

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

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 Rhode Island Commerce Corporation, a component unit of the State of Rhode Island, as of and for the years ended June 30, 2020 and 2019, 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhode Island Commerce Corporation as of June 30, 2020 and 2019, and the respective changes in financial position and 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, 2020 and 2019, appropriations by the General Assembly of the State of Rhode Island received by the Rhode Island Commerce Corporation to fund its expenses comprised approximately 73% and 80%, respectively, of the Corporation's total operating and nonoperating revenues.

As discussed in Note 11 to the financial statements, for the years ended June 30, 2020 and 2019 the Corporation has a net deficit, relating to payments received from the State of Rhode Island to repay bondholders and lenders relating to the Job Creation Guaranty Program. Pursuant to Rhode Island General Laws §42-64-18(5), these amounts shall constitute and be accounted for as advanced by the State of Rhode Island to the Rhode Island Commerce Corporation. As of June 30, 2020 and 2019, the Corporation had received \$24,080,932 and \$23,634,113, respectively, which is recorded in the accompanying financial statements as a liability of the Rhode Island Commerce Corporation to the State of Rhode Island.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 and the pension and OPEB schedules on pages 60-69 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 were 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 October 29, 2020 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
October 29, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019. Rhode Island Commerce Corporation's financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

INTRODUCTION

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

RHODE ISLAND COMMERCE CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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.

Net position decreased by approximately \$5,898,000 compared 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.

STATEMENT OF REVENUES, EXPENSES, AND CHANGED 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 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.

RHODE ISLAND COMMERCE CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2019 FINANCIAL HIGHLIGHTS (CONTINUED)

STATEMENTS OF NET POSITION

Current assets increased approximately \$9,417,000 over prior year primarily due to appropriations funding restricted use economic incentive programs offset by current year expenditures of program funds.

Deferred outflows of resources remained relatively stable decreasing by approximately \$188,000 over prior year and relates specifically to the Defined Benefit Pension plan. This is a closed plan for employees hired prior to January 1, 2006. The increase in deferred outflows represents Rhode Island Commerce Corporation's proportion of the plans expected expense recognition over the expected remaining service lives of all employees in the plan. This is the actuarially determined future cost funded with existing plan assets.

Total liabilities decreased approximately \$6,464,000 over the prior year due to continued payment of existing bond obligations and the continued project investment of renewable energy funding.

Net position increased by approximately \$13,123,000 over the prior year due to the recognition of economic incentives as revenue in current year.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenues decreased approximately \$581,000 due to a decrease in other income for the Renewable Energy Fund.

Operating expenses decreased approximately \$2,735,000 primarily due to a decrease in the tourism related advertising campaigns.

Net operating loss decreased approximately \$2,154,000 due to decreases in operating expenses outpacing decreases in operating revenues.

Net nonoperating revenues decreased approximately \$3,063,000 primarily due to a decrease in grants and incentive program expenses offset by decreased hotel tax revenues and appropriations from the State.

Changes in net position decreased over prior year by approximately \$997,000 due to decreased funding for economic incentive programs.

RHODE ISLAND COMMERCE CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

CONDENSED COMPARATIVE INFORMATION

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

Summary of Net Position					
	June 30,			Increase	Increase
	2020	2019	2018	(decrease)	(decrease)
				2020 v. 2019	2019 v. 2018
Net Position					
Current assets	\$ 99,265	\$ 102,431	\$ 93,014	\$ (3,166)	\$ 9,417
Noncurrent assets	12,292	16,919	19,424	(4,627)	(2,505)
Total Assets	111,557	119,350	112,438	(7,793)	6,912
Deferred outflows of resources	464	616	804	(152)	(188)
Current liabilities	10,818	6,279	6,824	4,539	(545)
Noncurrent liabilities	38,999	45,525	51,444	(6,526)	(5,919)
Total Liabilities	49,817	51,804	58,268	(1,987)	(6,464)
Deferred inflows of resources	600	660	595	(60)	65
Net (Deficit) Position	<u>\$ 61,604</u>	<u>\$ 67,502</u>	<u>\$ 54,379</u>	<u>\$ (5,898)</u>	<u>\$ 13,123</u>

