

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rhode Island Commerce Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity, the discretely presented component units and the remaining fund information Rhode Island Commerce Corporation, a component unit of the State of Rhode Island, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Rhode Island Commerce Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity, the discretely presented component units, and the remaining fund information of the Rhode Island Commerce Corporation as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the Rhode Island Commerce Corporation is dependent upon annual appropriations by the General Assembly of the State of Rhode Island and advances from the State of Rhode Island to fund its operating expenses and debt service on its conduit debt obligations. For the years ended June 30, 2021 and 2020, appropriations by the General Assembly of the State of Rhode Island received by the Rhode Island Commerce Corporation to fund its expenses comprised approximately 35% and 73%, respectively, of the Corporation's total operating and nonoperating revenues. Our opinions are not modified with respect to this matter.

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 4-10 and the pension and OPEB schedules on Pages 63-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, as listed in the table of contents, 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 relate 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 November 8, 2021 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 the effectiveness of the Rhode Island Commerce Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhode Island Commerce Corporation's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
November 8, 2021

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020. 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.

FY21 marked a pivotal year for the Rhode Island Commerce Corporation – as it did for many entities – with the COVID-19 global pandemic shifting the way we needed to conduct business. During this unprecedented year, the Corporation necessarily expanded the work it undertook, leveraging an unprecedented amount of federal funding. These efforts are reflected in the financial statements herein.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to Rhode Island Commerce Corporation’s financial statements. Traditionally, the 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. During the COVID-19 pandemic, the Rhode Island Commerce Corporation expanded its support footprint for Rhode Island businesses administering a series of direct-award grant programs. These emergency and necessary efforts were funded through a one-time infusion of \$87,271,251 of funding from the federal CARES Act allowing for 4,353 RestoreRI direct grant awards, 43 HART DS/Tourism awards, and 3,697 Relief Grants.

As a result, Rhode Island Commerce Corporation’s basic financial statements include the statements of net position; the statements of revenue, expenses, and changes in net position; the statements 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.

RHODE ISLAND COMMERCE CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The statements of net position present 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 statements of revenues, expenses, and changes in net position present information on how Rhode Island Commerce Corporation's net position changed during the year. Readers should also consider other non-financial factors when evaluating the Rhode Island Commerce Corporation's net position. For 2021, one major item to consider from the audit is the official liability forgiveness from the State of Rhode Island for the Job Creation Guarantee ("JCG") program, which had been recorded as a liability on the Rhode Island Commerce Corporation's audited financial statements for a number of years. Previously, the Rhode Island Commerce Corporation had been appropriated funds by the State of Rhode Island to finance a portion of the debt service due on the bonds issued for 38 Studios. In November 2020, the State's final payment on the debt service was complete and the State subsequently formally forgave the liability of the Corporation for the repayment of the debt.

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 statements of revenues, expenses and changes in net position will result in cash flows in future periods.

2021 FINANCIAL HIGHLIGHTS

STATEMENTS OF NET POSITION

Current assets increased approximately \$27,090,000 compared to the prior year primarily due to an increase in restricted cash combined with an increase in funds due from the State of Rhode Island.

Deferred outflows of resources and deferred inflows of resources remained relatively stable decreasing by approximately \$143,000 and \$102,000, respectively, compared to the prior year. These both relate specifically to the entity's Defined Benefit Pension plan. This is a closed plan for employees hired prior to January 1, 2006. The decrease 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 \$20,910,000 compared to the prior year primarily due to the debt extinguishment of the Advances from State for conduit debt obligations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2021 FINANCIAL HIGHLIGHTS (CONTINUED)

STATEMENTS OF NET POSITION (CONTINUED)

Net position increased by approximately \$45,547,000 compared the prior year due to a significant increase in both restricted and unrestricted funds as a result of additional funding provided in response to the COVID-19 pandemic as well as the debt extinguishment of the Advances from State for conduit debt obligations.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues decreased approximately \$961,000 due to a decrease in other income for the Renewable Energy Fund.

Operating expenses increased approximately \$9,957,000 primarily due to an increase in incentive program expenses and contractual services.

Net operating loss increased approximately \$10,919,000 due to an increase in operating expenses outpacing the increase in operating revenues.

Net nonoperating revenues increased approximately \$51,812,000 primarily due to an increase in grants and appropriations from the State.

Changes in net position increased over prior year by approximately \$51,445,000 due to the increases in net nonoperating revenue.

2020 FINANCIAL HIGHLIGHTS

STATEMENTS OF NET POSITION

Current assets decreased approximately \$3,165,000 compared to the prior year primarily due to a decrease in restricted cash offset by an increase in accounts receivable.

Deferred outflows of resources and deferred inflows of resources remained relatively stable decreasing by approximately \$151,000 and \$60,000, respectively, compared to the prior year. These both relate specifically to the entity's Defined Benefit Pension plan. This is a closed plan for employees hired prior to January 1, 2006. The decrease 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 \$1,987,000 compared to the prior year due to continued payment of existing bond obligations and the continued project investment of renewable energy funding.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2020 FINANCIAL HIGHLIGHTS (CONTINUED)

STATEMENTS OF NET POSITION (CONTINUED)

Net position decreased by approximately \$5,898,000 compared to the prior year due to a required transfer of funds back to the State of Rhode Island of approximately \$10,486,000, offset by renewable energy revenue.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues increased approximately \$116,000 due to an increase in other income for the Renewable Energy Fund.

Operating expenses increased approximately \$1,417,000 primarily due to an increase in incentive program expenses.

Net operating loss increased approximately \$1,301,000 due to an increase in operating expenses outpacing the increase in operating revenues.

Net nonoperating revenues decreased approximately \$7,239,000 primarily due to an increase in grants and incentive program expenses and decreased appropriations from the State.

Changes in net position decreased over prior year by approximately \$19,022,000 due to the decreases in net nonoperating revenue and a required transfer of funds to the State of Rhode Island.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

CONDENSED COMPARATIVE INFORMATION

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

Summary of Net Position					
	June 30,			Increase	Increase
	2021	2020	2019	(decrease) 2021 v. 2020	(decrease) 2020 v. 2019
Net Position					
Current assets	\$ 126,355	\$ 99,265	\$ 102,431	\$ 27,090	\$ (3,166)
Noncurrent assets	<u>9,879</u>	<u>12,292</u>	<u>16,919</u>	<u>(2,413)</u>	<u>(4,627)</u>
Total Assets	136,234	111,557	119,350	24,677	(7,793)
Deferred outflows of resources	<u>322</u>	<u>464</u>	<u>616</u>	<u>(142)</u>	<u>(152)</u>
Current liabilities	15,411	10,818	6,279	4,593	4,539
Noncurrent liabilities	<u>13,495</u>	<u>38,999</u>	<u>45,525</u>	<u>(25,504)</u>	<u>(6,526)</u>
Total Liabilities	28,906	49,817	51,804	(20,911)	(1,987)
Deferred inflows of resources	<u>498</u>	<u>600</u>	<u>660</u>	<u>(102)</u>	<u>(60)</u>
Net (Deficit) Position	<u>\$ 107,152</u>	<u>\$ 61,604</u>	<u>\$ 67,502</u>	<u>\$ 45,548</u>	<u>\$ (5,898)</u>

Summary of Revenues, Expenses, and Changes in Net Position					
	Year ended June 30,			Increase	Increase
	2021	2020	2019	(decrease) 2021 v. 2020	(decrease) 2020 v. 2019
Changes in Net Position					
Operating revenues	\$ 3,965	\$ 4,926	\$ 4,810	\$ (961)	\$ 116
Operating expenses	<u>41,420</u>	<u>31,464</u>	<u>30,047</u>	<u>9,956</u>	<u>1,417</u>
Operating Loss	<u>(37,455)</u>	<u>(26,538)</u>	<u>(25,237)</u>	<u>(10,917)</u>	<u>(1,301)</u>
Nonoperating Revenues, Net	<u>82,606</u>	<u>30,794</u>	<u>38,033</u>	<u>51,812</u>	<u>(7,239)</u>
Transfers	<u>397</u>	<u>332</u>	<u>327</u>	<u>65</u>	<u>5</u>
Change in Net Position	<u>\$ 45,548</u>	<u>\$ 4,588</u>	<u>\$ 13,123</u>	<u>\$ 40,960</u>	<u>\$ (8,535)</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021 and 2020, capital assets, net of accumulated depreciation was approximately \$848,000 and \$1,012,000, respectively. Capital assets include land, construction in progress, leasehold improvements and equipment. The schedule below reflects the changes in capital assets, net of depreciation (in thousands):

	Year ended June 30,			Increase	Increase
	2021	2020	2019	(decrease)	(decrease)
				2021 v. 2020	2020 v. 2019
Land	\$ 129	\$ 129	\$ 129	\$ --	\$ --
Construction in Progress	394	398	429	(4)	(31)
Leasehold Improvements	325	320	318	5	2
Equipment	895	765	717	130	48
Total Capital Assets	1,743	1,612	1,593	131	19
Accumulated Depreciation	(893)	(600)	(338)	(293)	(262)
Capital Assets, Net of Accumulated Depreciation	\$ 850	\$ 1,012	\$ 1,255	\$ (162)	\$ (243)

Additional information on the Corporation's capital assets can be found in the notes to the financial statements.

Debt Administration

At June 30, 2021 and 2020, the Corporation had long-term debt of approximately \$9,057,000 and \$12,592,000, respectively. The schedule below reflects the changes in capital assets, net of depreciation (in thousands):

	Year ended June 30,			Increase	Increase
	2021	2020	2019	(decrease)	(decrease)
				2021 v. 2020	2020 v. 2019
Long-term bonds	\$ 9,057	\$ 12,592	\$ 15,828	\$ (3,535)	\$ (3,236)

Additional information on the Corporation's long-term debt can be found in the notes to the financial statements.

**RHODE ISLAND COMMERCE CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

REQUESTS FOR INFORMATION

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

Complete financial statements for the Rhode Island Commerce Corporation Pension Plan and Trust are available at the office of the Rhode Island Commerce Corporation.

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

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	2021		2020	
	Primary		Primary	
	Reporting Entity	Component Unit	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	\$ 7,962,448	\$ --	\$ 9,655,292	\$ --
Accounts receivable	425,792	--	501,421	--
Notes and loans receivable, less allowance for loan losses	--	1,252,829	--	2,380,830
Interest receivable	--	64,284	--	64,855
Interfund receivable	1,070,047	--	211,640	--
Due from State of Rhode Island	15,423,442	--	1,397,887	--
Due from other State component units	151,455	--	102,911	--
Deposits and prepaid expenses	159,856	7,102	140,532	5,960
Restricted:				
Cash and cash equivalents	98,922,354	--	82,726,597	--
Investments	947,366	--	944,741	--
Grants and other receivables	43,528	--	49,546	--
Net investment in direct financing leases	1,248,928	--	3,534,659	--
Total Current Assets	<u>126,355,216</u>	<u>1,324,215</u>	<u>99,265,226</u>	<u>2,451,645</u>
Noncurrent Assets				
Restricted:				
Cash and cash equivalents	1,022,582	5,959,567	3,735,706	5,470,823
Notes receivable	165,208	--	186,121	--
Net investment in direct financing leases, less current portion	6,919,949	--	6,472,271	--
Investment in joint venture	--	454,747	--	516,224
Notes and loans receivable, less allowance for loan losses	--	7,528,677	--	4,257,447
Net pension asset	922,684	--	885,436	--
Capital assets not being depreciated	522,318	--	527,078	--
Capital assets being depreciated, net	326,679	--	485,344	--
Total Noncurrent Assets	<u>9,879,420</u>	<u>13,942,991</u>	<u>12,291,956</u>	<u>10,244,494</u>
Total Assets	<u>136,234,636</u>	<u>15,267,206</u>	<u>111,557,182</u>	<u>12,696,139</u>
Deferred Outflows of Resources				
Rhode Island Commerce Corporation pension plan	260,243	--	401,022	--
State OPEB plan	10,671	--	10,523	--
State of Rhode Island pension plan	50,616	--	52,377	--
Total Deferred Outflows of Resources	<u>321,530</u>	<u>--</u>	<u>463,922</u>	<u>--</u>

The accompanying notes are an integral part of these financial statements.

