	<u>1,681,135</u>
	\$ <u>21,584,222</u>	\$ <u>7,383,585</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
FOR THE YEAR ENDED JUNE 30, 2017

Attachment E

Combined Schedule of Changes in Long-Term Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Bonds and leases payable, restricted	\$ 24,144,297	\$	\$ 2,560,075	\$ 21,584,222	\$ 2,765,676	\$ 18,818,546
Net unamortized premium / discount						
Deferred amount on refunding						
Bonds payable	<u>24,144,297</u>	<u>-</u>	<u>2,560,075</u>	<u>21,584,222</u>	<u>2,765,676</u>	<u>18,818,546</u>
Notes payable						
Loans payable						
Obligations under capital leases						
Net pension obligation	1,717	622,007		623,724		623,724
Net pension liability - ERS plan	270,891	22,725		293,616		293,616
Due to primary government and agencies		700,000		700,000	700,000	
Due to other governments						
Advance from State for conduit debt obligations	23,634,113			23,634,113		23,634,113
Unearned revenue, restricted	18,817,683		2,413,344	16,404,339	5,402,102	11,002,237
Due to other State component units						
Other liabilities, payable from restricted assets	<u>3,099,060</u>	<u>17,757</u>		<u>3,116,817</u>		<u>3,116,817</u>
	<u>\$ 69,967,761</u>	<u>\$ 1,362,489</u>	<u>\$ 4,973,419</u>	<u>\$ 66,356,831</u>	<u>\$ 8,867,778</u>	<u>\$ 57,489,053</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

Date	Payee	Amount	Purpose
7/22/2016	RI Food Dealers Association	\$ 550	Sen. Reed-RI Business Day Conference in Washington, DC for L. Tanner
7/22/2016	SSTI	1,095	Registration Fee for SSTI Conference in Columbus, OH for C. Smith & R. Myroniuk
8/5/2016	Louis Francis	1,319	NCMA Conference in Orlando, FL
8/12/2016	US Travel Association	925	Registration Fee for M Brodeur for ESTO conference in Boca Raton, FL
8/12/2016	Lenworth (Jay) N. Johnson II	1,561	IEDC Training workshop in Orlando, FL
8/18/2016	Greentech Media, Inc.	895	Registration fee for NY REB Future 2016 Conference for Emily Tradd
8/18/2016	RI Society of CPA's	550	Sen Reed-RI Business Day Conference in Washington, DC for D. Early
8/18/2016	Soraya Sundberg	1,206	NCMA Conference in Orlando, FL
8/18/2016	Annie Ratanasim	1,153	EIA Conference in Washington, DC
9/16/2016	Institute for Professionals on Taxation	5,000	Exhibitor Fee for IPT Symposium in Denver Colorado
9/16/2016	APTAC	2,975	Registration Fee for Fall 2016 APTAC Conference in Washington, DC for PTAC Employees
9/20/2016	CoreNet Globel, Inc.	5,000	Booth Fee for CoreNet Global Summit in Philadelphia, PA
9/30/2016	Lara Salamano	1,563	Destination Marketing Assoc International Conference in Minneapolis, MN
9/30/2016	Melody Weeks	788	DLA TKO Conference in Columbus, OH
9/30/2016	GBMP/Greater Boston Manufacturing Partnership, Inc.	950	Registration Fee for 2016 Northeast Lean Conference in Worcester, MA for L. Tanner
10/6/2016	Emily Tradd	315	NY REV Future Conference in Brooklyn, NY
10/17/2016	Darin Early	238	Boston Properties University Reception in Boston, MA
10/18/2016	Mark Brodeur	1,426	ESTO Conference in Boca Raton, FL
10/18/2016	Discover New England	7,300	Registration, Hotel & Airfare for Mark Brodeur for World Travel Market in London
11/4/2016	Darin Early	929	CoreNet Global Summit Conference in Philadelphia, PA
11/4/2016	Lara Salamano	761	"The Chew" taping in New York, NY
11/4/2016	John Riendeau	1,501	CoreNet Global Summit Conference in Philadelphia, PA
11/10/2016	Christine Smith	747	SSTI Conference in Columbus, OH
11/10/2016	Rachel Myroniuk	827	SSTI Conference in Columbus, OH
11/10/2016	Site Selectors Guild, Inc	3,900	Registration fee for Annual Conference in Tucson, AZ for D. Early & Hilary Fagan
11/17/2016	Melody Weeks	1,308	APTAC Fall 2016 Conference in Washington, DC