Summary of Revenues, Expenses, and Changes in Net Position					
	Year ended June 30,			Increase	Increase
	2020	2019	2018	(decrease)	(decrease)
				2020 v. 2019	2019 v. 2018
Changes in Net Position					
Operating revenues	\$ 4,926	\$ 4,810	\$ 5,391	\$ 116	\$ (581)
Operating expenses	31,464	30,047	32,782	1,417	(2,735)
Operating Loss	(26,538)	(25,237)	(27,391)	(1,301)	2,154
Nonoperating Revenues, Net	30,794	38,033	41,096	(7,239)	(3,063)
Transfers	(10,155)	327	415	(10,482)	(88)
Change in Net Position	<u>\$ (5,899)</u>	<u>\$ 13,123</u>	<u>\$ 14,120</u>	<u>\$ (19,022)</u>	<u>\$ (997)</u>

RHODE ISLAND COMMERCE CORPORATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020 and 2019, capital assets, net of accumulated depreciation was approximately \$1,012,000 and \$1,254,000, 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
	2020	2019	2018	(decrease)	(decrease)
				2020 v. 2019	2019 v. 2018
Land	\$ 129	\$ 129	\$ 129	\$ --	\$ --
Construction in Progress	398	429	609	(31)	(180)
Leasehold Improvements	320	318	--	2	318
Equipment	765	717	555	48	162
Total Capital Assets	1,612	1,593	1,293	19	300
Accumulated Depreciation	(600)	(338)	(153)	(262)	(185)
Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,012</u>	<u>\$ 1,255</u>	<u>\$ 1,140</u>	<u>\$ (243)</u>	<u>\$ 115</u>

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

Debt Administration

At June 30, 2020 and 2019, the Corporation's had long-term debt of approximately \$12,592,000 and \$15,828,000, respectively. The schedule below reflects the changes in capital assets, net of depreciation (in thousands):

	Year ended June 30,			Increase	Increase
	2020	2019	2018	(decrease)	(decrease)
				2020 v. 2019	2019 v. 2018
Long-term bonds	\$ 12,592	\$ 15,828	\$ 18,819	\$ (3,236)	\$ (2,991)

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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.

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

STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

	2020		2019	
	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	\$ 9,655,292	\$ --	\$ 8,169,299	\$ --
Accounts receivable	501,421	--	325,420	--
Notes and loans receivable, less allowance for loan losses	--	2,380,830	--	1,228,800
Interest receivable	--	64,855	--	42,972
Interfund receivable	211,640	--	60,885	--
Due from State of Rhode Island	1,397,887	--	1,222,873	--
Due from other State component units	102,911	--	37,617	--
Deposits and prepaid expenses	140,532	5,960	154,823	5,899
Restricted:				
Cash and cash equivalents	82,726,597	--	88,256,025	--
Investments	944,741	--	950,242	--
Grants and other receivables	49,546	--	17,669	--
Net investment in direct financing leases	3,534,659	--	3,235,838	--
Total Current Assets	<u>99,265,226</u>	<u>2,451,645</u>	<u>102,430,691</u>	<u>1,277,671</u>
Noncurrent Assets				
Restricted:				
Cash and cash equivalents	3,735,706	5,470,823	4,917,041	5,652,233
Notes receivable	186,121	--	201,797	--
Net investment in direct financing leases, less current portion	6,472,271	--	10,006,930	--
Investment in joint venture	--	516,224	--	720,547
Notes and loans receivable, less allowance for loan losses	--	4,257,447	--	4,496,349
Net pension asset	885,436	--	539,859	--
Capital assets not being depreciated	527,078	--	557,302	--
Capital assets being depreciated, net	485,344	--	696,423	--
Total Noncurrent Assets	<u>12,291,956</u>	<u>10,244,494</u>	<u>16,919,352</u>	<u>10,869,129</u>
Total Assets	<u>111,557,182</u>	<u>12,696,139</u>	<u>119,350,043</u>	<u>12,146,800</u>
Deferred Outflows of Resources				
Rhode Island Commerce Corporation pension plan	401,022	--	540,690	--
State OPEB plan	10,523	--	11,428	--
State of Rhode Island pension plan	52,377	--	63,535	--
Total Deferred Outflows of Resources	<u>\$ 463,922</u>	<u>\$ --</u>	<u>\$ 615,653</u>	<u>\$ --</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 NET POSITION (CONTINUED)