RHODE ISLAND COMMERCE CORPORATION
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STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2021 AND 2020

	2021		2020	
	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	1,390,660	--	680,792	1,358
Accrued expenses and other	10,192,650	1,007,868	5,971,096	--
Interfund payable	839,037	231,010	159,500	52,140
Bonds and leases payable, current portion, restricted	1,248,928	--	3,534,659	--
Payable from restricted assets	53,635	--	272,219	--
Unearned revenue, restricted	1,686,462	592,801	199,752	1,441,819
Total Current Liabilities	<u>15,411,372</u>	<u>1,831,679</u>	<u>10,818,018</u>	<u>1,495,317</u>
Noncurrent Liabilities				
Liabilities payable from restricted cash and cash equivalents	1,803,190	--	2,238,736	--
Net other post-employment benefit liability	48,366	--	58,256	--
Net pension liability - ERSRI	305,307	--	302,413	--
Bonds and leases payable, less current portion, restricted	7,808,359	--	9,057,243	--
Advances from State for conduit debt obligations	--	--	24,080,932	--
Unearned revenue, restricted	3,529,848	--	3,261,289	--
Total Noncurrent Liabilities	<u>13,495,070</u>	<u>--</u>	<u>38,998,869</u>	<u>--</u>
Total Liabilities	<u>28,906,442</u>	<u>1,831,679</u>	<u>49,816,887</u>	<u>1,495,317</u>
Deferred Inflows of Resources				
Rhode Island Commerce Corporation pension plan	466,712	--	572,486	--
State of Rhode Island OPEB plan	15,500	--	10,523	--
State of Rhode Island pension plan	16,197	--	17,341	--
Total Deferred Inflows of Resources	<u>498,409</u>	<u>--</u>	<u>600,350</u>	<u>--</u>
Net Position				
Investment in capital assets	848,997	--	1,012,422	--
Restricted for grants and other programs	98,346,568	5,366,766	74,355,902	4,029,004
Unrestricted (deficit)	7,955,750	8,068,761	(13,764,457)	7,171,818
Total Net Position	<u>\$ 107,151,315</u>	<u>\$ 13,435,527</u>	<u>\$ 61,603,867</u>	<u>\$ 11,200,822</u>

The accompanying notes are an integral part of these 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, 2021 AND 2020

	2021		2020	
	Primary	Component	Primary	Component
	Reporting	Unit	Reporting	Unit
	Entity	Entity	Entity	Entity
	Rhode Island	Small Business	Rhode Island	Small Business
	Commerce	Loan Fund	Commerce	Loan Fund
	Corporation	Corporation	Corporation	Corporation
Operating Revenues				
Charges for services:				
Rental fees	\$ 17,772	\$ --	\$ 14,178	\$ --
Interest on loans	3,749	333,026	4,068	415,009
Other income, principally Renewable Energy Fund	3,943,616	2,574,881	4,908,167	--
Total Operating Revenues	<u>3,965,137</u>	<u>2,907,907</u>	<u>4,926,413</u>	<u>415,009</u>
Operating Expenses				
Personnel services	5,883,247	74,316	5,938,606	87,921
Contractual services	8,658,594	13,552	3,262,491	20,782
Grants	4,419,095	--	4,121,970	--
Other expenses	3,431,899	71,150	4,411,988	69,988
Provision for loan losses and uncollectibles, net of recoveries	(18,200)	380,100	99,520	23,663
Public investment payments and job credits	--	--	1,406,763	--
Incentive Program expenses	18,752,748	--	11,937,636	--
Depreciation and amortization	292,970	--	284,708	--
Total Operating Expenses	<u>41,420,353</u>	<u>539,118</u>	<u>31,463,682</u>	<u>202,354</u>
Operating (Loss) Income	<u>(37,455,216)</u>	<u>2,368,789</u>	<u>(26,537,269)</u>	<u>212,655</u>
Nonoperating Revenues (Expenses)				
Appropriations from State	51,735,225	--	25,719,302	--
Hotel tax revenue	3,031,364	--	4,530,302	--
Other income from State sources	1,135,756	--	1,822,908	--
Investment and other revenue	1,498,354	--	4,019,060	--
Interest expense	(886,864)	--	(1,151,486)	--
Debt extinguishment - See Notes 6 and 11	36,135,670	--	--	--
Grant income	88,500,477	490,870	575,887	579,091
Grant expenses	(82,936,312)	(563,477)	(412,558)	(581,210)
Other	(15,607,520)	(61,477)	(4,309,518)	(110,163)
Nonoperating Revenues (Expenses), Net	<u>82,606,150</u>	<u>(134,084)</u>	<u>30,793,897</u>	<u>(112,282)</u>
Income (Loss) Before Transfer	<u>45,150,934</u>	<u>2,234,705</u>	<u>4,256,628</u>	<u>100,373</u>
Transfer from Other State Component Units	396,503	--	331,684	--
Transfer to State of Rhode Island	--	--	(10,486,668)	--
Change in Net Position	<u>45,547,437</u>	<u>2,234,705</u>	<u>(5,898,356)</u>	<u>100,373</u>
Total Net Position - Beginning of Year	<u>61,603,878</u>	<u>11,200,822</u>	<u>67,502,223</u>	<u>11,100,452</u>
Total Net Position - End of Year	<u>\$ 107,151,315</u>	<u>\$ 13,435,527</u>	<u>\$ 61,603,867</u>	<u>\$ 11,200,825</u>

The accompanying notes are an integral part of these 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, 2021 AND 2020

	2021		2020	
	Primary	Component	Reporting	Component
	Reporting Entity	Unit	Entity	Unit
	Rhode Island	Small Business	Rhode Island	Small Business
	Commerce	Loan Fund	Commerce	Loan Fund
	Corporation	Corporation	Corporation	Corporation
Cash Flows from Operating Activities				
Receipts from customers/borrowers	\$ 5,816,948	\$ 564,019	\$ 2,414,938	\$ (516,942)
Payments to suppliers	(30,443,347)	71,648	(21,099,205)	331,412
Payments to employees	(6,003,145)	(74,316)	(6,189,881)	(87,921)
Net Cash Used in Operating Activities	<u>(30,629,544)</u>	<u>561,351</u>	<u>(24,874,148)</u>	<u>(273,451)</u>
Cash Flows from Noncapital Financing Activities				
State of Rhode Island appropriations received	37,709,670	--	25,544,288	--
State of Rhode Island hotel tax revenue	3,031,375	--	4,530,302	--
State of Rhode Island other income received	1,135,756	--	1,822,908	--
Grants received	88,506,495	490,870	544,010	579,091
Grant expenditures	(89,428,955)	(563,477)	(5,614,814)	(581,210)
Transfer to State of Rhode Island	--	--	(10,486,668)	--
Transfers	396,503	--	331,684	--
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>41,350,844</u>	<u>(72,607)</u>	<u>16,671,710</u>	<u>(2,119)</u>
Cash Flows from Capital and Related Financing Activities				
Interest paid, long-term obligations	(886,864)	--	(1,151,486)	--
Acquisition of capital assets	(129,545)	--	(43,405)	--
Receipts under direct financing leases	1,838,053	--	3,235,838	--
Payments under direct financing leases	(1,248,884)	--	(3,534,659)	--
Payments for conduit debt obligations	--	--	446,819	--
Net Cash Used in Capital and Related Financing Activities	<u>(427,240)</u>	<u>--</u>	<u>(1,046,893)</u>	<u>--</u>
Cash Provided by Investing Activities, Interest Income	<u>1,495,729</u>	<u>--</u>	<u>4,024,561</u>	<u>94,160</u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021		2020	
	Primary Reporting Entity	Component Unit	Reporting Entity	Component Unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	11,789,789	488,744	(5,224,770)	(181,410)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>96,117,595</u>	<u>5,470,823</u>	<u>101,342,365</u>	<u>5,652,233</u>
Cash, Cash Equivalents and Restricted Cash - End of Year	<u>\$ 107,907,384</u>	<u>\$ 5,959,567</u>	<u>\$ 96,117,595</u>	<u>\$ 5,470,823</u>
Cash is reported in the financial statements as follows:				
Cash and cash equivalents	\$ 7,962,448	\$ --	\$ 9,655,292	\$ --
Cash and cash equivalents - restricted	98,922,354	--	82,726,597	--
Noncurrent cash and cash equivalents - restricted	<u>1,022,582</u>	<u>5,959,567</u>	<u>3,735,706</u>	<u>5,470,823</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 107,907,384</u>	<u>\$ 5,959,567</u>	<u>\$ 96,117,595</u>	<u>\$ 5,470,823</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities				
Operating (loss) income	\$ (37,455,216)	\$ 2,368,789	\$ (26,537,269)	\$ 212,655
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:				
Depreciation	292,970	--	284,708	--
Pension expense	188,626	--	(77,409)	--
Provision for loan losses, net	--	380,100	--	23,663
Changes in:				
Notes and accounts receivable	(82,328)	(2,522,758)	(187,048)	(958,674)
Deposits and prepaid expenses	(19,324)	(1,142)	14,291	(61)
Due to/from other State component units	(48,544)	178,870	(65,294)	26,723
Accounts payable, accrued expenses, and unearned revenue	6,686,691	157,492	1,887,031	422,243
State OPEB liability	(9,890)	--	(10,629)	--
Deferred outflows of resources for pensions	<u>(182,529)</u>	<u>--</u>	<u>(182,529)</u>	<u>--</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (30,629,544)</u>	<u>\$ 561,351</u>	<u>\$ (24,874,148)</u>	<u>\$ (273,451)</u>

The accompanying notes are an integral part of these financial statements.

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

RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST
STATEMENTS OF FIDUCIARY NET POSITION

JUNE 30, 2021 AND 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 669,511	\$ 1,615,487
Investments, at Fair Value		
Municipal obligations	1,010,832	910,371
Corporate bonds	1,009,404	1,414,091
Mutual funds	9,591,236	5,964,132
Common stocks	17,211,579	13,522,111
Foreign stocks	409,565	471,520
Mortgage-backed securities	26	32
Total Investments	29,232,642	22,282,257
Receivables		
Accrued interest, dividends and other	37,738	38,009
Total assets	29,939,891	23,935,753
Net Position Restricted for Pension Benefits	\$29,939,891	\$23,935,753

The accompanying notes are an integral part of these financial statements.

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

RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Additions		
Investment Income		
Net appreciation in fair value of investments	\$ 6,380,003	\$ 1,273,198
Interest and dividends	<u>476,246</u>	<u>471,331</u>
Net Investment Income	6,856,249	1,744,529
Contributions		
Employers	<u>449,197</u>	<u>447,213</u>
Total Additions	<u>7,305,446</u>	<u>2,191,742</u>
Deductions		
Benefits paid to participants	1,197,190	1,071,435
Administrative expenses	<u>104,118</u>	<u>96,045</u>
Total Deductions	<u>1,301,308</u>	<u>1,167,480</u>
Net Increase in Net Position Restricted for Pension Benefits	6,004,138	1,024,262
Net Position Restricted for Pension Benefits - Beginning of Year	<u>23,935,753</u>	<u>22,911,491</u>
Net Position Restricted for Pension Benefits - End of Year	<u>\$ 29,939,891</u>	<u>\$ 23,935,753</u>

The accompanying notes are an integral part of these financial statements.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

The Rhode Island Commerce Corporation (“Corporation”) was authorized, created and established in 1974 by an Act (the “Act”) of the General Assembly of the State of Rhode Island and Providence Plantations (“Rhode Island” or 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. Certain bonds issued under the provisions of the Act are not a liability of Rhode Island Commerce Corporation and, accordingly, are considered conduit debt obligations and are not reported as liabilities in the accompanying financial statements.

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

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

REPORTING ENTITY

The accompanying financial statements present Rhode Island Commerce Corporation (referred to herein as the primary reporting entity) and its component units, the Small Business Loan Fund Corporation (“SBLF”) and the Rhode Island Commerce Corporation Pension Plan and Trust (the “Pension”), entities for which Rhode Island Commerce Corporation has control over and for which Rhode Island Commerce Corporation has financial accountability. The Rhode Island Commerce Corporation and its component units 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, SBLF and the Pension have been presented as a component unit of the Rhode Island Commerce Corporation.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

REPORTING ENTITY (CONTINUED)

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

DISCRETELY PRESENTED COMPONENT UNITS

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 Rhode Island Commerce Corporation.

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

SBLF does not prepare separate financial statements.

The Pension, a discretely presented component unit, is reported as a separate fiduciary fund to emphasize that the Rhode Island Commerce Corporation holds the assets in a fiduciary capacity. The Pension is a noncontributory, multiple employer cost-sharing defined benefit plan. See Note 8, Section A, for a discussion of the Pension. Complete financial statements for the Pension may be obtained at the Rhode Island Commerce Corporation’s office located at 315 Iron Horse Way, Suite 100, Providence, RI 02908.

FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

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

The Corporation for its business-type, discretely presented component units and fiduciary activities, uses the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods and services is incurred, regardless of the timing of cash flows.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING (CONTINUED)

The Corporation distinguishes between operating and nonoperating revenues and expenses in its business-type activities. 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 position that is applicable to a future reporting period. See Notes 8 and 9.

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 statements of net position and are classified as either current or noncurrent based on the reporting period in which the underlying monies are expected to be used.

CASH AND CASH EQUIVALENTS

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

CASH AND CASH EQUIVALENTS (CONTINUED)

Under the *Rhode Island Collateralization of Public Deposits Act*, (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. June 30, 2021 and 2020, the Corporation had deposits, excluding money markets, of \$4,840,679 and \$1,604,354, respectively, which were uninsured and uncollateralized. The Corporation has suffered no losses in connection with its banking activity.

ACCOUNTS RECEIVABLE

Accounts receivable are reported at gross value when earned and are reduced to their net realizable value 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 statements of net position at their amortized cost. All other investments are reported at fair value. Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

NOTES AND LOANS RECEIVABLE (CONTINUED)

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.