11/17/2016	Louis Francis	1,207	APTAC Fall 2016 Conference in Washington, DC
11/17/2016	Victor Howard	1,357	APTAC Fall 2016 Conference in Washington, DC
11/23/2016	Group C Media Inc-Business Facilities	7,500	Booth fee for the Business Facilities LiveXchange in Park City, UT
11/23/2016	Soraya Sundberg	1,237	APTAC Fall 2016 Conference in Washington, DC
11/23/2016	Kaileigh Carroll	1,201	APTAC Fall 2016 Conference in Washington, DC
12/8/2016	American Bus Association	1,545	Registration Fee for 2017 ABA Marketplace in Cleveland, OH for Mark Brodeur
12/8/2016	Elizabeth Tanner	266	LEAN Conference in Worcester, MA
12/15/2016	Emily Manz	1,213	IPT's Credit & Incentives Symposium in Denver, CO
12/15/2016	Mark Brodeur	648	World Trade Market in London, England
12/22/2016	Lynn Rakowsky	1,014	Site Selector Conference in Miami, FL
12/22/2016	Mark Brodeur	356	Discover New England Board Meeting in Boston, MA
12/30/2016	Freeman Company	823	Furniture fee for Booth at ABA Marketplace in Cleveland, OH
1/12/2017	Hilary D. Fagan	1,310	IPT's Credit & Incentives Symposium in Denver, CO
1/20/2017	Freeman Company	1,338	Booth & Handling fees for ABA Marketplace in Cleveland, OH
1/31/2017	Freeman Company	1,034	Booth & Handling fees for ABA Marketplace in Cleveland, OH
1/27/2017	Jesse Saglio	1,330	IPT's Credit & Incentives Symposium in Denver, CO
1/27/2017	Mark Brodeur	1,649	ABA Marketplace Group Tour Trade Show in Cleveland, OH
2/3/2017	Discover New England	9,000	Registration, Hotel & Airfare for Mark Brodeur for ITB Berlin & USA Travel Show Scandinavia
2/3/2017	National Tour Association	1,295	Registration fee for Mark Brodeur for the National Tour Association Trade Exchange in St. Louis
2/3/2017	Darin Early	1,581	IMN Conference in Laguna Beach, CA
2/10/2017	APTAC	4,375	Registration Fee for Spring 2017 APTAC Conference in San Diego, CA for PTAC Employees
2/17/2017	Lynn Rakowsky	446	Site Selectors visits in New York City, NY
2/24/2017	Stefan Pryor	825	IEDC Conference in Jacksonville, FL
2/24/2017	Stefan Pryor	1,330	IPT's Credit & Incentives Symposium in Denver, CO
3/2/2017	Int'l Economic Development Council	545	Registration fee for Stefan Pryor for 2017 FED Forum in Washington, DC
3/16/2017	Direct Marketing Productions/Event Power	750	Booth Fee for 2017 SelectUSA Investment Summit in National Harbor, MD
3/24/2017	Darin Early	1,586	Site Selectors Guild Annual Conference in Tucson, AZ
3/24/2017	Mark Brodeur	954	NTA Travel Exchange in St. Louis, MO
3/24/2017	Mark Brodeur	623	Discover NE Lead Mission to ITB in Berlin & USA Travel Show in Scandinavia
3/30/2017	Int'l Economic Development Council	545	Registration fee for Nicholas Autiello for 2017 FED Forum in Washington, DC
3/30/2017	Lara Salamano	2,014	Destination Marketing Assoc International Conference in Nashville, TN
4/5/2017	Int'l Economic Development Council	40	Event fee for Stefan Pryor for 2017 FED Forum in Washington, DC
4/5/2017	Int'l Economic Development Council	40	Event fee for Nicholas Autiello for 2017 FED Forum in Washington, DC
4/5/2017	John Riendeau	958	US Department of Defense OEA DIA Conference in Arlington, VA
4/14/2017	Yiliu Zhang	198	Hard Real Estate Conference in Boston, MA
4/14/2017	Emily Manz	529	Sea Air Space Conference in National Harbor, MD
4/25/2017	Nathaniel (Jeff) Tingley	662	Advanced Computing for Competitiveness Forum in New York, NY
4/25/2017	Kaileigh Carroll	1,453	APTAC Spring 2017 Conference in San Diego, CA
4/25/2017	Melody Weeks	1,613	APTAC Spring 2017 Conference in San Diego, CA
4/25/2017	Victor Howard	1,570	APTAC Spring 2017 Conference in San Diego, CA
4/25/2017	Louis Francis	1,561	APTAC Spring 2017 Conference in San Diego, CA