JUNE 30, 2020 AND 2019

	2020		2019	
	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
Liabilities				
Current Liabilities				
Accounts payable	\$ 680,792	\$ 1,358	\$ 1,209,837	\$ --
Accrued expenses and other	5,971,096	--	932,571	27
Interfund payable	159,500	52,140	35,468	25,417
Bonds and leases payable, current portion, restricted	3,534,659	--	3,235,838	--
Payable from restricted assets	272,219	--	543,518	--
Unearned revenue, restricted	199,752	1,441,819	321,552	1,020,907
Total Current Liabilities	<u>10,818,018</u>	<u>1,495,317</u>	<u>6,278,784</u>	<u>1,046,351</u>
Noncurrent Liabilities				
Liabilities payable from restricted cash and cash equivalents	2,238,736	--	3,430,295	--
Other post-employment benefit liability	58,256	--	68,885	--
Net pension liability - ERSRI	302,413	--	308,888	--
Bonds and leases payable, less current portion, restricted	9,057,243	--	12,591,902	--
Advances from State for conduit debt obligations	24,080,932	--	23,634,113	--
Unearned revenue, restricted	3,261,289	--	5,490,639	--
Total Noncurrent Liabilities	<u>38,998,869</u>	<u>--</u>	<u>45,524,722</u>	<u>--</u>
Total Liabilities	<u>49,816,887</u>	<u>1,495,317</u>	<u>51,803,506</u>	<u>1,046,351</u>
Deferred Inflows of Resources				
Rhode Island Commerce Corporation pension plan	572,486	--	630,512	--
State of Rhode Island OPEB plan	10,523	--	4,750	--
State of Rhode Island pension plan	17,341	--	24,705	--
Total Deferred Inflows of Resources	<u>600,350</u>	<u>--</u>	<u>659,967</u>	<u>--</u>
Net Position				
Investment in capital assets	1,012,422	--	1,249,830	--
Restricted for grants and other programs	74,355,902	4,029,004	81,922,966	4,631,326
Unrestricted (deficit)	(13,764,457)	7,171,818	(15,670,573)	6,469,123
Total Net Position	<u>\$ 61,603,867</u>	<u>\$ 11,200,822</u>	<u>\$ 67,502,223</u>	<u>\$ 11,100,449</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, 2020 AND 2019

