

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2024 AND 2023**

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rhode Island Industrial-Recreational Building Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Rhode Island Industrial-Recreational Building Authority, a component unit of the State of Rhode Island, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Rhode Island Industrial-Recreational Building Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Industrial-Recreational Building Authority, as of June 30, 2024 and 2023, and the respective changes in the financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Rhode Island Industrial-Recreational Building Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the Rhode Island Industrial-Recreational Building Authority will be requesting additional funding from the State of Rhode Island to meet its obligations for insured commitments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for

the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rhode Island Industrial-Recreational Building Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rhode Island Industrial-Recreational Building Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rhode Island Industrial-Recreational Building Authority's basic financial statements. The State of Rhode Island Required Forms presented on pages 19-24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2024 on our consideration of the Rhode Island Industrial-Recreational Building Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rhode Island Industrial-Recreational Building Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rhode Island Industrial-Recreational Building Authority's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
October 8, 2024

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

As management of the Rhode Island Industrial-Recreational Building Authority (the “Authority”), a component unit of the State of Rhode Island (the “State”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2024 and 2023. The Authority’s financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

INTRODUCTION

The Authority was created by the Rhode Island General Assembly under Chapter 34 of Title 42 of the General Laws of Rhode Island. The Authority constitutes a body corporate and politic and a public instrumentality of the State having a distinct legal existence from the State.

The Authority is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (“RIIFC”), a component unit of the State, on industrial or recreational projects in the State up to a maximum of \$60,000,000 of outstanding principal balances under such insured mortgages and security agreements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority’s financial statements.

The Authority engages only in business-type activities, that is, activities that are financed in whole or in part by charges to external parties for services. As a result, the Authority’s basic financial statements include the statements of net position; the statements of revenues, 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 the Authority’s finances, in a manner similar to a private-sector business.

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

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

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MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

2024 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$843,691 (net position) at June 30, 2024. Mortgage insurance premium revenue of \$98,041 contributed to the operating gain of \$3,742 and an increase in net position of \$551,184 for 2024.

2023 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$1,394,874 (net position) at June 30, 2023. Mortgage insurance premium revenue of \$119,987 contributed to the operating gain of \$25,721 and an increase in net position of \$31,953 for 2023.

CONDENSED COMPARATIVE INFORMATION

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

	Summaries of Net Position				
	June 30,			Increase (decrease)	
	2024	2023	2022	2024 v 2023	2023 v 2022
Net position					
Current assets	\$ 623	\$ 97	\$ 522	\$ 526	\$ (425)
Total Assets	623	97	522	526	(425)
Current liabilities	977	572	576	405	(4)
Noncurrent liabilities	490	920	1,373	(430)	(453)
Total Liabilities	1,467	1,492	1,949	(25)	(457)
Net Position, Unrestricted	\$ (844)	\$ (1,395)	\$ (1,427)	\$ 551	\$ 32

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MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

CONDENSED COMPARATIVE INFORMATION (CONTINUED)

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

	2024	2023
Operating Revenues, Charges for Services		
Mortgage insurance premiums	\$ 98,041	\$ 119,987
Total Operating Revenues, Charges for Services	98,041	119,987
Operating Expenses		
Contractual services	51,500	51,000
Insurance	42,799	42,843
Administrative	-	423
Total Operating Expenses	94,299	94,266
Operating Income	3,742	25,721
Nonoperating Revenues, Interest and Dividend Income		
Contributions from the State of Rhode Island	546,737	-
Investment earnings	703	6,232
Total Nonoperating Revenues, Interest and Dividend Income	547,441	6,232
Change in Net Position	551,183	31,953
Net Position- Beginning of Year	(1,394,874)	(1,426,827)
Net Position- End of Year	\$ (843,691)	\$ (1,394,874)

2024 FINANCIAL ANALYSIS

Total assets of the Authority increased by \$526,230 in 2024 driven by a receivable due from the State. This State contribution will be used to reimburse both the Rhode Island Commerce Corporation (the “Corporation”) and the Rhode Island Industrial Facilities Corporation (“RIIFC”) for payments made by those entities on the Authority’s behalf. Total liabilities of the Authority decreased by \$24,953 in 2024. This was predominantly due to the amortization of liabilities related to insured commitments, partially offset by an increase in funds due to RIIFC.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
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MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

In 2024, pursuant to R.I.G.L. § 42-34-15, the Authority requested funding from the State of Rhode Island to continue to be able to pay its insured commitments payable obligation. This funding request was approved within the 2025 State enacted budget and is currently in process of being transferred. Under R.I.G.L. § 42-34-3, the Authority’s insured commitments are backed by the full faith and credit of the State of Rhode Island.