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RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

Date	Payee	Amount	Purpose
4/25/2017	Hilary D. Fagan	\$ 457	Site Selectors visits in New York City, NY
4/25/2017	Hilary D. Fagan	1,334	Site Selectors Guild Annual Conference in Tucson, AZ
4/25/2017	Albert Rodriguez	217	EPA Region 1 RLF Grantee Workshop in Southbridge, MA
4/25/2017	Michael Walker	244	EPA Region 1 RLF Grantee Workshop in Southbridge, MA
4/25/2017	Michael Walker	1,021	US Department of Defense OEA DIA Conference in Arlington, VA
5/5/2017	Lisa M. Lasky	252	EPA Region 1 RLF Grantee Workshop in Southbridge, MA
5/5/2017	Stefan Pryor	1,451	IEDC Conference in Washington, DC
5/5/2017	Int'l Economic Development Council	735	Registration fee for Michael Walker for Econ. Devel. Credit Analysis Course in Madison, WI
5/5/2017	Nathaniel (Jeff) Tingley	1,724	FinTech Conference in New York, NY
5/5/2017	Soraya Sundberg	1,475	APTAC Spring 2017 Conference in San Diego, CA
5/5/2017	Kayla Rosen	923	IEDC Conference in Jacksonville, FL
5/5/2017	Kayla Rosen	3,333	Travel Trade Mission to London, England
5/22/2017	Brian Hodge	823	IEDC Conference in Washington, DC
5/22/2017	Discover New England	3,500	Registration fee for Mark Brodeur for IPW in Washington, DC
5/22/2017	Discover New England	585	Registration Fee for Mark Brodeur for DNE Summit in Jefferson, NH
5/22/2017	Mark Brodeur	349	DNE Summit in Jefferson, NH
5/25/2017	Michael Walker	1,300	IEDC Conference in Madison, WI
6/2/2017	Nicholas Autiello	633	US Chamber of Commerce Invest in America Summit in Washington, DC
6/2/2017	Stefan Pryor	1,133	BABC Transatlantic Conference in Chicago, IL
6/2/2017	CB Information Services, Inc.	2,495	Registration fee for Lynn Rakowky for the FinTech Conference in New York
6/2/2017	National Contract Management Agency	1,100	Registration Fee for Soraya Sundberg for the NCMA Training in Chicago, IL
6/2/2017	National Contract Management Agency	1,100	Registration Fee for Louis Francis for the NCMA Training in Chicago, IL
6/2/2017	British-American Business Council	1,200	Registration Fees for Stefan Pryor & Kayla Rosen for the 2017 Transatlantic Conference in Chic
6/9/2017	Marriott Hotel Service, Inc. dba Gaylord	203	Electrical Service for Booth at SelectUSA Conference in National Harbor, MD
6/9/2017	Heritage Trade Show Services	261	Furniture for Booth at SelectUSA Conference in National Harbor, MD
6/16/2017	Christopher Cannata	1,031	Salesforce Training in Burlington, MA
6/16/2017	Hilary D. Fagan	1,283	LiveXchange Conference in Park City, UT
6/16/2017	Stefan Pryor	1,014	LiveXchange Conference in Park City, UT
6/16/2017	Nathaniel (Jeff) Tingley	1,168	Cloud Computing Expo in New York, NY
6/22/2017	Lynn Rakowsky	1,501	NY Fintech Conference in New York, NY
6/30/2017	Mark Brodeur	2,040	IPW International Marketplace in Washington, DC
6/30/2017	Mark Brodeur	489	New York Media Tour in New York, NY
6/30/2017	Hilary D. Fagan	1,931	Select USA Conference in Washington, DC
6/30/2017	Hilary D. Fagan	1,333	Social Innovation Summit in Chicago, IL
6/30/2017	Mary Hope Hopkins	4,156	2017 Bio Conference in San Diego, CA
6/30/2017	Stefan Pryor	797	2017 Bio Conference in San Diego, CA
6/30/2017	Lenworth (Jay) N. Johnson II	873	Select USA Conference in Washington, DC
6/30/2017	Lynn Rakowsky	1,047	Cloud Expo in New York, NY
6/30/2017	Lynn Rakowsky	873	Futures of FinTech Conference in New York, NY
6/30/2017	Annie Ratanasim	664	CESA Spring Membership Meeting in Washington, DC
6/30/2017	Kayla Rosen	493	Wall Street Journal Conference in Washington, DC
6/30/2017	Kayla Rosen	1,128	BABC Transatlantic Conference in Chicago, IL
6/30/2017	Lara Salamano	1,035	IPW International Marketplace in Washington, DC