	2020		2019	
	Primary Reporting Entity	Component Unit	Primary Reporting Entity	Component Unit
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Operating Revenues				
Charges for services:				
Rental fees	\$ 14,178	\$ --	\$ 15,376	\$ --
Interest on loans	4,068	415,009	3,219	432,069
Other income, principally Renewable Energy Fund	4,908,167	--	4,791,774	--
Total Operating Revenues	<u>4,926,413</u>	<u>415,009</u>	<u>4,810,369</u>	<u>432,069</u>
Operating Expenses				
Personnel services	5,938,606	87,921	5,356,293	95,556
Contractual services	3,262,491	20,782	4,655,509	16,891
Grants	4,121,970	--	5,197,491	--
Other expenses	4,411,988	69,988	3,989,852	69,332
Provision for loan losses and uncollectibles, net of recoveries	99,520	23,663	--	(49,011)
Public investment payments and job credits	1,406,763	--	6,452,026	--
Incentive Program expenses	11,937,636	--	4,209,778	--
Depreciation and amortization	284,708	--	185,845	--
Total Operating Expenses	<u>31,463,682</u>	<u>202,354</u>	<u>30,046,794</u>	<u>132,768</u>
Operating (Loss) Income	<u>(26,537,269)</u>	<u>212,655</u>	<u>(25,236,425)</u>	<u>299,301</u>
Nonoperating Revenues (Expenses)				
Appropriations from State	25,719,302	--	33,789,420	--
Hotel tax revenue	4,530,302	--	5,772,595	--
Other income from State sources	1,822,908	--	662,990	--
Investment and other revenue	4,019,060	--	3,012,344	--
Interest expense	(1,151,486)	--	(1,394,568)	--
Grant income	575,887	579,091	437,763	22,423
Grant expenses	(412,558)	(581,210)	(517,908)	(106,622)
Other	(4,309,518)	(110,163)	(3,729,676)	(164,531)
Nonoperating Revenues (Expenses), Net	<u>30,793,897</u>	<u>(112,282)</u>	<u>38,032,960</u>	<u>(248,730)</u>
Income (Loss) Before Transfer	<u>4,256,628</u>	<u>100,373</u>	<u>12,796,535</u>	<u>50,571</u>
Transfer from Other State Component Units	331,684	--	326,684	--
Transfer to State of Rhode Island	<u>(10,486,668)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Change in Net Position	<u>(5,898,356)</u>	<u>100,373</u>	<u>13,123,219</u>	<u>50,571</u>
Total Net Position - Beginning of Year	<u>67,502,223</u>	<u>11,100,449</u>	<u>54,379,004</u>	<u>11,049,878</u>
Total Net Position - End of Year	<u>\$ 61,603,867</u>	<u>\$ 11,200,822</u>	<u>\$ 67,502,223</u>	<u>\$ 11,100,449</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, 2020 AND 2019

	2020		2019	
	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
Cash Flows from Operating Activities				
Receipts from customers/borrowers	\$ 2,414,938	\$ (516,942)	\$ 935,426	\$ 69,317
Payments to suppliers	(21,099,205)	331,412	(23,553,379)	(20,294)
Payments to employees	(6,189,881)	(87,921)	(5,808,605)	(95,556)
Net Cash Used in Operating Activities	<u>(24,874,148)</u>	<u>(273,451)</u>	<u>(28,426,558)</u>	<u>(46,533)</u>
Cash Flows from Noncapital Financing Activities				
State of Rhode Island appropriations received	25,544,288	--	35,564,817	--
State of Rhode Island hotel tax revenue	4,530,302	--	5,772,595	--
State of Rhode Island other income received	1,822,908	--	662,990	--
Grants received	544,010	579,091	436,505	22,423
Grant expenditures	(5,614,814)	(581,210)	(3,748,581)	(106,622)
Transfer to State of Rhode Island	(10,486,668)	--	--	--
Transfers	331,684	--	326,684	--
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>16,671,710</u>	<u>(2,119)</u>	<u>39,015,010</u>	<u>(84,199)</u>
Cash Flows from Capital and Related Financing Activities				
Interest paid, long-term obligations	(1,151,486)	--	(1,394,568)	--
Acquisition of capital assets	(43,405)	--	(299,475)	--
Receipts under direct financing leases	3,235,838	--	2,990,807	--
Payments under direct financing leases	(3,534,659)	--	(3,235,837)	--
Advance received for conduit debt obligations	446,819	--	--	--
Net Cash Used in Capital and Related Financing Activities	<u>(1,046,893)</u>	<u>--</u>	<u>(1,939,073)</u>	<u>--</u>
Cash Provided by Investing Activities, Interest Income	<u>4,024,561</u>	<u>94,160</u>	<u>3,009,529</u>	<u>--</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, 2020 AND 2019