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, 2021 and 2020.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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 a receivable, and it is not until the recipient achieves specific benchmarks, as set forth in the agreements between REF and the recipient, that the loan is forgiven and an expense is recorded. As of June 30, 2021 and 2020, amounts provided by REF to recipients under forgivable loan and recoverable grant agreements totaled \$175,054 and \$193,524 respectively. As of June 30, 2021, no corresponding amounts have been recorded as receivables, or repaid or recovered.

Due to the continued COVID-19 pandemic, the Rhode Island Commerce Corporation saw a significant increase in federal grant revenues and expenditures. The single largest subaward is under the Coronavirus Relief Fund in the amount of \$87,271,251 for the year ended June 30, 2021. This award encompassed several different programs, including Restore Rhode Island, Take It Outside, Business Adaption, HART, Remote Work, and Technical Assistance Grants.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 Plan's fiduciary net position have been determined on the same basis as 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.

OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined by an actuarial valuation and are accounted for in accordance with the requirements of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

APPLICATION OF RESOURCES

When both restricted and unrestricted amounts are available for use for a particular item of expense, it is Rhode Island Commerce Corporation's practice to use the restricted resources first.

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 accumulated depreciation and 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. The Corporation had no debt related to its capital assets at June 30, 2021 and 2020.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

NET POSITION (CONTINUED)

RESTRICTED

Those net assets 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 in prior years related to conduit debt obligations, the Corporation has a net deficit position as of June 30, 2021 and 2020.

During the year ended June 30, 2021 and 2020, the Corporation received advances from the State to fund expenses related to conduit debt obligations in the amount of \$12,054,738 and \$446,819, respectively. This liability arose from the State providing appropriations to the Corporation to finance a portion of the debt service due on the \$75.0 million in bonds issued for 38 Studios. Historically, this has created a net deficit in unrestricted net position (deficit).

On August 25, 2021, the Corporation received notice from Rhode Island Department of Administration that the State had formally forgiven the liability of the Corporation for repayment of the advances from the State for conduit debt obligations. Debt extinguishment of \$36,135,670 was recognized as of June 30, 2021. As a result, the Rhode Island Commerce Corporation no longer carries an unrestricted net position (deficit) and an unrestricted net position is shown as of June 30, 2021.

RECENTLY ISSUED GOVERNMENTAL ACCOUNTING STANDARDS

GASB Statement No. 84, *Fiduciary Activities*, is effective for the Corporation's fiscal year ended June 30, 2021. Management has evaluated the requirements of this standard, and has started to report the Rhode Island Commerce Corporation Pension Plan and Trust as a separate fiduciary fund.

GASB Statement No. 87, *Leases* is effective for the Corporation's fiscal year ending June 30, 2022. Management has not yet completed its review of the requirements of this standard and its applicability.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

RECENTLY ISSUED GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No. 91, *Conduit Debt Obligations* is effective for the Corporation's fiscal year ending June 30, 2023. Management has not yet completed its review of the requirements of this standard and its applicability.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

On August 25, 2021, the Corporation received notice from Rhode Island Department of Administration that the State had formally forgiven the liability of the Corporation for repayment of the advances from the State for conduit debt obligations. The Rhode Island Commerce Corporation engaged in conversations regarding debt extinguishment prior to year-end and believes that the subsequent event provides evidence about conditions existing as of the balance sheet date. Therefore, debt extinguishment of \$36,135,670 was recognized as of June 30, 2021.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents, including restricted amounts, consist of the following at June 30, 2021 and 2020:

	2021		2020	
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Deposits held in Santander	\$ 100,910,278	\$ 5,959,567	\$ 86,010,375	\$ 5,470,823
Deposits held in Bank RI	1,955,252	--	2,354,355	--
Short-Term Investments, Cash Equivalents	5,041,854	--	7,752,865	--
	\$ 107,907,384	\$ 5,959,567	\$ 96,117,595	\$ 5,470,823

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

The carrying amounts of cash equivalents approximate fair value and consist of the following at June 30, 2021 and 2020:

	2021	2020
Money market mutual funds, Goldman Sachs (FGTXX)	\$ 4,019,272	\$ 4,017,159
Money market mutual funds, Fidelity (FIGXX)	<u>1,022,582</u>	<u>3,735,706</u>
	<u>\$ 5,041,854</u>	<u>\$ 7,752,865</u>

The bank balance of the Corporation's cash and cash equivalents, excluding money market accounts, is as follows at June 30, 2021 and 2020:

	2021		2020	
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Bank balance	\$ 107,944,319	\$ 5,959,568	\$ 88,315,984	\$ 5,470,823
Bank balance insured by FDIC	750,000	250,000	750,000	250,000
Collateralized, Santander Bank, N.A.	<u>102,353,640</u>	<u>5,709,568</u>	<u>85,961,630</u>	<u>5,220,823</u>
Uninsured and uncollateralized	<u>\$ 4,840,679</u>	<u>\$ --</u>	<u>\$ 1,604,354</u>	<u>\$ --</u>

At June 30, 2021 and 2020, the Rhode Island Commerce Corporation and the Small Business Loan Fund Corporation collectively had \$113,866,951 and \$101,588,418 (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").

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, 2021. The fund is designed to maintain a stable share price of \$1.00 and maintains a dollar weighted average maturity of 30 days as of June 30, 2021. June 30, 2021, the funds were invested as follows: 60% in a government agency and treasury repurchase agreements, and 40% in government agency and treasury debt. As June 30, 2021, the fund was rated AAAMf and AAAM by Moody's Investors Services ("Moody's") and Standard & Poor's Rating Service ("S&P"), respectively.

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FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2021. The fund is designed to maintain a stable share price of \$1.00 and normally invests 99.5% of the fund's assets in cash, U.S. government securities and/or repurchase agreements that are collateralized fully, the remainder is neither insured nor guaranteed by the United States Government. As of June 30, 2021, the fund was rated AAA-mf by Moody's and AAAM by S&P, respectively.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates that 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.

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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3 - INVESTMENTS

At June 30, 2021 and 2020, the Corporation’s investments consist of the following:

	2021		2020	
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
United States Government Obligations	\$ 947,366	\$ --	\$ 944,741	\$ --
Investment in joint venture	<u> --</u>	<u> 454,747</u>	<u> --</u>	<u> 516,224</u>
Uninsured and Uncollateralized	<u>\$ 947,366</u>	<u>\$ 454,747</u>	<u>\$ 944,741</u>	<u>\$ 516,224</u>

As of June 30, 2021, Rhode Island Commerce Corporation funds were invested in United States government obligations that accrue interest at 1.375% and have a maturity date of April 30, 2022. The obligations were rated Aaa by Moody’s.

INVESTMENT IN JOINT VENTURE

The State Small Business Credit Initiative (“SSBCI”) funding received from 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.

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 \$1,545,253, including \$61,477 and \$110,163 for the years ended June 30, 2021 and 2020, which is classified as other nonoperating expense on the statements of revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020. As an equity method investor in a joint venture, SBLF is not permitted nor required to test Startup’s underlying assets for impairment pursuant

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NOTE 3 - INVESTMENTS (CONTINUED)

INVESTMENT IN JOINT VENTURE (CONTINUED)

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.

FAIR VALUE MEASUREMENTS

The Corporation categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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, 2021 and 2020:

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, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. government obligations	\$ 947,366	\$ 947,366	\$ --	\$ --
Investment in joint venture	<u>454,747</u>	<u>--</u>	<u>--</u>	<u>454,747</u>
Total Investments by Fair Value Level	<u>\$ 1,402,113</u>	<u>\$ 947,366</u>	<u>\$ --</u>	<u>\$ 454,747</u>

	June 30, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. government obligations	\$ 944,741	\$ 944,741	\$ --	\$ --
Investment in joint venture	<u>516,224</u>	<u>--</u>	<u>--</u>	<u>516,224</u>
Total Investments by Fair Value Level	<u>\$ 1,460,965</u>	<u>\$ 944,741</u>	<u>\$ --</u>	<u>\$ 516,224</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 - LOANS AND NOTES RECEIVABLE

PROVISION FOR LOAN LOSSES

An analysis of SBLF's allowance for loan losses for the year ended June 30, 2021 and 2020, is as follows:

	2021	2020
Balance - Beginning of Year	\$ 378,870	\$ 287,970
Provision for loan losses	413,350	107,926
Loans charged off	<u> --</u>	<u> (17,026)</u>
Balance - End of Year	<u>\$ 792,220</u>	<u>\$ 378,870</u>

COMMITMENTS

SBLF had \$0 and \$270,000 in commitments to originate loans at June 30, 2021 and 2020, respectively.

SBLF's Board of Directors approved an additional \$2,500,000 and \$1,319,350 of loans in fiscal year 2021 and 2020, respectively.

REF had loan and grant commitments of \$14,401,768 and \$7,777,200 at June 30, 2021 and 2020, respectively.

NOTES AND GRANTS RECEIVABLE

The Rhode Island Commerce Corporation issues notes and grants to private-sector entities and others located in Rhode Island. The ability of Rhode Island 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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - CAPITAL ASSETS

Capital asset activity during the years ended June 30, 2021 and 2020 were as follows:

	Depreciable Life	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021
Capital Assets Not Being Depreciated					
Land		\$ 128,762	\$ --	\$ --	\$ 128,762
Construction in progress		398,316	--	(4,760)	393,556
Total capital assets not being depreciated		<u>527,078</u>	<u>--</u>	<u>(4,760)</u>	<u>522,318</u>
Capital Assets Being Depreciated					
Leasehold improvements	2 - 3.2 years	320,210	4,760	--	324,970
Equipment	3-5 years	765,390	129,545	--	894,935
Total Capital Assets Being Depreciated		<u>1,085,600</u>	<u>134,305</u>	<u>--</u>	<u>1,219,905</u>
Less accumulated depreciation for:					
Leasehold improvements		(155,186)	(96,702)	--	(251,888)
Equipment		(445,070)	(196,268)	--	(641,338)
Total accumulation depreciation		<u>(600,256)</u>	<u>(292,970)</u>	<u>--</u>	<u>(893,226)</u>
Total Capital Assets Being Depreciated, Net		<u>485,344</u>	<u>(158,665)</u>	<u>--</u>	<u>326,679</u>
Capital Assets, Net		<u>\$ 1,012,422</u>	<u>\$ (158,665)</u>	<u>\$ (4,760)</u>	<u>\$ 848,997</u>
	Depreciable Life	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020
Capital Assets Not Being Depreciated					
Land		\$ 128,762	\$ --	\$ --	\$ 128,762
Construction in progress		428,540	--	(30,224)	398,316
Total capital assets not being depreciated		<u>557,302</u>	<u>--</u>	<u>(30,224)</u>	<u>527,078</u>
Capital Assets Being Depreciated:					
Leasehold improvements	2 - 3.2 years	317,988	2,222	--	320,210
Equipment	3-5 years	716,867	48,523	--	765,390
Total Capital Assets Being Depreciated		<u>1,034,855</u>	<u>50,745</u>	<u>--</u>	<u>1,085,600</u>
Less Accumulated Depreciation for:					
Leasehold improvements		(61,575)	(93,611)	--	(155,186)
Equipment		(276,857)	(191,097)	22,884	(445,070)
Total Accumulation Depreciation		<u>(338,432)</u>	<u>(284,708)</u>	<u>22,884</u>	<u>(600,256)</u>
Total Capital Assets Being Depreciated, Net		<u>696,423</u>	<u>(233,963)</u>	<u>22,884</u>	<u>485,344</u>
Capital Assets, Net		<u>\$ 1,253,725</u>	<u>\$ (233,963)</u>	<u>\$ (7,340)</u>	<u>\$ 1,012,422</u>

Depreciation expense was \$292,970 and \$284,708 for the years ended June 30, 2021 and 2020, respectively.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - LONG-TERM DEBT

BONDS PAYABLE AND NET INVESTMENT IN DIRECT FINANCING LEASES

During 1996, Rhode Island 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%, were payable in semi-annual installments of approximately \$1,244,000, and matured May 1, 2021. During 2002, Rhode Island 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, Rhode Island 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 Rhode Island Commerce Corporation’s revenue bonds and total future minimum lease payments receivable at June 30, 2021 are as follows:

	June 30,	Principal	Interest
2022	\$ 1,248,928	\$ 649,638	
2023	1,340,606	555,158	
2024	1,445,827	453,810	
2025	1,554,697	344,387	
2026	1,667,537	226,999	
2027	1,799,692	100,781	
Total Bonds Payable	9,057,287	2,330,773	
Less Current Portion	(1,248,928)	--	
Net Long-Term Portion of Bonds Payable	\$ 7,808,359	\$ 2,330,773	

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - LONG-TERM DEBT (CONTINUED)

BONDS PAYABLE AND NET INVESTMENT IN DIRECT FINANCING LEASES (CONTINUED)

Rhode Island 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 Rhode Island Commerce Corporation semi-annually over the life of the bonds provided that the lessees achieve certain job targets. For the years ended June 30, 2021 and 2020, job rent credits issued by Rhode Island Commerce Corporation totaled \$0 and \$1,406,763, respectively, and are included in public investment payments on the accompanying statements of revenue, expenses, and changes in net position.

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 \$1,248,928 current portion of long-term debt.