6/30/2017	Lara Salamano	529	New York Media Tour in New York, NY
6/30/2017	Nathaniel (Jeff) Tingley	1,913	Select USA Conference in Washington, DC
6/30/2017	Salesforce.com Inc.	3,060	Registration Fee for Christopher Cannata Salesforce Training in Burlington, MA
6/30/2017	Darin Early	891	Real Estate Investor meeting in Chicago
6/30/2017	Darin Early	1,618	Nov 29-Dec 1-Visiting California Companies
6/30/2017	Christine Smith	2,014	2017 Bio Conference in San Diego, CA
6/30/2017	Peter A. Rumsey	779	SelectUSA Investment Summit in National Harbor, MD
6/30/2017	Nicholas Autiello	1,501	IEDC FED Forum in Washington, DC
		<u>\$ 167,312</u>	Total

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Rhode Island Commerce Corporation	Renewable Energy Fund	Job Creation Guaranty	ARRA Energy	Airport Services	PTECH	Rebuild	Industry Cluster	Anchor Institution	Main Street	Small Business Assistance	Innovative Initiative	First Wave Closing	Wavemaker Fellowship	Total
Assets															
Current assets:															
Cash and cash equivalents	\$ 8,862,754	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 8,862,754
Accounts receivable	710,871	10,500									297				721,668
Interfund receivable	75,342	(30,543)	(3,990)										1,500,000	(1,506,791)	34,018
Due from State of Rhode Island	3,021,363														3,021,363
Due from other State component units	33,414														33,414
Deposits and prepaid expenses	228,560														228,560
Restricted:															
Cash and cash equivalents	2,081,003	11,110,359	3,990	1,529,220	1,500,000	1,056,845	26,000,000	741,472	1,450,000	2,000,000	2,006,233	2,999,411	11,997,751	5,160,964	69,637,248
Investments	943,802														943,802
Grants and other receivables		21,843		45											21,888
Net investment in direct financing leases	2,765,676														2,765,676
Total current assets	18,722,785	11,112,159	-	1,529,265	1,500,000	1,056,845	26,000,000	741,472	1,450,000	2,000,000	2,006,530	2,999,411	13,497,751	3,654,173	86,270,391
Noncurrent assets:															
Restricted:															
Cash and cash equivalents	4,757,083														4,757,083
Notes receivable, less current portion		239,253		32,944											272,197
Net investments in direct financing leases, less current portion	16,233,574														16,233,574
Capital assets not being depreciated	128,762														128,762
Capital assets being depreciated, net	141,428														141,428
Total noncurrent assets	21,260,847	239,253	-	32,944	-	-	-	-	-	-	-	-	-	-	21,533,044
Total assets	39,983,632	11,351,412	-	1,562,209	1,500,000	1,056,845	26,000,000	741,472	1,450,000	2,000,000	2,006,530	2,999,411	13,497,751	3,654,173	107,803,435
Deferred Outflows of Resources															
RI Commerce Corporation pension plan	659,620														659,620
State of Rhode Island pension plan	44,744														44,744
Total deferred outflows of resources	704,364	-	-	-	-	-	-	-	-	-	-	-	-	-	704,364

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RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2017

	<u>Rhode Island Commerce Corporation</u>	<u>Renewable Energy Fund</u>	<u>Job Creation Guaranty</u>	<u>ARRA Energy</u>	<u>Airport Services</u>	<u>PTECH</u>	<u>Rebuild</u>	<u>Industry Cluster</u>	<u>Anchor Institution</u>	<u>Main Street</u>	<u>Small Business Assistance</u>	<u>Innovative Initiative</u>	<u>First Wave Closing</u>	<u>Wavemaker Fellowship</u>	<u>Total</u>
Liabilities															
Current liabilities:															
Accounts payable	\$ 2,247,875	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 2,247,875
Accrued expenses and other	1,472,203	26,061						243,524				195,048			1,936,836