	2020		2019	
	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
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(5,224,770)	(181,410)	11,658,908	(130,732)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>101,342,365</u>	<u>5,652,233</u>	<u>89,683,457</u>	<u>5,782,965</u>
Cash, Cash Equivalents and Restricted Cash - End of Year	<u>\$ 96,117,595</u>	<u>\$ 5,470,823</u>	<u>\$ 101,342,365</u>	<u>\$ 5,652,233</u>
Cash is reported in the financial statements as follows:				
Cash and cash equivalents	\$ 9,655,292	\$ --	\$ 8,169,299	\$ --
Cash and cash equivalents - restricted	82,726,597	--	88,256,025	--
Noncurrent cash and cash equivalents - restricted	<u>3,735,706</u>	<u>5,470,823</u>	<u>4,917,041</u>	<u>5,652,233</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 96,117,595</u>	<u>\$ 5,470,823</u>	<u>\$ 101,342,365</u>	<u>\$ 5,652,233</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities				
Operating income (loss)	\$ (26,537,269)	\$ 212,655	\$ (25,236,425)	\$ 299,301
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	284,708	--	185,845	--
Pension expense	(77,409)	--	(99,351)	--
Provision for loan losses, net	--	23,663	--	49,000
Changes in:				
Notes and accounts receivable	(187,048)	(958,674)	156,465	(321,545)
Deposits and prepaid expenses	14,291	(61)	315,229	(166)
Due to/from other State component units	(65,294)	26,723	(21,583)	(41,207)
Accounts payable, accrued expenses, and unearned revenue	1,887,031	422,243	(3,460,687)	(31,916)
State OPEB liability	(10,629)	--	1,122	--
Deferred outflows of resources for pensions	<u>(182,529)</u>	<u>--</u>	<u>(267,173)</u>	<u>--</u>
Net Cash Used in Operating Activities	<u>\$ (24,874,148)</u>	<u>\$ (273,451)</u>	<u>\$ (28,426,558)</u>	<u>\$ (46,533)</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, 2020 AND 2019

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 unit, the Small Business Loan Fund Corporation (SBLF), an entity for which Rhode Island Commerce Corporation has control over and for which Rhode Island Commerce Corporation has financial accountability. Rhode Island Commerce Corporation and its component unit are collectively referred to herein as the Corporation.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Through the application of GASB criteria, SBLF has 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, 2020 AND 2019

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 UNIT

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

FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

CASH AND CASH EQUIVALENTS

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

Under the *Rhode Island Collateralization of Public Deposits Act*, (the Act) depository institutions holding deposits of the State, its agencies, or governmental subdivisions of the State, shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. June 30, 2020 and 2019, the Corporation had deposits, excluding money markets, of \$1,604,354 and \$298,637, respectively, which were uninsured and uncollateralized. These deposits were not required to be collateralized based on the criteria set forth in the Act. The Corporation has suffered no losses in connection with its banking activity.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

ACCOUNTS RECEIVABLE

Accounts receivable are reported at gross value when earned and are reduced 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 statement 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 a 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 or loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current-period income. Interest received on nonaccrual notes and loans is either applied against principal or reported as income according to management's judgment as to the collectability of principal. Nonaccrual notes and loans may be returned to accrual status when principal and interest payments are not delinquent and the risk characteristics of the note or loan have improved to the extent that concern no longer exists as to the collectability of principal.

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

ALLOWANCE FOR LOAN LOSSES

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

CAPITAL ASSETS AND DEPRECIATION

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

The Corporation evaluates its capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted cash flows from the use and disposition of the asset is less than the carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Corporation did not record an impairment loss during the years ended June 30, 2020 and 2019.

UNEARNED REVENUE

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

DIRECT FINANCING LEASES

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

GRANTS

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

From time to time, REF will issue forgivable loans or recoverable grants to entities for the purposes of furthering solar technology initiatives. In the year in which the funds are expended, such amounts are recorded as expense, and it is not until the recipient achieves the benchmarks that repayment is triggered, as set forth in the agreements between REF and the recipient, and such amounts are recorded as either loan or recoverable grant receivables. As of June 30, 2020, amounts provided by REF to recipients under forgivable loan and recoverable grant agreements totaled \$193,524. As of June 30, 2020, no corresponding amounts have been recorded as receivables, or repaid or recovered.