Changes in long-term obligations during the year ended June 30, 2021, excluding the net pension liability and including SBLF, were as follows:

	Balance			Balance	Amounts Due
	July 1, 2020	Increases	Decreases	June 30, 2021	within One Year
Revenue Bonds	\$ 12,591,902	\$ --	\$ 3,534,615	\$ 9,057,287	\$ 1,248,928
Advances from State					
for conduit debt obligations	24,080,932	12,054,738	36,135,670	--	--
Unearned revenue	4,902,860	906,251	--	5,809,111	2,279,263
Payable from Restricted Assets	<u>2,238,736</u>	<u>--</u>	<u>435,546</u>	<u>1,803,190</u>	<u>--</u>
	<u>\$ 43,814,430</u>	<u>\$12,960,989</u>	<u>\$40,105,831</u>	<u>\$ 16,669,588</u>	<u>\$ 3,528,191</u>

On August 25, 2021, the Corporation received notice from Rhode Island Department of Administration that the State has formally forgiven the liability of the Corporation for repayment of the advances from the State for conduit debt obligations. The Rhode Island Commerce Corporation engaged in conversations regarding debt extinguishment prior to year-end and believes that the subsequent event provides evidence about conditions existing as of the balance sheet date. Therefore, debt extinguishment of \$36,135,670 was recognized as of June 30, 2021.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 7 - APPROPRIATIONS FROM STATE, HOTEL TAX REVENUE, AND OTHER INCOME FROM STATE

During the years ended June 30, 2021 and 2020, Rhode Island Commerce Corporation received the following line item appropriations from the State:

	2021	2020
Rebuild Rhode Island Tax Credit	\$ 37,500,000	\$ --
Rhode Island Commerce Corporation Base Budget Funding	7,431,022	7,431,022
Innovative Initiative	1,000,000	1,000,000
Wavemaker Fellowship	1,200,000	1,200,000
Designated Grants	1,016,200	1,016,200
RI Airport Corporation Impact Aid	1,001,062	1,012,122
Innovative Matching Grants (IMG)	1,000,000	1,000,000
Science and Technology Advisory Council (STAC) Research Alliance	900,000	900,000
Supply Rhode Island	300,000	300,000
Reopening RI	286,947	--
Industry Cluster	100,000	--
Regional Green House Gas Initiative	--	9,760,779
Job rent credits (Note 6)	--	1,406,763
PTECH	--	41,217
Small Business Assistance Program	(6)	500,000
Total State Appropriations	51,735,225	25,568,103
Rebuild Rhode Island - Returned appropriation	--	(5,000,000)
First Wave Closing - Returned appropriation	--	(5,000,000)
Airport Services - Returned appropriation	--	(486,668)
Net State Appropriations	51,735,225	15,081,435
Less Due from State at end of year	(15,423,442)	(1,397,887)
Add due from State at beginning of year	1,397,887	1,222,873
Add IMG unearned revenue at beginning of year	--	151,199
Net State Appropriations	\$ 37,709,670	\$ 15,057,620

Net State Appropriations is reported in the Statements of

Cash Flows as follows:

State of Rhode Island appropriations received	\$ 37,709,670	\$ 25,544,288
Transfer to State of Rhode Island	--	(10,486,668)
Total Amount per Statements of Cash Flows - State Appropriations	\$ 37,709,670	\$ 15,057,620

For the years ended June 30, 2021 and 2020, appropriations by the General Assembly of the State received by Rhode Island Commerce Corporation to fund its expenses comprised approximately 35% and 74%, of Rhode Island Commerce Corporation's total operating and nonoperating revenues. As of June 30, 2021 and 2020, the Rhode Island Commerce Corporation had balances of \$15,423,442 and \$1,397,887 of amounts due from the State, respectively.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 7 - APPROPRIATIONS FROM STATE, HOTEL TAX REVENUE, AND OTHER INCOME FROM STATE (CONTINUED)

For the years ending June 30, 2021 and 2020, the Rhode Island Commerce Corporation had returned appropriations of \$0 and \$10,486,668 based on revised appropriation acts, respectively.

For the years ended June 30, 2021 and 2020, the Rhode Island Commerce Corporation received \$3,031,364 and \$4,530,302, respectively, of hotel tax revenue from the State. The Rhode Island Commerce Corporation receives an allocation of the State's hotel taxes based on the location of the hotel for the purpose of promotion and marketing of Rhode Island as a destination for tourists or businesses, in accordance with RIGL §42-63.1-3.

The Rhode Island Commerce Corporation also had other income from State sources which represents non-appropriated, miscellaneous revenue:

	2021	2020
Site Readiness	\$ 1,000,000	\$ 1,000,000
RIDOH - Management Services - MOU	84,466	20,039
RIDLT - Real Jobs / Back to Work	45,000	45,000
RIDOH - Indirect Cost Recovery - MOU	4,240	13,280
RIDOH - Direct of Food Strategy	1,519	--
WB Mason	531	544
RICAP - Expo	--	250,000
DLT - Statewide Planning Contribution	--	150,000
RIEMA	--	142,179
McCoy Stadium	--	83,866
General Counsel - MOU	--	72,000
FHWA PI - Systems Planning	--	40,000
IT Revolving Fund	--	6,000
Total Other State Sources	\$ 1,135,756	\$ 1,822,908

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 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 Rhode Island 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 of 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 Rhode Island Commerce Corporation. Plan members are not required to contribute to the Plan. The Corporation is responsible for funding the cost of all benefits. Rhode Island Commerce Corporation is to fund 100% of the actuarially determined contribution; the rate was 33.96% of the annual covered payroll for the fiscal year ended June 30, 2020. Rhode Island

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - PENSION PLANS (CONTINUED)

A. RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST (CONTINUED)

FUNDING POLICY (CONTINUED)

Commerce Corporation contributed \$121,686 and \$182,529 for the fiscal years June 30, 2021 and 2020, respectively, equal to 100% of the required contributions for fiscal years ended June 30, 2021 and 2020. 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.

PENSION LIABILITY, PENSION EXPENSE, AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

At June 30, 2021 and 2020, Rhode Island Commerce Corporation reported an asset of \$922,684 and \$885,436, respectively, for its proportionate share of the net pension liability related to the Plan. The net pension asset and obligation was measured as of June 30, 2020 and 2019, the measurement dates. Rhode Island Commerce Corporation's proportion of the net pension asset was based on its share of contributions to the Plan for fiscal years 2021 and 2020 relative to the total contributions of all participating employers for those fiscal years. At June 30, 2021 and 2020, Rhode Island Commerce Corporation's proportion was 40.81%.

PENSION EXPENSE

For the years ended June 30, 2021 and 2020, Rhode Island Commerce Corporation recognized pension expense of \$230,980 and \$30,712, respectively, relating to the Plan.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - PENSION PLANS (CONTINUED)

A. RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST (CONTINUED)

PENSION EXPENSE (CONTINUED)

At June 30, 2021 and 2020, Rhode Island Commerce Corporation reported the following deferred outflows of resources and deferred inflows of resources related to the Plan:

	2021	2020
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ --	\$ 76,305
Differences between projected and actual earnings	138,557	142,188
Contributions subsequent to the measurement date	121,686	182,529
Total	\$ 260,243	\$ 401,022
Deferred Inflows of Resources		
Changes in assumptions	\$ (48,750)	\$ (14,891)
Differences projected and actual earnings	(417,962)	(557,595)
Total	\$ (466,712)	\$ (572,486)

For the years ended June 30, 2021 and 2020, \$121,686 and \$182,529, respectively, were reported as deferred outflows of resources related to the Plan resulting from Rhode Island Commerce Corporation's contributions in fiscal year 2021 and 2020 subsequent to the measurement date and will be recognized as a decrease 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:

	Year Ending June 30,	
2021		\$ (125,336)
2022		(133,333)
2023		(54,384)
2024		(15,102)
Total		\$ (328,155)

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - PENSION PLANS (CONTINUED)

A. RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST (CONTINUED)

ACTUARIAL ASSUMPTIONS

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

Inflation	2.50%
Salary increases	3.25 to 6.25%
Investment Rate of Return	7.00%
Mortality - Variants of the PUB (10) Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP16	

Mortality rates are based on the PubG-2010 Above Median Employee/Healthy Annuitant (M/F) with MP-2019 Generational Improvements mortality tables.

Long-term rate of return assumption is 6.50% based on historical data and the allocation of the Plan's assets by investment class and the capital market outlook for each investment class. The money-weighted rate of return in prior year was 7.20%. 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:

	June 30, 2021		Long-Term
	Asset	Target Asset	Expected Real
	Allocation	Allocation	Rate of Return
Stocks and mutual funds	58.93%	60.00%	9.00%
Bonds	6.76%	40.00%	4.00%
Mutual funds	32.08%	0.00%	N/A
Cash	<u>2.23%</u>	<u>0.00%</u>	N/A
Total	<u>100.00%</u>	<u>100.00%</u>	

DISCOUNT RATE

The discount rate for purposes of determining the net pension asset was 6.50% at June 30, 2021 and 2020. 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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - PENSION PLANS (CONTINUED)

A. RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST (CONTINUED)

DISCOUNT RATE (CONTINUED)

available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE 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.

2021	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Corporation's net pension liability (asset)	\$ 31,320	\$ (922,684)	\$ (1,735,636)
2020	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Corporation's net pension liability (asset)	\$ 26,547	\$ (885,436)	\$ (1,662,914)

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - PENSION PLANS (CONTINUED)

B. EMPLOYEES' RETIREMENT SYSTEM PLAN (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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>.

BENEFIT PROVISIONS

The level of benefits provided to participants is established by §36-10 of the Rhode Island General Laws ("RIGL"), 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 RIGL 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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - PENSION PLANS (CONTINUED)

B. EMPLOYEES' RETIREMENT SYSTEM PLAN (CONTINUED)

BENEFIT PROVISIONS (CONTINUED)

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 RIGL §36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal years 2020 and 2019, participating Rhode Island Commerce Corporation employees with less than 20 years of service as of July 1, 2012 were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of July 1, 2012 were required to contribute 11.00% of their annual covered salary. Rhode Island Commerce Corporation is required to contribute at an actuarially determined rate; the rate was 27.54% of annual covered payroll for the fiscal years ended June 30, 2021 and 2020. Rhode Island Commerce Corporation contributed \$28,070, \$26,808, and \$25,267 for the fiscal years ended June 30, 2021, 2020 and 2019, 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, 2021 and 2020, Rhode Island Commerce Corporation reported a liability of \$305,307 and \$302,413, respectively, for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability reported was measured as of June 30, 2020, 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, 2019, rolled forward to the June 30, 2020 measurement date. The Rhode Island Commerce Corporation's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2020 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2020 and 2019 measurement date, Rhode Island Commerce Corporation's proportion was approximately 1.34% and 1.33%, respectively.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - PENSION PLANS (CONTINUED)

B. EMPLOYEES' RETIREMENT SYSTEM PLAN (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)

For the years ended June 30, 2021 and 2020, Rhode Island Commerce Corporation recognized pension expense of \$31,561 and \$30,712 relating to the ERS, respectively.

At June 30, 2021 and 2020, Rhode Island Commerce Corporation reported the following deferred outflows of resources and deferred inflows of resources related to the ERS:

	2021	2020
Deferred Outflows of Resources		
Contributions subsequent to measurement date	\$ 28,070	\$ 26,808
Change in assumptions	7,204	13,226
Net difference projected and actual earnings	9,822	6,211
Changes in proportionate share of contributions	2,895	2,947
Net difference between expected and actual experience	2,625	3,185
Total	\$ 50,616	\$ 52,377
Deferred Inflows of Resources		
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 6,262	\$ 8,993
Net difference between projected and actual earnings on pension plan investments	3,718	6,772
Differences between expected and actual experience	211	1,576
Changes in assumptions	6,006	--
Total	\$ 16,197	\$ 17,341

Contributions of \$28,070 and \$26,808 are reported as deferred outflows of resources related to pensions resulting from Rhode Island Commerce Corporation contributions in fiscal years 2021 and 2020, respectively, subsequent to the measurement date and will be recognized as a reduction of the net pension liability determined in the subsequent period. 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:

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - PENSION PLANS (CONTINUED)

B. EMPLOYEES' RETIREMENT SYSTEM PLAN (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)

Year Ending June 30	
2022	\$ 3,214
2023	1,783
2024	500
2025	1,029
2026	(177)
Total	\$ 6,349

ACTUARIAL METHODS AND ASSUMPTIONS

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

Actuarial cost method	Entry age normal - the Individual Entry Age Actuarial Cost
Amortization method	Level percent of payroll - closed
Inflation	2.50%
Salary increases	3.25 to 6.25%
Investment Rate of Return	7.00%
Mortality - Variants of the PUB (10) Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP16	

The actuarial assumptions used in the June 30, 2019 valuation rolled forward to June 30, 2020 and the calculation of the total pension liability at June 30, 2020 was consistent with the results of an actuarial experience investigation study performed as of June 30, 2019.