Due to State agencies									700,000						700,000
Payable from restricted assets	2,765,676														2,765,676
Unearned revenue, restricted	1,508,602			1,511,083											3,019,685
Total current liabilities	<u>7,994,356</u>	<u>26,061</u>	<u>-</u>	<u>1,511,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,524</u>	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>195,048</u>	<u>-</u>	<u>-</u>	<u>10,670,072</u>
Noncurrent liabilities:															
Liabilities payable from restricted cash and cash equivalents	3,115,858												959		3,116,817
Net pension obligation	623,724														623,724
State net pension liability	293,616														293,616
Bonds and leases payable, less current portion, restricted	18,818,546														18,818,546
Advances from State for conduit debt obligations - 38 Studios (Note 11)	23,634,113														23,634,113
Unearned revenue, restricted		11,002,237													11,002,237
Total noncurrent liabilities	<u>46,485,857</u>	<u>11,002,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>959</u>	<u>-</u>	<u>57,489,053</u>
Total liabilities	<u>54,480,213</u>	<u>11,028,298</u>	<u>-</u>	<u>1,511,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,524</u>	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>195,048</u>	<u>959</u>	<u>-</u>	<u>68,159,125</u>
Deferred Inflows of Resources															
State of Rhode Island pension plan	26,168														26,168
Net Position															
Investment in capital assets	270,190														270,190
Restricted for grants and other programs	572,456	323,114		51,126	1,500,000	1,056,845	26,000,000	497,948	750,000	2,000,000	2,006,530	2,804,363	13,496,792	3,654,173	54,713,347
Unrestricted (deficit)	(14,661,031)														(14,661,031)
Total Net (Deficit) Position	<u>\$ (13,818,385)</u>	<u>\$ 323,114</u>	<u>\$ -</u>	<u>\$ 51,126</u>	<u>\$ 1,500,000</u>	<u>\$ 1,056,845</u>	<u>\$ 26,000,000</u>	<u>\$ 497,948</u>	<u>\$ 750,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,006,530</u>	<u>\$ 2,804,363</u>	<u>\$ 13,496,792</u>	<u>\$ 3,654,173</u>	<u>\$ 40,322,506</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Rhode Island Commerce Corporation</u>	<u>Renewable Energy Fund</u>	<u>Job Creation Guaranty</u>	<u>ARRA Energy</u>	<u>Rebuild</u>	<u>Industry Cluster</u>	<u>Anchor Institution</u>	<u>Main Street</u>	<u>Small Business Assistance</u>	<u>Innovative Initiative</u>	<u>First Wave Closing</u>	<u>Wavemaker Fellowship</u>	<u>Total</u>
Assets													
Current assets:													
Cash and cash equivalents	\$ 5,486,081	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 5,486,081
Accounts receivable	210,285		16,667										226,952
Interfund receivable	303,686	(107,726)										(13,582)	182,378
Due from State of Rhode Island	1,334,958	27,751											1,362,709
Due from other State component units	26,164												26,164
Deposits and prepaid expenses	255,219												255,219
Restricted:													
Cash and cash equivalents	1,448,634	13,549,657	1,193	2,187,756	1,000,000	750,000	750,000	1,000,000	5,458,000	2,000,000	5,000,000	1,700,000	34,845,240
Investments	946,720												946,720
Grants and other receivables		523,173		43									523,216
Net investment in direct financing leases	<u>2,560,075</u>												<u>2,560,075</u>
Total current assets	<u>12,571,822</u>	<u>13,992,855</u>	<u>17,860</u>	<u>2,187,799</u>	<u>1,000,000</u>	<u>750,000</u>	<u>750,000</u>	<u>1,000,000</u>	<u>5,458,000</u>	<u>2,000,000</u>	<u>5,000,000</u>	<u>1,686,418</u>	<u>46,414,754</u>
Noncurrent assets:													
Restricted:													
Cash and cash equivalents	4,737,367		19,699										4,757,066
Notes receivable, less current portion		260,919		41,204									302,123