PENSIONS

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

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 conducted by the Authority 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)*.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

APPLICATION OF RESOURCES

When both restricted and unrestricted amounts are available for use, 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, 2020 and 2019.

RESTRICTED

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

UNRESTRICTED

A residual category for the balance of net position.

Due to expenses incurred in prior years related to conduit debt obligations, the Corporation has a net deficit position as of June 30, 2020 and 2019.

During the year ended June 30, 2020, the Corporation received advances from the State to fund expenses related to conduit debt obligations in the amount of \$446,819. During the years ended June 30, 2020 and 2019, the Corporation received \$25,819,302 and \$33,789,420, respectively, in appropriations from the General Assembly of the State of Rhode Island to fund operating expenses. These appropriations are made in connection with the State's annual budgetary process and are therefore dependent upon the State's general financial resources and factors affecting such resources. The Corporation is dependent upon the State's annual appropriations to fund its operating expenses.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

RECENTLY ISSUED GOVERNMENTAL ACCOUNTING STANDARDS

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.

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 October 29, 2020, 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.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents, including restricted amounts, consist of the following at June 30, 2020 and 2019:

	2020		2019	
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Deposits held in Santander	\$ 86,010,375	\$ 5,470,823	\$ 91,919,116	\$ 5,652,233
Deposits held in Bank RI	2,354,355	--	548,637	--
Short-Term Investments, Cash Equivalents	7,752,865	--	8,874,612	--
	\$ 96,117,595	\$ 5,470,823	\$ 101,342,365	\$ 5,652,233

The carrying amounts of cash equivalents approximate fair value and consist of the following at June 30, 2020 and 2019:

	2020	2019
Money market mutual funds, Goldman Sachs (FGTXX)	\$ 4,017,159	\$ 3,957,571
Money market mutual funds, Fidelity (FIGXX)	3,735,706	4,917,041
	\$ 7,752,865	\$ 8,874,612

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

The bank balance of the Corporation's cash and cash equivalents, excluding money market accounts, is as follows at June 30, 2020 and 2019:

	2020		2019	
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Bank balance	\$ 88,315,984	\$ 5,470,823	\$ 92,508,251	\$ 5,652,233
Bank balance insured by FDIC	750,000	250,000	500,000	250,000
Collateralized, Santander Bank, N.A.	85,961,630	5,220,823	92,008,251	5,402,233
Uninsured and uncollateralized	<u>\$ 1,604,354</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

At June 30, 2020 and 2019, the Rhode Island Commerce Corporation and the Small Business Loan Fund Corporation collectively had \$93,786,807 and \$98,160,484 (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, 2020. 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, 2020. June 30, 2020, 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, 2020, the fund was rated AAAMf and AAAM by Moody's Investors Services (Moody's) and Standard & Poor's Rating Service (S&P), respectively.

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, 2020. 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 collateralize fully, the remainder is neither insured nor guaranteed by the United States Government. As of June 30, 2020, 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 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

INTEREST RATE RISK (CONTINUED)

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.

NOTE 3 - INVESTMENTS

At June 30, 2020 and 2019, the Corporation's investments consist of the following:

	2020		2019	
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
United States Government Obligations	\$ 944,741	\$ --	\$ 950,242	\$ --
Investment in joint venture	--	516,224	--	720,547
Uninsured and Uncollateralized	<u>\$ 944,741</u>	<u>\$ 516,224</u>	<u>\$ 950,242</u>	<u>\$ 720,547</u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 - INVESTMENTS (CONTINUED)

As of June 30, 2020, 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, 2021. The obligations were rated Aaa by Moody's.