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - PENSION PLANS (CONTINUED)

B. EMPLOYEES' RETIREMENT SYSTEM PLAN (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

collective summary of capital market expectations from 39 sources. 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. The June 30, 2020 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

	Long-Term Long-Term Target Asset Allocation	Expected Arithmetic Real Rate of Return
GROWTH		
Global Equity		
U.S. Equity	23.00%	6.31%
International Developed Equity	12.10%	6.71%
Emerging Markets Equity	4.90%	8.69%
Private Growth		
Private Equity	11.25%	9.71%
Non-Core RE	2.25%	5.66%
Opportunistic Private Credit	1.50%	9.71%
INCOME		
High-Yield Infrastructure	1.00%	3.88%
REITS	1.00%	5.66%
Equity Options	2.00%	6.04%
EMD (50/50 Blend)	2.00%	2.28%
Liquid Credit	2.80%	3.88%
Private Credit	3.20%	3.88%
STABILITY		
Crisis Protection Class		
Treasury Duration	5.00%	0.10%
Systematic Trend	5.00%	3.84%
Inflation Protection		
Core Real Estate	3.60%	5.66%
Private Infrastructure	2.40%	6.06%
TIPS	2.00%	0.74%
Volatility Protection		
IG Fixed Income	3.25%	1.54%
Securitized Credit	3.25%	1.54%
Absolute Return	6.50%	3.84%
Cash	<u>2.00%</u>	0.10%
	<u>100.00%</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.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 8 - PENSION PLANS (CONTINUED)

B. EMPLOYEES' RETIREMENT SYSTEM PLAN (CONTINUED)

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability calculated using the discount rate of 7.00% 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.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2021			
Corporation's net pension liability	<u>\$ 364,159</u>	<u>\$ 305,307</u>	<u>\$ 234,284</u>
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2020			
Corporation's net pension liability	<u>\$ 371,185</u>	<u>\$ 302,413</u>	<u>\$ 246,115</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.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 8 - PENSION PLANS (CONTINUED)

C. DEFINED CONTRIBUTION PLAN

Certain employees participating in the defined benefit plan (those with less than 20 years of service as of July 1, 2012), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by RIGL §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, 2012) 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, 2012:

<u>Years of Service as of 7/1/2012</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 currently had no employees participating in the defined contribution plan for the years ended June 30, 2021 and 2020.

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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - PENSION PLANS (CONTINUED)

C. DEFINED CONTRIBUTION PLAN (CONTINUED)

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 Rhode Island Commerce Corporation hired on or after January 1, 2006 participate in the Rhode Island Commerce Corporation Section 401(a) Retirement and Savings Plan (the “401(a) Plan”), a discretionary contribution plan. The 401(a) Plan provides for Rhode Island Commerce Corporation to make discretionary matching or additional contributions as approved by the Board of Directors. For the fiscal year ended June 30, 2020, Rhode Island Commerce Corporation contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the Rhode Island Commerce Corporation Section 457 Deferred Compensation Plan (the “457 Plan”). Contributions for the fiscal years ended June 30, 2021 and 2020, were \$219,529 and \$248,754, respectively. All employees are eligible to participate in the both the 401(a) Plan and the 457 Plan.

NOTE 9 - POSTEMPLOYMENT HEALTHCARE

PLAN DESCRIPTION

Employees of the Rhode Island Commerce Corporation participate in a cost-sharing multiple-employer defined benefit other post-employment benefits (“OPEB”) plan included within the Rhode Island State Employees’ and Electing Teachers OPEB System (the “System”). The Rhode Island Commerce Corporation participates in the State Employees’ plan within the System.

Under a cost sharing plan, OPEB 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 OPEB benefits through the plan, regardless of the status of the employers’ payment of its OPEB obligation to the plan. The plan provides health care benefits to plan members.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

The System is administered by the OPEB Board and was authorized, created, and established under RIGL §36-12.1. The Board was established under RIGL §36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB system. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

The System 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.oag.ri.gov/reports.html>.

MEMBERSHIP AND BENEFIT PROVISIONS

The plans within the System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Dental and vision coverage may be purchased by these groups with no state subsidy.

Members of the System must meet the eligibility and services requirements set forth in the RIGL or other governing documents. RIGL §16-17.1-1 and 2, §36-10-2, §36-12.1, §36-12-2.2 and §36-12-4 govern the provisions of the System, and they may be amended in the future by action of the General Assembly.

CONTRIBUTIONS

The funding policy, as set forth in the RIGL and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. The Rhode Island Commerce Corporation is required to contribute at an actuarially determined rate; the rate was 5.49% of annual covered payroll for the fiscal year ended June 30, 2021. The Rhode Island Commerce Corporation contributed \$6,755, \$5,851, and \$5,715, for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for each year.

Active employees do not make contributions to the plan. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2021 and 2020, the Rhode Island Commerce Corporation reported a liability of \$48,366 and \$58,256, respectively for its proportionate share of the net OPEB liability related to its participation in the System. The net OPEB liability was measured as of June 30, 2020, the measurement date, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to the June 30, 2020 measurement date. The Rhode Island Commerce Corporation's proportion of the net OPEB liability was based on its share of contributions to the System for fiscal year 2020 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2020 and 2019, the Rhode Island Commerce Corporation's proportion was 0.013%.

For the year ended June 30, 2021 and 2020, the Rhode Island Commerce Corporation recognized OPEB expense of \$2,598 and (\$3,951), respectively. At June 30, 2021 and 2020, the Rhode Island Commerce Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	2021	2020
Changes in assumptions	\$ 2,209	\$ 2,853
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,707	1,819
Contributions subsequent to measurement date	6,755	5,851
Total Deferred Outflows of Resources	\$ 10,671	\$ 10,523
 Deferred Inflows of Resources		
Difference between expected and actual experience	\$ 9,837	\$ 7,360
Changes in assumptions	2,925	512
Changes in proportionate share of contributions	673	797
Net difference between projected and actual investment earnings	2,065	1,854
Total Deferred Inflows of Resources	\$ 15,500	\$ 10,523

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)

Contributions of \$6,755 and \$5,851 are reported as deferred outflows of resources related to OPEB resulting from Rhode Island Commerce Corporation contributions in fiscal years 2021 and 2020, respectively, subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the subsequent period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Net Deferred Outflows (Inflows) of Resources
2021	\$ (2,293)
2022	(2,079)
2023	(1,924)
2024	(1,736)
2025	(1,750)
Thereafter	(1,802)
	\$ (11,584)

ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability was determined using the following significant actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost Methodology is used
Amortization Method	Level Percent of Payroll - Closed
Inflation	2.50%
Salary Increases	3.00% to 6.00%
Investment Rate of Return	5.00%
Health Care Cost Trend Rate	8.25% in fiscal 2020 decreasing annually to 3.5% in fiscal year 2033 and later

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Mortality rates for male plan members were based on the RP-2014 Combined Healthy for Males with Blue Collar adjustments, projected with the MP-2016 ultimate rates. Mortality rates for female plan members were based on the RP-2014 Combined Healthy for Females, projected with the MP-2016 ultimate rates.

The long-term expected rate of return best-estimate on OPEB 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 OPEB plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 39 nationally recognized investment consulting firms. The June 30, 2020 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Collation	Long-Term Expected Real Rate of Return
Domestic Equity	65%	6.31%
Fixed Income	35%	1.57%

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 OPEB liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, if any, 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net OPEB liability calculated using the discount rate of 5 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (4.0% Discount Rate)	(5.0% Discount Rate)	1% Increase (6.0% Discount Rate)
2021			
Net OPEB Liability	<u>\$ 59,727</u>	<u>\$ 48,366</u>	<u>\$ 38,956</u>
	1% Decrease (4.0% Discount Rate)	(5.0% Discount Rate)	1% Increase (6.0% Discount Rate)
2020			
Net OPEB Liability	<u>\$ 65,790</u>	<u>\$ 58,256</u>	<u>\$ 45,237</u>

The following table presents the net OPEB liability calculated using the healthcare cost trend rate of 8.25 percent and gradually decreasing to an ultimate rate of 3.5%, as well as what the employers' net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (expressed in thousands).

	1% Decrease	8.25%	1% Increase
2021			
Net OPEB Liability	<u>\$ 36,794</u>	<u>\$ 48,366</u>	<u>\$ 62,889</u>
	1% Decrease	9.00%	1% Increase
2020			
Net OPEB Liability	<u>\$ 42,654</u>	<u>\$ 58,256</u>	<u>\$ 69,492</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

OPEB PLAN FIDUCIARY NET POSITION

The System 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.oag.ri.gov/reports.html>. The report contains detailed information about the OPEB plan's fiduciary net position.

NOTE 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

For the years ended June 30, 2021 and 2020, the Rhode Island Commerce Corporation had public investment payments that consisted of Job Rent Credits – FMR (see Note 6) of \$0 and \$1,406,763, respectively.

LITIGATION

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

RISK MANAGEMENT

Rhode Island 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, 2021 because Rhode Island Commerce Corporation officials are of the opinion that, based upon prior years' experience, any claims will not be material.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Rhode Island 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 Rhode Island Commerce Corporation carries commercial insurance. Neither Rhode Island Commerce Corporation nor its insurers have settled any claims which exceeded Rhode Island Commerce Corporation's insurance coverage in any of the last three fiscal years.

There have been no significant reductions in any insurance coverage during the last three years.

RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic which continues to spread throughout the United States and the World. The Corporation is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce the spread. As of the date the financial statements were available to be issued, there was considerable uncertainty around expected duration of this pandemic and the extent to which COVID-19 may impact the Corporation's financial condition or its operations.

NOTE 11 - CONDUIT DEBT OBLIGATIONS AND CREDIT ENHANCEMENTS

From time to time, Rhode Island 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. Rhode Island 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 issued in amounts equal to interest and principal payments due on the respective issues. Accordingly, the payments are not shown as receipts and disbursements of Rhode Island Commerce Corporation.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 - CONDUIT DEBT OBLIGATIONS AND CREDIT ENHANCEMENTS (CONTINUED)

During the fiscal 2010 legislative session, the General Assembly approved the Job Creation Guaranty Program (“JCGP”), which authorizes Rhode Island 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 Rhode Island Commerce Corporation pursuant to the provisions of this section shall constitute and be accounted for as advances by the State to Rhode Island 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, 2018 are \$35,250,000 (principal only), including 38 Studios, LLC (“38 Studios”), as described below, in the amount of \$33,000,000 (principal only; total debt service is \$36,963,350).

On November 2, 2010, a loan in the amount of \$75,000,000 was provided to 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.

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. Rhode Island 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 Rhode Island Commerce Corporation pursuant to the JCGP to hold 50% of the fees that Rhode

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 - CONDUIT DEBT OBLIGATIONS AND CREDIT ENHANCEMENTS (CONTINUED)

Island Commerce Corporation earned under that program. Pursuant to RIGL Section 42-64-18(5), all amounts paid to the bondholders and lenders by Rhode Island 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 Rhode Island Commerce Corporation. During the years ended June 30, 2021 and 2020, the amounts paid to Rhode Island Commerce Corporation to enable Rhode Island Commerce Corporation satisfy debt service obligations related to the JCGP (i.e., 38 Studios) totaled \$12,054,738 and \$446,819, respectively.

During the period July, 2014 to February 2017, the Rhode Island Superior Court approved various legal settlements entered into by Rhode Island Commerce Corporation with defendants in connection with Rhode Island Economic Development Corporation v. Wells Fargo, et al., which resulted in the gross payment of \$54,125,000 to the Rhode Island Commerce Corporation and net payment of \$44,190,101. The net amount of the settlements was paid by Rhode Island 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.

In accordance with the enabling legislation and an agreement between Rhode Island Commerce Corporation, the trustee, and 38 Studios, should amounts in the Capital Reserve Account fall below minimum requirements, Rhode Island 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 \$12,054,738 in its budget for the fiscal year ended June 30, 2021 to cover the scheduled bond payments in November 2020 and May 2021. The total debt service for the issuance is \$112,587,089, but the remaining debt service as of June 30, 2021 is \$0. As of June 30, 2021, \$0 is available in the Principal and Interest Sinking Fund to fund future debt service payments.

On August 25, 2021, the Corporation received notice from Rhode Island Department of Administration that the State has formally forgiven the liability of the Corporation for repayment of the advances from the State for conduit debt obligations. The Rhode Island Commerce Corporation engaged in conversations regarding debt extinguishment prior to year-end and believes that the subsequent event provides evidence about conditions existing as of the balance sheet date. Therefore, debt extinguishment of \$36,135,670 was recognized as of June 30, 2021.