2024 OPERATING ACTIVITY

Operating revenues of the Authority decreased by \$21,946 compared to 2023, due to lower mortgage insurance premium revenue received.

Total operating expenses were relatively in line with prior year.

The Authority’s net position increased \$551,184 in 2024, compared to an increase of \$31,953 in 2023. Currently the revenue being generated in premiums exceeds the costs to run the program.

Due to high inflation, high cost of building materials, and supply chain concerns, there has been less activity and fewer construction projects. As interest rates begin to decline the building and expansion activity should increase. However, the continued uncertainty in the real estate market the banks may begin tightening their lending criteria and bond issuance will become more attractive and often less costly when compared to traditional bank loans. Increased activity should translate into a positive change in net position over the upcoming years.

2023 FINANCIAL ANALYSIS

Total assets of the Authority decreased by \$425,062 in 2023 due to a decrease in cash. This was predominantly due to the decrease in cash related to payables for insured commitments and to the Rhode Island Industrial Facilities Corporation (“RIIFC”). Total liabilities of the Authority decreased by \$457,015 in 2023. This was predominantly due to the amortization of liabilities related to insured commitments and a decrease in funds due to RIIFC.

In 2023, pursuant to R.I.G.L. § 42-34-15, the Authority planned to request funding from the State of Rhode Island to continue to be able to pay its insured commitments payable obligation. Under R.I.G.L. § 42-34-3, the Authority’s insured commitments are backed by the full faith and credit of the State of Rhode Island.

2023 OPERATING ACTIVITY

Operating revenues of the Authority increased by \$7,526 compared to 2022 due to an increase in mortgage insurance premium revenue received.

Total operating expenses increased by \$2,296, which is relatively in line with prior year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

The Authority's net position increased \$31,953 in 2023 compared to an increase of \$21,371 in 2022. Currently the revenue being generated in premiums exceeds the costs to run the program. Due to high inflation, high cost of building materials, and supply chain concerns, there has been less activity and fewer construction projects. With market interest rates on the rise and banks tightening their lending criteria it is anticipated bond issuance will become more attractive and often less costly when compared to traditional bank loans. Increased activity should translate into a positive change in net position over the upcoming years.

REQUESTS FOR INFORMATION

This financial report is designed as a general overview of the Authority'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 Manager, Rhode Island Industrial-Recreational Building Authority, 315 Iron Horse Way, Suite 101, Providence, Rhode Island 02908.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
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STATEMENTS OF NET POSITION

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 55,491	\$ 78,767
Mortgage insurance premiums receivable	10,451	7,569
Due from the State of Rhode Island	546,737	-
Prepaid expenses	<u>10,671</u>	<u>10,784</u>
Total Current Assets	<u>623,350</u>	<u>97,120</u>
Total Assets	<u>623,350</u>	<u>97,120</u>
Liabilities		
Current liabilities		
Due to Rhode Island Industrial Facilities Corporation	546,737	119,138
Insured commitments payable	<u>430,404</u>	<u>452,553</u>
Total Current Liabilities	<u>977,141</u>	<u>571,690</u>
Noncurrent Liabilities		
Insured commitments payable, net of current portion	<u>489,900</u>	<u>920,304</u>
Total Noncurrent Liabilities	<u>489,900</u>	<u>920,304</u>
Total Liabilities	<u>1,467,041</u>	<u>1,491,994</u>
Net Position, Unrestricted	<u>\$ (843,691)</u>	<u>\$ (1,394,874)</u>

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues, Charges for Services		
Mortgage insurance premiums	\$ 98,041	\$ 119,987
Total Operating Revenues, Charges for Services	<u>98,041</u>	<u>119,987</u>
Operating Expenses		
Contractual services	51,500	51,000
Insurance	42,799	42,843
Administrative	<u>-</u>	<u>423</u>
Total Operating Expenses	<u>94,299</u>	<u>94,266</u>
Operating Income	3,742	25,721
Nonoperating Revenues, Interest and Dividend Income		
Contributions from the State of Rhode Island	546,737	-
Investment earnings	<u>703</u>	<u>6,232</u>
Total Nonoperating Revenues, Interest and Dividend Income	<u>547,441</u>	<u>6,232</u>
Change in Net Position	551,183	31,953
Net Position- Beginning of Year	<u>(1,394,874)</u>	<u>(1,426,827)</u>
Net Position- End of Year	<u>\$ (843,691)</u>	<u>\$ (1,394,874)</u>