INVESTMENT IN JOINT VENTURE

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

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

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 \$1,481,170, including \$110,163 and \$164,531 for the years ended June 30, 2020 and 2019, which is classified as other nonoperating expense on the statement of revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019. As an equity method investor in a joint venture, SBLF is not permitted nor required to test Startup's underlying assets for impairment pursuant to relevant provisions of the applicable accounting guidance. If Startup were to recognize an impairment loss on its books, SBLF would be required to recognize its proportional share of that impairment loss.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 - INVESTMENTS (CONTINUED)

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, 2020 and 2019:

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, 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	516,224	--	--	516,224
Total Investments by Fair Value Level	<u>\$ 1,460,965</u>	<u>\$ 944,741</u>	<u>\$ --</u>	<u>\$ 516,224</u>

	June 30, 2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. government obligations	\$ 950,242	\$ 950,242	\$ --	\$ --
Investment in joint venture	720,547	--	--	720,547
Total Investments by Fair Value Level	<u>\$ 1,670,789</u>	<u>\$ 950,242</u>	<u>\$ --</u>	<u>\$ 720,547</u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019, is as follows:

	2020	2019
Balance - Beginning of Year	\$ 287,970	\$ 275,734
Provision for loan losses	107,926	12,236
Loans charged off	<u>(17,026)</u>	<u>--</u>
Balance - End of Year	<u>\$ 378,870</u>	<u>\$ 287,970</u>

COMMITMENTS

SBLF had \$270,000 and \$0 in commitments to originate loans at June 30, 2020 and 2019, respectively.

SBLF's Board of Directors approved an additional \$1,319,350 and \$1,005,000 of loans in fiscal year 2020 and 2019, respectively

REF had loan and grant commitments of \$7,777,200 and \$8,428,352 at June 30, 2020 and 2019, respectively.

NOTES AND GRANTS RECEIVABLE

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.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 - CAPITAL ASSETS

Capital asset activity during the years ended June 30, 2020 and 2019 were as follows:

	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		<u>428,540</u>	<u>--</u>	<u>(30,224)</u>	<u>398,316</u>
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	3.2	317,988	2,222	--	320,210
Equipment	5	<u>716,867</u>	<u>48,523</u>	<u>--</u>	<u>765,390</u>
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		<u>(276,857)</u>	<u>(191,097)</u>	<u>22,884</u>	<u>(445,070)</u>
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>
	Depreciable Life	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019
Capital Assets Not Being Ddepreciated					
Land		\$ 128,762	\$ --	\$ --	\$ 128,762
Construction in progress		<u>608,625</u>	<u>28,001</u>	<u>(208,086)</u>	<u>428,540</u>
Total capital assets not being depreciated		<u>737,387</u>	<u>28,001</u>	<u>(208,086)</u>	<u>557,302</u>
Capital Assets Being Depreciated:					
Leasehold improvements	3.2	--	317,988	--	317,988
Equipment	5	<u>555,295</u>	<u>183,439</u>	<u>(21,867)</u>	<u>716,867</u>
Total Capital Assets Being Depreciated		<u>555,295</u>	<u>501,427</u>	<u>(21,867)</u>	<u>1,034,855</u>
Less Accumulated Depreciation for:					
Leasehold improvements		--	(61,575)	--	(61,575)
Equipment		<u>(152,587)</u>	<u>(124,270)</u>	<u>--</u>	<u>(276,857)</u>
Total Accumulation Depreciation		<u>(152,587)</u>	<u>(185,845)</u>	<u>--</u>	<u>(338,432)</u>
Total Capital Assets Being Depreciated, Net		<u>402,708</u>	<u>315,582</u>	<u>(21,867)</u>	<u>696,423</u>
Capital Assets, Net		<u>\$ 1,140,095</u>	<u>\$ 343,583</u>	<u>\$ (229,953)</u>	<u>\$ 1,253,725</u>

Depreciation expense was \$284,708 and \$185,845 for the years ended June 30, 2020 and 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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%, are payable in semi-annual installments of approximately \$1,244,000, and mature 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, 2020 are as follows:

June 30,	Principal	Interest
2021	\$ 3,534,659	\$ 886,863
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 - 2027	<u>3,467,185</u>	<u>327,779</u>
Total Bonds Payable	12,591,902	3,217,635
Less Current Portion	<u>(3,534,659)</u>	<u>--</u>
Net Long-Term Portion of Bonds Payable	<u>\$ 9,057,243</u>	<u>\$ 3,217,635</u>

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

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, 2020 and 2019, job rent credits issued by Rhode Island Commerce Corporation totaled \$1,406,763 and \$2,892,026, 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 \$3,534,659 current portion of long-term debt.