The total aggregate principal amount outstanding under all conduit debt obligations at June 30, 2021 and 2020 was approximately \$958,000,000 and \$1,043,000,000, respectively.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 12 - CONTRACTUAL SERVICES

Contractual services expense by service category for Rhode Island Commerce Corporation and SBLF for the years ended June 30, 2021 and 2020 are as follows:

	2021		2020	
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Consulting	\$ 6,773,505	\$ --	\$ 1,334,771	\$ --
Marketing	769,481	--	875,033	--
Other	281,551	8,520	525,532	8,520
Legal Services	680,575	5,032	374,081	12,262
Information Technology	<u>153,482</u>	<u>--</u>	<u>153,074</u>	<u>--</u>
	<u>\$ 8,658,594</u>	<u>\$ 13,552</u>	<u>\$ 3,262,491</u>	<u>\$ 20,782</u>

NOTE 13 - INCENTIVE PROGRAM EXPENSES

The Rhode Island Commerce Corporation recognized the following incentive program expenses for the years ended June 30, 2021 and 2020:

	2021	2020
Rebuild Rhode Island	\$ 15,220,869	\$ 7,748,895
Wavemaker Fellowship	1,271,096	1,372,643
Innovative Initiative	1,054,631	1,560,649
First Wave Closing	484,874	--
Main Street	327,475	760,276
Pathways in Technology Early College High School (P-TECH)	237,500	--
Industry Cluster	98,625	16,434
ARRA Energy	32,019	--
Small Business Assistance	<u>25,659</u>	<u>478,739</u>
Total Incentive Program Expenses	<u>\$ 18,752,748</u>	<u>\$ 11,937,636</u>

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 13 - INCENTIVE PROGRAM EXPENSES (CONTINUED)

The Innovative Initiative Program was authorized under RIGL §42-64.28 for Rhode Island based small businesses with 500 or fewer employees to apply for vouchers worth \$5,000 to \$50,000 to access technical assistance and other services, including, but not limited to, research, technological development, product development, commercialization, market development, technology exploration, and improved business practices. The voucher can be used at any knowledge provider, generally meaning a Rhode Island institution of higher education or other entity in Rhode Island that will provide services to a voucher recipient pursuant to a voucher agreement.

The Wavemaker Fellowship Program was authorized under RIGL §42-64.26 and provides qualifying candidates refundable tax credits based on certain criteria. The Rhode Island Commerce Corporation administers the program and makes payments to the State of Rhode Island when the refundable tax credits are claimed. The value of the individual tax credit is capped between \$1,000 and \$6,000 based on the highest degree awarded.

The Regional Greenhouse Gas Initiative (“RGGI”) is the nation’s first mandatory, market-based cap and trade program to reduce emissions of carbon dioxide (“CO₂”). As a participating state, Rhode Island receives CO₂ allowance proceeds, which are invested in a variety of consumer benefit programs, including energy efficiency, renewable energy, direct energy bill assistance and other greenhouse gas reduction programs. The allowable use of auction proceeds in Rhode Island is governed by §23-82-6 of the Rhode Island General Laws. Applicants can receive up to \$350,000 in funding.

The Rebuild Rhode Island Program was authorized under RIGL §42-64.20 and provides redeemable tax credits covering up to 20% of project costs for commercial office, industrial, mixed use development, and residential ground-up construction and historic rehabilitation with minimum project costs of \$5,000,000 and certain square footage and project size minimums.

The Small Business Assistance Program was authorized under RIGL §42-64.25 and assists entrepreneurs and small businesses that encounter difficulty in obtaining adequate credit from traditional lending organizations. The Rhode Island Commerce Corporation partners with lenders by providing direct loans to businesses ranging from \$2,000 to \$500,000.

The Main Street Program is authorized under RIGL §42-64.27 and awards grants or loans on a competitive basis to facilitate improvement of streetscapes such as, but not limited to, enhanced sidewalks, new wayfinding signage, upgraded business facades, and improved street and public space lighting, in support of creating an attractive environment for small business development and commerce. Projects can receive up to \$300,000 in funding and applicants must have matching funds of at least 30% of the total project cost.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 13 - INCENTIVE PROGRAM EXPENSES (CONTINUED)

The Pathways in Technology Early College High School (“P-TECH”) is authorized under RIGL §42-64.32 and promotes partnerships among high schools, colleges, and employers. Students enrolled in P-TECH programs take college-level courses in high school, benefit from internships and mentoring, and graduate with a high school diploma and an industry-approved Associate degree. Grants are awarded to Rhode Island local school districts and colleges applicants and payments are made based on the terms of the grant agreement.

The Industry Cluster Program is authorized under RIGL §42-64.29 and encourage companies in an industry sector to work together to solve problems, exchange ideas, and develop talent. Grants of \$75,000 to \$250,000 are available to fund planning and organization building for the cluster; and grants of \$100,000 to \$500,000 are available to implement programs that strengthen the cluster in areas like research and development, technology transfer, workforce development, and marketing.

The Airport Services Program is authorized under RIGL §42-64.32 and will provide certain air carriers and/or cargo carriers direct financial incentives, revenue guarantees, and/or other support to incentivize air service to T.F. Green Airport.

The First Wave Closing Program is authorized under RIGL §42-64.23 and provides linchpin financing unavailable from other sources to close transactions of a critical or catalytic nature. Funds can be used for a variety of purposes, including working capital, equipment purchases, furnishings, construction, and permanent financing.

The Rhode Island Commerce Corporation has on occasion required developers of projects receiving incentives under the Rebuild Rhode Island Tax Credit Program or the Tax Increment Financing Program to provide for return from cash flows and/or upon a capital event based upon higher than expected returns from a project. Such contractual provisions are intended to recoup funding to the extent the project performs above an expected level of return as determined on a case-by-case basis. To date, no developer has made a payment to the Rhode Island Commerce Corporation under such contractual provisions in relation to a project for which incentives have been provided under the foregoing programs.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 14 - OTHER NONOPERATING EXPENSES

The Rhode Island Commerce Corporation recognized the following other nonoperating expenses for the years ended June 30, 2021 and 2020:

	2021		2020	
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Loss on conduit debt obligation	\$ 12,054,738	\$ --	\$ 446,819	\$ --
Rhode Island Science & Technology Advisory Council (STAC)	1,574,553	--	1,802,819	--
Airport Impact Aid	1,001,065	--	1,012,123	--
Rhode Island Export Assistance Center	933,322	--	957,923	--
Supply RI Grant Expenses	25,000	--	--	--
First Wave Closing Expenses	18,842	--	89,834	--
Loss on SBLF Loans Receivable	--	61,477	--	110,163
Total other nonoperating expenses	\$ 15,607,520	\$ 61,477	\$ 4,309,518	\$ 110,163

NOTE 15 - RELATED PARTY TRANSACTIONS

The Rhode Island Commerce Corporation provides accounting, budgeting, and reporting services, program and administrative support, and office space to the I-195 Redevelopment District Commission and Rhode Island Executive Office of Commerce. For the years ended June 30, 2021 and 2020, the Rhode Island Commerce Corporation received \$0. The value of these services are not readily determinable.

The Rhode Island Commerce Corporation also provides management and program services to the Rhode Island Industrial Facilities Corporation (“RIIFC”) and the Rhode Island Industrial-Recreational Building Authority (“RIIRBA”). For the years ended June 30, 2021 and 2020, the Rhode Island Commerce Corporation received from RIIFC \$0 and \$44,522, respectively. For the years ended June 30, 2021 and 2020, the Rhode Island Commerce Corporation received from RIIRBA \$0 and \$20,772, respectively. Amounts charged are based on hours of service and indirect rates.

Amounts due from other State component units are as follows as of June 30, 2021 and 2020:

	2021	2020
Rhode Island Industrial Facilities Corporation	\$ 98,834	\$ 70,412
Rhode Island Industrial-Recreational Building Authority	52,621	32,499
	\$ 151,455	\$ 102,911

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CORPORATION'S CONTRIBUTIONS

STATE OF RHODE ISLAND STATE EMPLOYEES' OPEB SYSTEM PLAN

LAST TEN YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Valuation Date	7/1/20	7/1/19	7/1/18	7/1/17	7/1/16	7/1/15	7/1/14	7/1/13	7/1/12	7/1/11
Actuarially Determined	\$ --	\$ 4,622	\$ 92,740	\$ 204,613	\$ 97,831	\$ 97,831	\$ 92,525	\$ 88,332	\$ 100,969	\$ 53,064
Contributions in relation to the actuarially determined	121,686	182,529	243,372	207,271	88,549	88,549	45,990	88,332	108,596	53,515
Contribution deficiency/(excess)	(121,686)	(177,907)	(150,632)	(2,658)	9,281	9,281	46,535	--	(7,628)	(451)
Covered Employee Payroll	<u>895,680</u>	<u>895,680</u>	<u>884,951</u>	<u>1,036,833</u>	<u>1,077,914</u>	<u>1,077,914</u>	<u>1,118,572</u>	<u>1,166,710</u>	<u>1,264,082</u>	<u>1,419,660</u>
Contributions as a Percentage of Covered Employee Payroll	20.38%	33.96%	27.50%	19.99%	8.21%	8.21%	4.11%	7.57%	8.59%	3.77%
Actuarially Determined Contribution	Calculated in accordance with the Aggregate Actuarial Cost Method									
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method <i>The normal cost is computed in the aggregate equal to (a) the actuarial present value of future normal cost divided by (b) a temporary annuity. The actuarial present value of future normal cost equals the actuarial present value of future benefits less the adjusted actuarial value of plan assets. The temporary annuity equals the total actuarial present value of future compensation divided by the total compensation for all participants who have not reached their assumed retirement age.</i>									

See notes to Required Supplementary Information.

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

SCHEDULE OF CORPORATION'S CONTRIBUTIONS

RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST

LAST SEVEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 28,070	\$ 26,808	\$ 25,267	\$ 23,801	\$ 23,785	\$ 22,833	\$ 21,260
Contributions in relation to the actuarially determined contribution	28,070	26,808	25,267	23,801	23,785	22,833	21,260
Covered Employee Payroll	<u>109,650</u>	<u>102,089</u>	<u>94,830</u>	<u>92,559</u>	<u>92,891</u>	<u>91,340</u>	<u>91,129</u>
Contributions as a Percentage of Covered Employee Payroll	25.60%	26.26%	26.64%	25.71%	25.61%	25.00%	23.33%

- Notes:*
- 1.) *Employers participating in the State Employees' Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.*
 - 2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

See notes to Required Supplementary Information.

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

SCHEDULE OF CORPORATION'S CONTRIBUTIONS

EMPLOYEES' RETIREMENT SYSTEM ("ERS") PLAN

LAST SEVEN FISCAL YEARS

Fiscal Year Ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 243,372	\$ 243,372	\$ 243,152	\$ 244,032	\$ 244,032	\$ 96,968	\$ 86,736
Contribution in relation to contractually required	<u>(243,372)</u>	<u>(243,372)</u>	<u>(243,152)</u>	<u>(244,032)</u>	<u>(244,032)</u>	<u>(96,968)</u>	<u>(86,736)</u>
Contribution deficiency	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Corporation's covered Payroll	\$ 603,009	\$ 884,951	\$ 1,036,833	\$ 1,077,914	\$ 1,118,572	\$ 1,154,143	\$ 1,166,710
Contribution as a percentage of covered employee payroll	40.36%	27.50%	23.45%	22.64%	21.82%	8.40%	7.43%

1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See notes to Required Supplementary Information.

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

**SCHEDULE OF CORPORATION'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY (ASSET)**

RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST

LAST SEVEN FISCAL YEARS

Year Ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Corporation's Proportion of the Net Pension Liability (Asset)	40.81%	40.81%	40.81%	40.79%	40.47%	40.89%	42.15%
Corporation's proportionate share of the net pension	\$ (922,684)	\$ (885,436)	\$ (539,859)	\$ 83,246	\$ 623,723	\$ 1,717	\$ (477,935)
Corporation's covered employee payroll	<u>783,430</u>	<u>895,680</u>	<u>884,951</u>	<u>1,036,833</u>	<u>1,118,572</u>	<u>1,118,572</u>	<u>1,166,710</u>
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-117.77%	-103.01%	-61.00%	8.03%	55.76%	0.15%	-40.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	110.45%	110.48%	106.64%	98.95%	91.89%	99.98%	106.84%

1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See notes to Required Supplementary Information.

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

SCHEDULE OF CORPORATION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

EMPLOYEES' RETIREMENT SYSTEM ("ERS") PLAN

LAST SEVEN FISCAL YEARS

Year Ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Corporation's Proportion of the Net Pension Liability (Asset)	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.02%
Corporation's proportionate share of the net pension liability (asset)	302,413 \$	302,413 \$	308,888 \$	305,320 \$	293,616 \$	270,891 \$	273,850
Corporation's covered-employee payroll	109,650	102,089	94,830	95,703	92,891	91,340	91,129
Corporation's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	275.80%	296.22%	325.73%	319.03%	316.09%	296.57%	300.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.60%	52.80%	52.50%	51.80%	51.88%	58.58%	55.03%

Notes:

- 1.) The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.*
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

See notes to Required Supplementary Information.

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

SCHEDULE OF CONTRIBUTIONS

STATE EMPLOYEES' OPEB SYSTEM PLAN

LAST FOUR FISCAL YEARS

	2021	2020	2019	2018
Statutorily Determined Contribution	\$ 6,755	\$ 5,851	\$ 5,715	\$ 5,723
Contributions in relation to the statutorily determined contribution	<u>6,755</u>	<u>5,851</u>	<u>5,715</u>	<u>5,723</u>
Contribution Deficiency (Excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Rhode Island Commerce Corporation's Covered Payroll	<u>\$ 109,650</u>	<u>\$ 102,089</u>	<u>\$ 94,830</u>	<u>\$ 95,703</u>
Contributions as a Percentage of Covered Payroll	6.16%	5.73%	6.03%	5.98%

Employers participating in the State Employees' Retirement System are required by RIGL §36-10-2, to contribute an actuarially determined contribution rate.