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities		
Cash received for services	\$ 95,159	\$ 140,844
Cash payments to suppliers for goods and services	(116,335)	(101,407)
Cash payments for insured commitments payable	(430,404)	(452,553)
Net Cash Used in Operating Activities	(451,579)	(413,115)
Cash Provided by Investing Activities		
Interest on Investments	703	6,232
Cash Flows from Noncapital Financing Activities		
Cash advances from Rhode Island Industrial Facilities Corporation	427,599	--
Net Decrease in Cash and Cash equivalents	(23,277)	(406,883)
Cash and Cash Equivalents- Beginning of Year	78,767	485,650
Cash and Cash Equivalents- End of Year	\$ 55,491	\$ 78,767
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating income	\$ 3,742	\$ 25,721
Changes in assets and liabilities:		
Mortgage insurance premiums receivable	(2,882)	20,857
Prepaid expenses	113	(2,678)
Unearned revenue	(22,149)	--
Due to Rhode Island Industrial Facilities Corporation		(4,161)
Due to Rhode Island Commerce Corporation	--	(301)
Insured Commitments Payable	(430,404)	(452,553)
Net Cash Used in Operating Activities	\$ (451,579)	\$ (413,115)

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

DESCRIPTION OF BUSINESS

The Rhode Island Industrial-Recreational Building Authority (the “Authority”) was created by the Rhode Island General Assembly under Chapter 34 of Title 42 of the General Laws of Rhode Island. The Authority constitutes a body corporate and politic and a public instrumentality of the State of Rhode Island (the State) having a distinct legal existence from the State. It is a component unit of the State for financial reporting purposes. As such, the financial statements of the Authority will be included in the State’s comprehensive annual financial report.

The Authority is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private-sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (“RIIFC”), a component unit of the State, on industrial or recreational projects in the State up to a maximum of \$60,000,000 of outstanding principal balances under such insured mortgages and security agreements.

The Authority is exempt from federal and state income taxes.

FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The Authority uses the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the liability for goods and services have been incurred, regardless of the timing of the related cash flows.

The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services relating to the Authority’s principal ongoing operations. Operating expenses include the cost of and losses resulting from services provided and administrative expenses. All other operating revenues and expenses are reported as nonoperating revenues and expenses.

When both restricted and unrestricted amounts are available for use, it is the Authority's practice to use the restricted resources first.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

USE OF ESTIMATES

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

ADOPTION OF NEW ACCOUNTING STANDARDS

During the fiscal year ended June 30, 2024, the Authority adopted the following new accounting standard: GASB Statement No. 100 - *Accounting Changes and Error Corrections*, effective for the year ending June 30, 2024.

Management has determined this standard did not have a significant impact on the Authority's financial statements as of and for the year ended June 30, 2024.

REVENUE RECOGNITION AND CONCENTRATIONS

Mortgage insurance premiums are based on a percentage of the principal amount outstanding under mortgages insured by the Authority, determined at specified measurement dates, and are recognized when earned. Mortgage insurance premiums paid in advance are reported as unearned revenue and recognized as revenue when earned. Other revenue is recognized when received.

At June 30, 2024 and June 30, 2023, mortgage insurance premiums from four entities represent 100% of the Authority's mortgage insurance premiums.

Upon the early repayment of conduit debt obligations insured by the Authority, prepayment penalties are due from the obligor and recognized as revenue by the Authority.

Commitment fees are amounts paid by prospective obligors of conduit debt that has been approved but not yet issued. Such fees are recorded as a liability when received and recognized as revenue by the Authority either when the commitment to lend is exercised or when the commitment expires.

CASH AND CASH EQUIVALENTS

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

LOSSES ON MORTGAGE INSURANCE AGREEMENTS

Losses on mortgage insurance agreements are estimated and recognized when the amount of loss is determinable, and occurrence is probable.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2024, which is the date these financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Authority has cash and cash equivalents that are held by the State's General Treasurer as follows:

	2024	2023
Cash collateralized with securities that are not in the Authority's name	\$ 53,517	\$ 52,496
Cash equivalents - Ocean State Investment Pool Trust ("OSIP")	1,974	26,271
Total Cash and Cash Equivalents	\$ 55,491	\$ 78,767

The above amounts are collateralized with securities that are not in the Authority's name.