Net investments in direct financing leases, less current portion	18,999,250												18,999,250
Capital assets not being depreciated	128,762												128,762
Capital assets being depreciated, net	<u>102,957</u>												<u>102,957</u>
Total noncurrent assets	<u>23,968,336</u>	<u>260,919</u>	<u>19,699</u>	<u>41,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,290,158</u>
Total assets	<u>36,540,158</u>	<u>14,253,774</u>	<u>37,559</u>	<u>2,229,003</u>	<u>1,000,000</u>	<u>750,000</u>	<u>750,000</u>	<u>1,000,000</u>	<u>5,458,000</u>	<u>2,000,000</u>	<u>5,000,000</u>	<u>1,686,418</u>	<u>70,704,912</u>
Deferred Outflows of Resources													
Commerce RI pension plan	488,802												488,802
State of Rhode Island pension plan	<u>22,833</u>												<u>22,833</u>
Total deferred outflows of resources	<u>511,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,635</u>

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RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2016

	<u>Rhode Island Commerce Corporation</u>	<u>Renewable Energy Fund</u>	<u>Job Creation Guaranty</u>	<u>ARRA Energy</u>	<u>Rebuild</u>	<u>Industry Cluster</u>	<u>Anchor Institution</u>	<u>Main Street</u>	<u>Small Business Assistance</u>	<u>Innovative Initiative</u>	<u>First Wave Closing</u>	<u>Wavemaker Fellowship</u>	<u>Total</u>
Liabilities													
Current liabilities:													
Accounts payable	\$ 404,972	\$	\$ 1,022	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 405,994
Accrued expenses and other	647,663	4,500	132,223										784,386
Payable from restricted assets	2,560,035					245,460				591,763			3,397,258
Unearned revenue, restricted	1,011,737			2,178,623									3,190,360
Total current liabilities	<u>4,624,407</u>	<u>4,500</u>	<u>133,245</u>	<u>2,178,623</u>	<u>-</u>	<u>245,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,763</u>	<u>-</u>	<u>-</u>	<u>7,777,998</u>
Noncurrent liabilities:													
Liabilities payable from restricted cash and cash equivalents	3,099,060												3,099,060
Net pension obligation	1,717												1,717
State net pension liability	270,891												270,891
Bonds and leases payable, less current portion, restricted	21,584,262												21,584,262
Advances from State for conduit debt obligations – 38 Studios (Note 11)	23,634,113												23,634,113
Unearned revenue, restricted		14,037,780											14,037,780
Total noncurrent liabilities	<u>48,590,043</u>	<u>14,037,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,627,823</u>
Total liabilities	<u>53,214,450</u>	<u>14,042,280</u>	<u>133,245</u>	<u>2,178,623</u>	<u>-</u>	<u>245,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,763</u>	<u>-</u>	<u>-</u>	<u>70,405,821</u>
Deferred Inflows of Resources													
Commerce RI pension plan	347,521												347,521
State of Rhode Island pension plan	32,234												32,234
Total deferred inflows of resources	<u>379,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,755</u>
Net Position													
Investment in capital assets	231,719												231,719
Restricted for grants and other programs	436,952	295,969	20,892	50,380	1,000,000	504,540	750,000	1,000,000	5,458,000	1,408,237	5,000,000	1,700,000	17,624,970
Unrestricted (deficit)	(17,211,083)	(84,475)	(116,578)									(13,582)	(17,425,718)
Total Net (Deficit) Position	<u>\$ (16,542,412)</u>	<u>\$ 211,494</u>	<u>\$ (95,686)</u>	<u>\$ 50,380</u>	<u>\$ 1,000,000</u>	<u>\$ 504,540</u>	<u>\$ 750,000</u>	<u>\$ 1,000,000</u>	<u>\$ 5,458,000</u>	<u>\$ 1,408,237</u>	<u>\$ 5,000,000</u>	<u>\$ 1,686,418</u>	<u>\$ 430,971</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Rhode Island Commerce Corporation	Renewable Energy Fund	Job Creation Guaranty	ARRA Energy	Airport Services	PTECH	Rebuild	Industry Cluster	Anchor Institution	Main Street	Small Business Assistance	Innovative Initiative	First Wave Closing	Wavemaker Fellowship	Total