Schedule is intended to show information for 10 years – additional years will be displayed as they become available.

See notes to Required Supplementary Information.

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

STATE EMPLOYEES' OPEB SYSTEM PLAN

LAST FOUR FISCAL YEARS

Year Ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Rhode Island Commerce Corporation's proportion of the net OPEB liability	0.013%	0.013%	0.014%	0.013%
Rhode Island Commerce Corporation's proportionate share of the net OPEB liability	\$ 48,366	\$ 58,256	\$ 68,885	\$ 67,763
Rhode Island Commerce Corporation's covered payroll	109,650	102,089	94,830	95,703
Rhode Island Commerce Corporation's proportionate share of the net OPEB as a percentage of its covered payroll	44.11%	57.06%	72.64%	70.81%
Plan fiduciary net position as a percentage of the total OPEB liability	42.51%	33.57%	26.25%	22.38%

The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.

Schedule is intended to show information for 10 years – additional years will be displayed as they become available.

See notes to Required Supplementary Information.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - RHODE ISLAND COMMERCE CORPORATION PENSION PLAN

DESCRIPTION OF REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of the Proportionate Share of the Net Pension Liability presents multi-year trend information on the Corporation's share of the Net Pension Liability and related ratios.

The Schedule of Contributions presents multi-year trend information for the Rhode Island Commerce Corporation's required and actual contributions relating to the pension plan.

10-YEAR TREND INFORMATION

The Schedules of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions are intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years in which information is available.

CHANGES IN BENEFIT TERMS

There were no changes in benefit terms from the prior measurement report.

CHANGES IN ASSUMPTIONS

There were no changes in assumptions from the prior measurement report.

NOTE 2 - RHODE ISLAND COMMERCE CORPORATION EMPLOYER RETIREMENT SYSTEM PENSION PLAN

ACTUARIAL METHODS AND ASSUMPTIONS USED TO CALCULATE THE NET PENSION LIABILITY OF THE PARTICIPATING EMPLOYERS

The actuarial methods and assumptions used to calculate the net pension liability of the participating employers are described in Note 9 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 2 - RHODE ISLAND COMMERCE CORPORATION EMPLOYER RETIREMENT SYSTEM PENSION PLAN (CONTINUED)

JUNE 30, 2020 MEASUREMENT DATE:

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.

JUNE 30, 2019 MEASUREMENT DATE:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2019 measurement date compared to the June 30, 2018 measurement date.

JUNE 30, 2018 MEASUREMENT DATE:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

JUNE 30, 2017 MEASUREMENT DATE:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

JUNE 30, 2016 MEASUREMENT DATE:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability of the plans as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 2 - RHODE ISLAND COMMERCE CORPORATION EMPLOYER RETIREMENT SYSTEM PENSION PLAN (CONTINUED)

JUNE 30, 2015 MEASUREMENT DATE:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability of the plans as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

Benefit changes are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. The following is a summary of those benefit changes that resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly.

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan. Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before July 1, 2012 will received a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5-year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr Return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective 01/01/16, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 2 - RHODE ISLAND COMMERCE CORPORATION EMPLOYER RETIREMENT SYSTEM PENSION PLAN (CONTINUED)

ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarially determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contributions are reported. For example, the contribution rate for fiscal 2019 for the plan was based on a valuation performed as of June 30, 2016.

NOTE 3 - RHODE ISLAND COMMERCE CORPORATION OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

ACTUARIAL ASSUMPTIONS AND METHODS USED TO CALCULATE THE NET OPEB LIABILITY OF THE PARTICIPATING EMPLOYERS

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 10 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

JUNE 30, 2020 MEASUREMENT DATE:

The “Cadillac tax”, which was a tax provision from the federal Affordable Care Act (“ACA”), was repealed in December 2019. As a result, liability amounts previously included for the “Cadillac tax” within the development of the total OPEB liability has been removed as of the June 30, 2020 measurement date.

JUNE 30, 2019 MEASUREMENT DATE:

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2019 measurement date reflected a change in Excise Tax load on pre-65 liabilities from 11.0% to 9.5%.

JUNE 30, 2018 MEASUREMENT DATE:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 3 - RHODE ISLAND COMMERCE CORPORATION OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

JUNE 30, 2017 MEASUREMENT DATE:

Certain actuarial assumptions for State Employees were updated to match the assumptions used for State Employees in the pension valuation for the Employees' Retirement System of Rhode Island ("ERSRI") and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%. The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2022.

ACTUARIALLY DETERMINED CONTRIBUTIONS

The annual required contributions for fiscal year 2020 were determined based on the June 30, 2017 valuation of the State Employees' OPEB Plan.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Defense			
Direct Programs:			
Procurement Technical Assistance for Business Firms	12.002	\$ --	\$ 313,474
Total U.S. Department of Defense		<u> --</u>	<u> 313,474</u>
U.S. Department of Commerce			
Section 8 Project-Based Cluster			
Economic Adjustment Assistance	11.307	--	9,050,448
Coronavirus Relief Fund	21.019	<u> --</u>	<u> 3,745,860</u>
Total Department of Commerce		<u> --</u>	<u> 12,796,308</u>
U.S. Department of Treasury			
Pass-through Program from the State of Rhode Island			
Coronavirus Relief Fund	21.019	<u> --</u>	<u> 87,271,251</u>
Total U.S. Department of Treasury		<u> --</u>	<u> 87,271,251</u>
U.S. Department of Energy			
Pass-through Program from the State of Rhode Island			
State Energy Program	81.041	<u> --</u>	<u> 7,993</u>
Total U.S. Department of Energy		<u> --</u>	<u> 7,993</u>
Total Schedule of Expenditures of Federal Awards		<u> \$ --</u>	<u> \$ 100,389,026</u>

See notes to the Schedule of Expenditures of Federal Awards.

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

NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Rhode Island Commerce Corporation under programs of the federal government for the year ended June 30, 2021. 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 Rhode Island Commerce Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Rhode Island Commerce Corporation.

NOTE 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.

NOTE 3 - DETERMINATION OF MAJOR PROGRAMS

The Schedule is presented as supplementary information required by the State of Rhode Island. The federal programs of Rhode Island Commerce Corporation are included in the State of Rhode Island’s schedule of expenditures of federal awards, which is audited under the Uniform Guidance by the State of Rhode Island’s Office of the Auditor General.

The determination of major programs is made based on the State of Rhode Island’s schedule of expenditures of federal awards, where it was determined that none of Rhode Island Commerce Corporation’s federal programs were major programs during the State fiscal year ended June 30, 2021.

NOTE 4 - LOANS BALANCES OUTSTANDING

There are no balances of loans outstanding with continuing compliance requirements under federal loan and loan guarantee programs at June 30, 2021. The Small Business Loan Fund Corporation had \$4,900,333 in loans outstanding with continuing compliance requirements under federal loan and loan guarantee programs at June 30, 2021.

NOTE 5 - INDIRECT COST RATE

Rhode Island Commerce Corporation has elected not to use the 10-percent 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 FORM
COMBINED STATEMENT OF NET POSITION (ATTACHMENT B)

JUNE 30, 2021

Assets

Current assets

Cash and cash equivalents	\$	7,962,448
Investments		--
Receivables (net)		1,742,905
Restricted assets:		
Cash and cash equivalents		98,922,354
Investments		2,196,294
Receivables (net)		43,528
Other assets		--
Due from primary government		15,423,442
Due from other component units		151,455
Due from other governments		--
Inventories		--
Other assets		166,958

Total Current Assets

126,609,384

Noncurrent Assets

Investments		454,747
Receivables (net)		7,528,677
Due from other governments and agencies		--
Restricted assets:		
Cash and cash equivalents		6,982,149
Investments		6,919,949
Receivables (net)		165,208
Other assets		--
Due from other component units		--
Net pension asset		922,684
Net OPEB asset		--
Capital assets - nondepreciable		522,318
Capital assets - depreciable (net)		326,679
Other assets, net of amortization		--

Total Noncurrent Assets

23,822,411

Total Assets

150,431,795

Deferred outflows of resources

Deferred pension amounts		310,859
Deferred OPEB amounts		10,671
Other deferred outflows of resources		--

Total Deferred Outflows of Resources

\$ 321,530

See Independent Auditors' Report

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

STATE OF RHODE ISLAND REQUIRED FORM
COMBINED STATEMENT OF NET POSITION (ATTACHMENT B)
(CONTINUED)

JUNE 30, 2021

Liabilities

Current Liabilities

Cash overdraft	\$	--
Accounts payable		1,444,295
Due to primary government		--
Due to other component units		--
Due to other governments		--
Accrued expenses		11,200,518
Compensated absences		--
Unearned revenue		2,279,263
Other current liabilities		--
Current portion of long-term debt		1,248,928

Total current liabilities		<u>16,173,004</u>
----------------------------------	--	-------------------

Noncurrent Liabilities

Due to primary government - advances fom state for conduit debt obligations		--
Due to other component units		--
Due to other governments		--
Net pension liability		305,307
Net OPEB obligation		48,366
Unearned revenue		3,529,848
Notes payable		--
Loans payable		--
Obligations under capital leases		--
Compensated absences		--
Bonds payable		7,808,359
Other liabilities		1,803,190

Total Noncurrent Liabilities		<u>13,495,070</u>
-------------------------------------	--	-------------------

Total Liabilities		29,668,074
--------------------------	--	------------

Deferred Inflows of Resources

Deferred pension amounts		482,909
Deferred OPEB amounts		15,500
Other deferred inflows of resources		--

Total Deferred Inflows of Resources		<u>498,409</u>
--	--	----------------

Net Position

Net investment in capital assets		848,997
Restricted for:		
Debt		--
Other		111,782,095
Nonexpendable		--
Capital projects		--
Unrestricted (Deficit)		7,955,750

Total Net Position	\$	<u>120,586,842</u>
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See Independent Auditors' Report

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

STATE OF RHODE ISLAND REQUIRED FORM
COMBINED STATEMENT OF ACTIVITIES (ATTACHMENT C)

FOR THE YEAR ENDED JUNE 30, 2021

Expenses	\$ 141,940,805
Program Revenues	
Charges for services	6,798,728
Operating grants and contributions	88,991,347
Capital grants and contributions	--
Total Program Revenues	<u>95,790,075</u>
Net (Expenses) Revenues	<u>(46,150,730)</u>
General Revenues	
State appropriations	51,735,225
Interest and investment earnings	1,498,354
Miscellaneous revenue	4,167,120
Total General Revenues	<u>57,400,699</u>
Total General Revenues	<u>11,249,969</u>
Transfer from other State component unit	396,503
Transfer to State of Rhode Island	--
Special Item - Debt Forgiveness	<u>36,135,670</u>
Change in net position	<u>47,782,142</u>
Total Net Position - Beginning	<u>72,804,700</u>
Total Net Position - Ending	<u><u>\$ 120,586,842</u></u>

See Independent Auditors' Report

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

STATE OF RHODE ISLAND REQUIRED FORM
COMBINED SCHEDULE OF LONG-TERM DEBT (ATTACHMENT D)

FOR THE YEAR ENDED JUNE 30, 2021

June 30,	Principal	Interest
2022	\$ 1,248,928	\$ 649,638
2023	1,340,606	555,158
2024	1,445,827	453,810
2025	1,554,697	344,387
2026	1,667,537	226,999
2027	<u>1,799,692</u>	<u>100,781</u>
Total Bonds Payable	9,057,287	2,330,773
Less Current Portion	<u>(1,248,928)</u>	<u>--</u>
Net Long-Term Portion of Bonds Payable	<u>\$ 7,808,359</u>	<u>\$ 2,330,773</u>

See Independent Auditors' Report

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

STATE OF RHODE ISLAND REQUIRED FORM
COMBINED SCHEDULE OF CHANGES IN LONG-TERM DEBT (ATTACHMENT E)

FOR THE YEAR ENDED JUNE 30, 2021

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable	\$ 12,591,902	\$ --	\$ 3,534,615	\$ 9,057,287	\$ 1,248,928	\$ 7,808,359
Net unamortized premium/discount	--	--	--	--	--	--
Bonds Payable	<u>12,591,902</u>	<u>--</u>	<u>3,534,615</u>	<u>9,057,287</u>	<u>1,248,928</u>	<u>7,808,359</u>
Notes payable	--	--	--	--	--	--
Loans payable	--	--	--	--	--	--
Obligations under capital leases	--	--	--	--	--	--
Net pension liability	302,413	2,894	--	305,307	--	305,307
Net OPEB liability	58,256	--	9,890	48,366	--	48,366
Due to primary government - advances from State for conduit debt obligations	24,080,932	12,054,738	(36,135,670)	--	--	--
Due to component units	--	--	--	--	--	--
Due to other governments and agencies	--	--	--	--	--	--
Unearned revenue	4,902,860	906,251	--	5,809,111	2,279,263	3,529,848
Compensated absences	--	--	--	--	--	--
Arbitrage rebate	--	--	--	--	--	--
Pollution remediation	--	--	--	--	--	--
Funds held for others	--	--	--	--	--	--
Other liabilities - liabilities payable from restricted assets	<u>2,238,736</u>	<u>--</u>	<u>435,546</u>	<u>1,803,190</u>	<u>--</u>	<u>1,803,190</u>
	<u>\$ 44,175,099</u>	<u>\$ 12,963,883</u>	<u>\$ (32,155,619)</u>	<u>\$ 17,023,261</u>	<u>\$ 3,528,191</u>	<u>\$ 13,495,070</u>