At June 30, 2024 and 2023, the Authority's cash equivalents consisted of amounts invested in OSIP, an investment pool established by the General Treasurer of the State of Rhode Island under the Rhode Island Local Government Investment Pool Act Ch. 35-10.2 of the Rhode Island General Laws as amended, as a voluntary investment vehicle for funds of, and funds under custody of, agencies, authorities, commissions, boards, municipalities, political subdivisions and other public units of the State of Rhode Island. OSIP is an external investment pool as defined by GASB and has elected to measure for financial reporting purposes all of its investments at amortized cost. OSIP has met the criteria outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, regarding portfolio maturity, quality, diversification and liquidity requirements and shadow pricing

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

requirements, which are required for such election. The OSIP is not rated and the weighted average maturity held in the pool, by policy, is not to exceed 60 days. OSIP issues a publicly

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

The collateralization policy of the Rhode Island General Treasurer's Office requires 100% collateralization of all bank balances held in the name of the General Treasurer.

The amount of federal depository insurance on cash and cash equivalents held by the General Treasurer is determined on a State-wide basis.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value interest rates. Although it has no established policy, the Authority manages its exposure to declines in fair values by limiting the term of liquid investments to less than 60 days.

The Authority assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority is authorized to invest excess funds, by provisions of its Act, in obligations of the State and of the United States Government or certain agencies thereof, and in certificates of deposit. The Authority is also authorized to enter into repurchase agreements.

In accordance with State of Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, are required, at a minimum, to 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 are required to insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. The Authority does not have a separate deposit policy for custodial credit risk.

NOTE 3 - DUE TO RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION ("RIIFC")

Due to RIIFC represents amounts paid by RIIFC on behalf of the Authority. The payments pertain to the Authority's guarantee of defaulted revenue bonds issued by RIIFC on behalf of a private-sector entity.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 4 - DUE TO RHODE ISLAND COMMERCE CORPORATION

The Rhode Island Commerce Corporation, a component unit of the State, provides accounting services and other administrative services to the Authority. At June 30, 2024 and 2023, due to Rhode Island Commerce Corporation represents amounts owed for services provided.

NOTE 5 - CONDUIT DEBT OBLIGATIONS

At June 30, 2024 and 2023, the Authority has insured contractual principal and interest payments required under first mortgages and first security agreements principally for land and buildings of manufacturing and distribution entities located throughout Rhode Island. Principal balances outstanding under first mortgages and first security agreements insured by the Authority at June 30, 2024 and 2023 total approximately \$7,271,188 and \$11,300,000, respectively.

NOTE 6 - INSURED COMMITMENTS PAYABLE AND CONTINGENCY

The Authority insures a bond issued by RIIFC on behalf of a private-sector entity. During the year ended June 30, 2012, the private-sector entity defaulted on its payments to the bondholder and the Authority assumed responsibility for making the debt payments. In July 2018, a mediation settlement in connection with a case in the Providence Superior Court was entered into and approved with a formal vote by the board of Rhode Island Industrial-Recreational Building Authority. This settlement resulted in a payment of \$1,500,000 to the Rhode Island Industrial-Recreational Building Authority replenishing available financial resources. Bond payments will continue to be made by first exhausting the Authority's available existing financial resources and if losses related to the default exceed available resources, the Authority will then request appropriations of the Rhode Island General Assembly for any loss in excess of the insured amount.

The Authority has determined an insured commitment payable of \$920,304 at June 30, 2024. The commitment payable is based on the outstanding principal balance for Series A of \$325,310 and Series B of \$594,994 at June 30, 2024, amortized over the remaining loan terms at a rate of 3.83% (Federal Home Loan Bank 5 Year Rate + 2.75%) confirmed through June 15, 2025.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 6 - INSURED COMMITMENTS PAYABLE AND CONTINGENCY (CONTINUED)

At June 30, 2024, aggregate scheduled principal and interest payments due to be paid by the Authority on the defaulted issuer's Series A bonds, based on rates in effect as of June 30, 2024, are as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 318,942	\$ 6,368
	<u>\$ 318,942</u>	<u>\$ 6,368</u>

At June 30, 2024, aggregate scheduled principal and interest payments due to be paid by the Authority on the defaulted issuer's Series B bonds, based on rates in effect as of June 30, 2024, are as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 85,899	\$ 19,195
2026	89,294	15,799
2027	92,824	12,270
2028	96,472	8,622
2029-2030	<u>168,832</u>	<u>5,787</u>
	<u>\$ 533,321</u>	<u>\$ 61,673</u>

During the years ended June 30, 2024 and June 30, 2023 there were no gains or losses recognized by the Authority on insured commitments.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 6 - INSURED COMMITMENTS PAYABLE AND CONTINGENCY (CONTINUED)

LIQUIDITY

In 2024, the Authority requested and received approval for supplemental funding from the State of Rhode Island. Under R.I.G.L. § 42-34-15, the Authority may request funding from the State of Rhode Island to satisfy its insured commitments. In addition, under R.I.G.L. § 42-34-3, the Authority's insured commitments are backed by the faith and credit of the State of Rhode Island.