Operating revenues:															
Charges for services:															
Rentals and fees	\$ 15,236														\$ 15,236
Interest on loans		4,356													4,356
Other income	18,002	5,246,890	132,223	746											5,397,861
Legal settlement - 38 Studios (Note 11)	26,246,448														26,246,448
Total operating revenues	<u>26,279,686</u>	<u>5,251,246</u>	<u>132,223</u>	<u>746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,663,901</u>
Operating expenses:															
Personnel services	5,716,699	138,515													5,855,214
Contractual services	8,029,515	96,982	19,870			18,155								10,165	8,174,687
Grants		4,785,428													4,785,428
Other expenses	2,975,437	141,253												22,080	3,138,770
Expenses related to conduit debt obligations - 38 Studios (Note 11)	21,404,141														21,404,141
Provision for loan losses and uncollectibles			16,667												16,667
Depreciation and amortization	60,170														60,170
Total operating expenses	<u>38,185,962</u>	<u>5,162,178</u>	<u>36,537</u>	<u>-</u>	<u>-</u>	<u>18,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,245</u>	<u>43,435,077</u>
Operating income (loss)	<u>(11,906,276)</u>	<u>89,068</u>	<u>95,686</u>	<u>746</u>	<u>-</u>	<u>(18,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,245)</u>	<u>(11,771,176)</u>
Nonoperating revenues (expenses):															
Appropriations from State	17,755,727	95,181			1,500,000	1,200,000	25,000,000	500,000		1,000,000		1,500,000	8,500,000	2,000,000	59,050,908
Investment and other revenue	7,954,183	12,081													7,966,264
Interest expense	(1,828,448)														(1,828,448)
Grant income	2,821,593														2,821,593
Grant expenses	(2,705,514)														(2,705,514)
Public investment payments and job credits	(6,867,276)														(6,867,276)
Incentive Program expenses						(125,000)		(506,592)			(3,451,470)	(103,874)			(4,186,936)
Other	(3,018,911)	(84,710)											(3,208)		(3,106,829)
Total nonoperating revenues (expenses), net	<u>14,111,354</u>	<u>22,552</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>1,075,000</u>	<u>25,000,000</u>	<u>(6,592)</u>	<u>-</u>	<u>1,000,000</u>	<u>(3,451,470)</u>	<u>1,396,126</u>	<u>8,496,792</u>	<u>2,000,000</u>	<u>51,143,762</u>
Income (loss) before transfer	2,205,078	111,620	95,686	746	1,500,000	1,056,845	25,000,000	(6,592)	-	1,000,000	(3,451,470)	1,396,126	8,496,792	1,967,755	39,372,586
Transfer from other State component units	518,949														518,949
Change in net position	2,724,027	111,620	95,686	746	1,500,000	1,056,845	25,000,000	(6,592)	-	1,000,000	(3,451,470)	1,396,126	8,496,792	1,967,755	39,891,535
Total net (benefit) position, beginning of year	<u>(16,542,412)</u>	<u>211,494</u>	<u>(95,686)</u>	<u>50,380</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>504,540</u>	<u>750,000</u>	<u>1,000,000</u>	<u>5,458,000</u>	<u>1,408,237</u>	<u>5,000,000</u>	<u>1,686,418</u>	<u>430,971</u>
Total Net (Deficit) Position, End of Year	<u>\$ (13,818,385)</u>	<u>\$ 323,114</u>	<u>\$ -</u>	<u>\$ 51,126</u>	<u>\$ 1,500,000</u>	<u>\$ 1,056,845</u>	<u>\$ 26,000,000</u>	<u>\$ 497,948</u>	<u>\$ 750,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,006,530</u>	<u>\$ 2,804,363</u>	<u>\$ 13,496,792</u>	<u>\$ 3,654,173</u>	<u>\$ 40,322,506</u>