See Independent Auditors' Report

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, 2021

Date	Payee	Amount	Purpose
11/9/2020	Association of Procurement Technical Assistance Centers	\$ 395	APTAC 2020 Fall Virtual Training Conference
	Various	<u>300</u>	Expenditures of \$200 or less
		<u>\$ 695</u>	

See Independent Auditors' Report

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

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2021

	Rhode Island Commerce Corporation	Renewable Energy Fund	ARRA Energy	P-TECH	Rebuild	Industry Cluster	Main Street	Small Business Assistance	Innovative Initiative	First Wave Closing	Wavemaker Fellowship	Total
Assets												
Current Assets												
Cash and cash equivalents	\$ 7,962,448	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 7,962,448
Accounts receivable	410,417	540	--	--	--	--	--	--	--	14,835	--	425,792
Interfund receivable	(13,929,953)	--	--	--	15,000,000	--	--	--	--	--	--	1,070,047
Due from State of Rhode Island	15,423,442	--	--	--	--	--	--	--	--	--	--	15,423,442
Due from other State component units	151,455	--	--	--	--	--	--	--	--	--	--	151,455
Deposits and prepaid expenses	159,856	--	--	--	--	--	--	--	--	--	--	159,856
Restricted:												
Cash and cash equivalents	11,898,598	16,711,269	61	677,879	52,674,433	199,075	1,632,133	545,294	1,651,590	9,452,906	3,479,116	98,922,354
Investments	947,366	--	--	--	--	--	--	--	--	--	--	947,366
Grants and other receivables	--	16,272	10	--	--	--	--	27,246	--	--	--	43,528
Net investment in direct financing leases	1,248,928	--	--	--	--	--	--	--	--	--	--	1,248,928
Total Current Assets	24,272,557	16,728,081	71	677,879	67,674,433	199,075	1,632,133	572,540	1,651,590	9,467,741	3,479,116	126,355,216
Noncurrent Assets												
Restricted:												
Cash and cash equivalents	1,022,582	--	--	--	--	--	--	--	--	--	--	1,022,582
Notes receivable, less current portion	--	158,781	6,427	--	--	--	--	--	--	--	--	165,208
Net investments in direct financing leases, less current portion	6,919,949	--	--	--	--	--	--	--	--	--	--	6,919,949
Net pension asset - Rhode Island Commerce Corporation	922,684	--	--	--	--	--	--	--	--	--	--	922,684
Capital assets not being depreciated	522,318	--	--	--	--	--	--	--	--	--	--	522,318
Capital assets being depreciated, net	285,796	38,333	--	--	--	--	--	--	--	--	2,550	326,679
Total Noncurrent Assets	9,673,329	197,114	6,427	--	--	--	--	--	--	--	2,550	9,879,420
Total Assets	33,945,886	16,925,195	6,498	677,879	67,674,433	199,075	1,632,133	572,540	1,651,590	9,467,741	3,481,666	136,234,636
Deferred Outflows of Resources												
Rhode Island Commerce Corporation pension plan	260,243	--	--	--	--	--	--	--	--	--	--	260,243
State OPEB plan	10,671	--	--	--	--	--	--	--	--	--	--	10,671
State of Rhode Island pension plan	50,616	--	--	--	--	--	--	--	--	--	--	50,616
Total Deferred Outflows of Resources	\$ 321,530	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 321,530

See Independent Auditors' Report

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

COMBINING STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2021

	Rhode Island Commerce Corporation	Renewable Energy Fund	ARRA Energy	P-TECH	Rebuild	Industry Cluster	Main Street	Small Business Assistance	Innovative Initiative	First Wave Closing	Wavemaker Fellowship	Total
Liabilities												
Current Liabilities												
Accounts payable	\$ 1,390,660	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,390,660
Accrued expenses and other	1,223,387	18,000	--	--	8,910,616	--	--	--	--	--	40,647	10,192,650
Interfund payable	--	255,147	--	86,075	--	--	--	--	249,999	14,835	232,981	839,037
Bonds and leases payable, current portion, restricted	1,248,928	--	--	--	--	--	--	--	--	--	--	1,248,928
Payable from restricted assets	--	--	--	--	2,231	--	--	--	51,404	--	--	53,635
Unearned revenue, restricted	1,686,462	--	--	--	--	--	--	--	--	--	--	1,686,462
Total Current Liabilities	5,549,437	273,147	--	86,075	8,912,847	--	--	--	301,403	14,835	273,628	15,411,372
Noncurrent Liabilities												
Liabilities payable from restricted cash and cash equivalents	1,081,538	721,652	--	--	--	--	--	--	--	--	--	1,803,190
Net other post-employment benefit liability	48,366	--	--	--	--	--	--	--	--	--	--	48,366
Net pension liability - ERSRI	305,307	--	--	--	--	--	--	--	--	--	--	305,307
Bonds and leases payable, less current portion, restricted	7,808,359	--	--	--	--	--	--	--	--	--	--	7,808,359
Unearned revenue, restricted	--	3,529,848	--	--	--	--	--	--	--	--	--	3,529,848
Total Noncurrent Liabilities	9,243,570	4,251,500	--	--	--	--	--	--	--	--	--	13,495,070
Total Liabilities	14,793,007	4,524,647	--	86,075	8,912,847	--	--	--	301,403	14,835	273,628	28,906,442
Deferred Inflows of Resources												
Rhode Island Commerce Corporation pension plan	466,712	--	--	--	--	--	--	--	--	--	--	466,712
State of Rhode Island OPEB plan	15,500	--	--	--	--	--	--	--	--	--	--	15,500
State of Rhode Island pension plan	16,197	--	--	--	--	--	--	--	--	--	--	16,197
Total Deferred Inflows of Resources	498,409	--	--	--	--	--	--	--	--	--	--	498,409
Net Position												
Investment in capital assets	808,114	38,333	--	--	--	--	--	--	--	--	2,550	848,997
Restricted for grants and other programs	10,212,136	12,362,215	6,498	591,804	58,761,586	199,075	1,632,133	572,540	1,350,187	9,452,906	3,205,488	98,346,568
Unrestricted (deficit)	7,955,750	--	--	--	--	--	--	--	--	--	--	7,955,750
Total Net Position	\$ 18,976,000	\$ 12,400,548	\$ 6,498	\$ 591,804	\$ 58,761,586	\$ 199,075	\$ 1,632,133	\$ 572,540	\$ 1,350,187	\$ 9,452,906	\$ 3,208,038	\$ 107,151,315

See Independent Auditors' Report

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

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

FOR THE YEAR ENDED JUNE 30, 2021

	Rhode Island Commerce Corporation	Renewable Energy Fund	ARRA Energy	P-TECH	Rebuild	Industry Cluster	Main Street	Small Business Assistance	Innovative Initiative	First Wave Closing	Wavemaker Fellowship	Total
Operating Revenues												
Charges for services:												
Rentals and fees	\$ 17,772	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 17,772
Interest on loans	--	2,793	161	--	--	--	--	795	--	--	--	3,749
Other income	31,000	3,897,395	(36)	--	--	--	--	422	--	14,835	--	3,943,616
Total operating revenues	48,772	3,900,188	125	--	--	--	--	1,217	--	14,835	--	3,965,137
Operating Expenses												
Personnel services	5,588,917	134,682	--	82,001	--	--	--	--	--	--	77,647	5,883,247
Contractual services	8,606,830	41,514	--	--	--	--	--	--	--	--	10,250	8,658,594
Grants	--	4,419,095	--	--	--	--	--	--	--	--	--	4,419,095
Other expenses	3,262,526	87,657	--	--	10	--	--	--	--	--	81,706	3,431,899
Provision for loan losses and uncollectibles	--	--	--	--	--	--	--	(18,200)	--	--	--	(18,200)
Incentive Program Expenses	--	--	32,018	237,500	15,220,869	98,625	327,475	25,659	1,054,631	484,875	1,271,096	18,752,748
Depreciation and amortization	281,855	7,667	--	--	--	--	--	--	--	--	3,448	292,970
Total Operating Expenses	17,740,128	4,690,615	32,018	319,501	15,220,879	98,625	327,475	7,459	1,054,631	484,875	1,444,147	41,420,353
Operating (Loss) Income	(17,691,356)	(790,427)	(31,893)	(319,501)	(15,220,879)	(98,625)	(327,475)	(6,242)	(1,054,631)	(470,040)	(1,444,147)	(37,455,216)
Nonoperating Revenues (Expenses)												
Appropriations from State	11,935,232	--	--	--	37,500,000	100,000	--	(7)	1,000,000	--	1,200,000	51,735,225
Hotel tax revenue	3,031,364	--	--	--	--	--	--	--	--	--	--	3,031,364
Other State sources	1,135,756	--	--	--	--	--	--	--	--	--	--	1,135,756
Investment and other revenue	1,473,783	15,438	41	--	9,092	--	--	--	--	--	--	1,498,354
Interest expense	(886,864)	--	--	--	--	--	--	--	--	--	--	(886,864)
Special Item - Debt Forgiveness	36,135,670	--	--	--	--	--	--	--	--	--	--	36,135,670
Grant income	88,500,477	--	--	--	--	--	--	--	--	--	--	88,500,477
Grant expenses	(82,936,312)	--	--	--	--	--	--	--	--	--	--	(82,936,312)
Other Expenses	(15,588,678)	--	--	--	--	--	--	--	--	(18,842)	--	(15,607,520)
Total Nonoperating Revenues (Expenses), Net	42,800,428	15,438	41	--	37,509,092	100,000	--	(7)	1,000,000	(18,842)	1,200,000	82,606,150
Income (Loss) Before Transfer	25,109,072	(774,989)	(31,852)	(319,501)	22,288,213	1,375	(327,475)	(6,249)	(54,631)	(488,882)	(244,147)	45,150,934
Transfer from Other State Component Units	396,503	--	--	--	--	--	--	--	--	--	--	396,503
Change in Net Position	25,505,575	(774,989)	(31,852)	(319,501)	22,288,213	1,375	(327,475)	(6,249)	(54,631)	(488,882)	(244,147)	45,547,437
Total Net (Deficit) Position - Beginning of Year	(6,529,575)	13,175,537	38,350	911,305	36,473,373	197,700	1,959,608	578,789	1,404,818	9,941,788	3,452,185	61,603,878
Total Net Position - End of Year	\$ 18,976,000	\$ 12,400,548	\$ 6,498	\$ 591,804	\$ 58,761,586	\$ 199,075	\$ 1,632,133	\$ 572,540	\$ 1,350,187	\$ 9,452,906	\$ 3,208,038	\$ 107,151,315

See Independent Auditors' Report

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

To the Board of Directors
Rhode Island Commerce Corporation

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, 2021, and the related notes to the financial statements, which collectively comprise Rhode Island Commerce Corporation's basic financial statements, and have issued our report thereon dated November 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rhode Island Commerce Corporation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Rhode Island Commerce Corporation's Response to Finding

The Rhode Island Commerce Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Rhode Island Commerce Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Providence, RI
November 8, 2021

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

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2021

MATERIAL WEAKNESS

2021-001 REVENUE RECOGNITION

Criteria

The Rhode Island Commerce Corporation should recognize revenue in the period in which it is earned.

Condition

In regards to the Small Business Loan Fund, there was \$1,000,000 of CARES Act Revolving Loan Fund revenue recognized on June 29, 2021, during the year ended June 30, 2021, when the funds were received. The Rhode Island Commerce Corporation should have (1) delayed revenue recognition until when the funds were disbursed on July 1, 2021, during the year ending June 30, 2022, or (2) been recorded as unearned revenue to be recognized as of July 1, 2021. This appears to be an isolate incidence and is not systemic.

Cause

There are multiple causes, including (1) the Rhode Island Commerce Corporation experienced significant turnover in accounting staff, including the loss of two chief financial officers during the year, and hiring two new personnel, (2) a significant increase in the volume of transactions, and (3) the impact of the ongoing COVID-19 pandemic.

Effect

Because the Rhode Island Commerce Corporation's internal controls were unable, on a timely basis, to prevent, or detect and correct, a material error resulting in revenue being overstated by \$1,000,000.

Prior Year Finding

No

Recommendation

We recommend that the Rhode Island Commerce Corporation review its revenue recognition policy to ensure proper recognition or deferral of amounts.

View of Responsible Officials and Planned Corrective Actions

See attached response for view of responsible officials and planned corrective actions.



September 24, 2021
Jesse Saglio, President
Jesse.Saglio@CommerceRI.com

Due to significant turnover at the CFO position, the relative inexperience of staff accountants, the considerable increase in transactions for federal grant programs, and new programs related to the ongoing pandemic, a cutoff transaction was not accounted for properly at year-end by the accounting staff. Rhode Island Commerce Corporation has since hired a full-time CFO starting in early October 2021. Having a full-time CFO will provide consistent management oversight, and experience to ensure the accounting staff manages revenue recognition appropriately at critical cut off points for reporting purposes.