In the short term, the Authority can obtain funding from RIIFC to pay expenses as they are incurred. See Note 3 to the financial statements.

RISKS AND UNCERTAINTIES

There were no risks or uncertainties during the years ended June 30, 2024 and June 30, 2023.

SUPPLEMENTARY INFORMATION

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

SCHEDULES OF UNCOMMITTED MORTGAGE INSURANCE AVAILABILITY

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Maximum Contractual Principal Payments the Authority is Authorized to Insure	\$ 60,000,000	\$ 60,000,000
Principal balances outstanding under first mortgages and first security agreements at year end	<u>7,271,188</u>	<u>11,303,476</u>
Uncommitted Mortgage Insurance Availability	<u>\$ 52,728,812</u>	<u>\$ 48,696,524</u>

The amounts presented above exclude interest accrued at year-end and contractual interest to become due in future periods under the bonds and notes.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF NET POSITION**

JUNE 30, 2024

Assets	<u>Attachment B</u>
Current assets	
Cash and cash equivalents	\$ 55,491
Receivables (net)	10,451
Due from primary government	546,737
Other assets	<u>10,671</u>
Total Current Assets	<u>623,350</u>
Total Assets	<u>\$ 623,350</u>

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF NET POSITION (CONTINUED)**

JUNE 30, 2024

Liabilities	<u>Attachment B</u>
Current Liabilities	
Due to other component units	546,737
Other Liabilities	<u>430,404</u>
Total Current Liabilities	<u>977,141</u>
Noncurrent Liabilities	
Other liabilities	<u>489,900</u>
Total Noncurrent Liabilities	<u>489,900</u>
Total Liabilities	<u>1,467,041</u>
Net Position, Unrestricted	<u>\$ (843,691)</u>

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2024

	<u>Attachment C</u>
Expenses	\$ <u>94,299</u>
Program Revenues	
Charges for services	<u>98,041</u>
Total Program Revenues	<u>98,041</u>
Net (Expenses) Revenues	<u>3,742</u>
General Revenues	
Contributions from primary government	546,737
Interest and investment earnings	<u>703</u>
Total General Revenues	<u>547,441</u>
Income before Contributions, Transfers, and Special and Extraordinary Items	<u>551,183</u>
Total Contributions and Transfers	<u>-</u>
Total Net Position - Beginning	<u>(1,394,874)</u>
Total Net Position - Ending	\$ <u><u>(843,691)</u></u>

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATE OF RHODE ISLAND REQUIRED FORMAT
SCHEDULE OF MATURITIES OF LONG-TERM DEBT (ATTACHMENT D)**

JUNE 30, 2024

June 30,	Principal	Interest	Total
2025	\$ 404,841	\$ 25,563	\$ 430,404
2026	89,294	15,799	105,093
2027	92,824	12,270	105,094
2028	96,472	8,622	105,094
2029-2030	<u>168,832</u>	<u>5,787</u>	<u>174,619</u>
Total Insured Commitments Payable	852,263	68,041	920,304
Less Current Portion	<u>404,841</u>	<u>25,563</u>	<u>430,404</u>
Net Long-Term Portion of Insured Commitments Payable	<u>\$ 447,423</u>	<u>\$ 42,478</u>	<u>\$ 489,901</u>

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATE OF RHODE ISLAND REQUIRED FORMAT
SCHEDULE OF CHANGES IN LONG-TERM DEBT**

FOR THE YEAR ENDED JUNE 30, 2024

					Attachment E	
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Due to other component units	\$ 119,138	\$ 427,599	\$	\$ 546,737	\$ 546,737	\$ --
Other liabilities - insured commitments payable	<u>1,372,856</u>	<u>--</u>	<u>(430,404)</u>	<u>920,304</u>	<u>430,404</u>	<u>489,900</u>
	<u>\$ 1,491,994</u>	<u>\$ 427,599</u>	<u>\$ (430,404)</u>	<u>\$ 1,467,041</u>	<u>\$ 977,141</u>	<u>\$ 489,900</u>

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

To the Board of Directors
Rhode Island Industrial-Recreational Building Authority

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 Industrial-Recreational Building Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rhode Island Industrial-Recreational Building Authority'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 Industrial-Recreational Building Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Rhode Island Industrial-Recreational Building Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rhode Island Industrial-Recreational Building Authority'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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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
October 8, 2024