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Rhode Island Commerce Corporation	Renewable Energy Fund	Job Creation Guaranty	ARRA Energy	Rebuild	Industry Cluster	Anchor Institution	Main Street	Small Business Assistance	Innovative Initiative	First Wave Closing	Wavemaker Fellowship	Total
Operating revenues:													
Charges for services:													
Rentals and fees	\$ 14,948	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 14,948
Interest on loans		6,311		186									6,497
Other income	62,993	3,443,088	157,147	722									3,663,950
Legal settlement - 38 Studios (Note 11)	10,671,731												10,671,731
Total operating revenues	10,749,672	3,449,399	157,147	908	-	-	-	-	-	-	-	-	14,357,126
Operating expenses:													
Personnel services	4,552,865	107,307											4,660,172
Contractual services	5,262,969	106,398	4,017										5,373,384
Grants		3,103,258		1,068									3,104,326
Other expenses	1,639,760	92,515	1,959										1,734,234
Expenses related to conduit debt obligations - 38 Studios (Note 11)	12,499,113												12,499,113
Legal Settlement - 38 Studios (Note 11)	9,926,027												9,926,027
Depreciation and amortization	55,423												55,423
Total operating expenses	33,936,157	3,409,478	5,976	1,068	-	-	-	-	-	-	-	-	37,352,679
Operating income (loss)	(23,186,485)	39,921	151,171	(160)	-	-	-	-	-	-	-	-	(22,995,553)
Nonoperating revenues (expenses):													
Appropriations from State	21,769,569	62,673			1,000,000	750,000	750,000	1,000,000	5,458,000	2,000,000	5,000,000	1,700,000	39,490,242
Investment and other revenue	7,699,319	3,689											7,703,008
Interest expense	(2,023,605)												(2,023,605)
Grant income	1,028,426			25,518									1,053,944
Grant expenses	(1,173,043)												(1,173,043)
Public investment payments and job credits	(6,174,968)												(6,174,968)
Incentive Program expenses						(245,460)				(591,763)			(837,223)
Other	(6,926,550)	(33,498)										(13,582)	(6,973,630)
Total nonoperating revenues (expenses), net	14,199,148	32,864	-	25,518	1,000,000	504,540	750,000	1,000,000	5,458,000	1,408,237	5,000,000	1,686,418	31,064,725
Income (loss) before transfer	(8,987,337)	72,785	151,171	25,358	1,000,000	504,540	750,000	1,000,000	5,458,000	1,408,237	5,000,000	1,686,418	8,069,172
Transfer from other State component units	530,881												530,881
Change in net position	(8,456,456)	72,785	151,171	25,358	1,000,000	504,540	750,000	1,000,000	5,458,000	1,408,237	5,000,000	1,686,418	8,600,053
Total net (benefit) position, beginning of year	(8,085,956)	138,709	(246,857)	25,022	-	-	-	-	-	-	-	-	(8,169,082)
Total Net (Deficit) Position, End of Year	\$ (16,542,412)	\$ 211,494	\$ (95,686)	\$ 50,380	\$ 1,000,000	\$ 504,540	\$ 750,000	\$ 1,000,000	\$ 5,458,000	\$ 1,408,237	\$ 5,000,000	\$ 1,686,418	\$ 430,971

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

To the Members of the Board of Directors
Rhode Island Commerce Corporation
Providence, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Rhode Island Commerce Corporation, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Rhode Island Commerce Corporation's basic financial statements, and have issued our report thereon dated October 23, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rhode Island Commerce 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rhode Island Commerce Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rhode Island Commerce 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rhode Island Commerce 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 result of that testing, and not to provide an opinion on the effectiveness of the Rhode Island Commerce 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 Rhode Island Commerce Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
October 23, 2017