Changes in long-term obligations during the year ended June 30, 2020, excluding the net pension liability and including SBLF, were as follows:

	Balance			Balance	Amounts Due
	July 1, 2019	Increases	Decreases	June 30, 2020	within One Year
Revenue Bonds	\$ 15,827,740	\$ --	\$ 3,235,838	\$ 12,591,902	\$ 3,534,659
Advances from State					
for conduit debt obligations	23,634,113	446,819	--	24,080,932	--
Unearned revenue	6,833,098	4,836,322	6,766,560	4,902,860	199,752
Payable from Restricted Assets	3,430,295	4,389,793	5,581,352	2,238,736	--
	<u>\$ 49,725,246</u>	<u>\$ 9,672,934</u>	<u>\$ 15,583,750</u>	<u>\$ 43,814,430</u>	<u>\$ 3,734,411</u>

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

During the years ended June 30, 2020 and 2019, Rhode Island Commerce Corporation received the following line item appropriations from the State:

	2020	2019
Regional Green House Gas Initiative	\$ 9,760,779	\$ 33,074
Rhode Island Commerce Corporation Base Budget Funding	7,431,022	7,474,514
Job rent credits (Note 6)	1,406,763	2,892,026
Wavemaker Fellowship	1,200,000	1,600,000
RI Airport Corporation Impact Aid	1,012,122	1,010,036
Designated Grants	1,016,200	966,200
Innovative Matching Grants (IMG)	1,000,000	1,000,000
Innovative Initiative	1,000,000	1,000,000
Science and Technology Advisory Council (STAC) Research Alliance	900,000	900,000
Small Business Assistance Program	500,000	--
Supply Rhode Island	300,000	300,000
PTECH	41,217	200,000
Rebuild Rhode Island Tax Credit	--	11,200,000
Public investment payment (Note 10)	--	3,560,000
Main Street Rhode Island Streetscape Improvements	--	500,000
Airport Services Development Fund	--	500,000
Industry Cluster	--	100,000
	25,568,103	33,235,850
Total State Appropriations	25,568,103	33,235,850
Rebuild Rhode Island - Returned appropriation	(5,000,000)	--
First Wave Closing - Returned appropriation	(5,000,000)	--
Airport Services - Returned appropriation	(486,668)	--
Anchor Institution - Returned appropriation	--	(750,000)
	15,081,435	32,485,850
Net State Appropriations	15,081,435	32,485,850
Less Due from State at end of year	(1,397,887)	(1,222,873)
Less IMG unearned revenue at end of year	--	(151,199)
Less STAC unearned revenue at end of year	--	(25,574)
Add due from State at beginning of year	1,222,873	2,998,270
Add IMG unearned revenue at beginning of year	151,199	1,075,295
Add STAC unearned revenue at beginning of year	--	405,048
	15,057,620	35,564,817
Net State Appropriations	\$ 15,057,620	\$ 35,564,817
Net State Appropriations is reported in the Statement of		
Cash Flows as follows:		
State of Rhode Island appropriations received	\$ 25,544,288	\$ 35,564,817
Transfer to State of Rhode Island	(10,486,668)	--
	15,057,620	35,564,817
Total Amount per Statement of Cash Flows - State Appropriations	\$ 15,057,620	\$ 35,564,817

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

For the years ended June 30, 2020 and 2019, appropriations by the General Assembly of the State received by Rhode Island Commerce Corporation to fund its expenses comprised approximately 71%, of Rhode Island Commerce Corporation’s total operating and nonoperating revenues. As of June 30, 2020 and 2019, the Rhode Island Commerce Corporation had balances of \$1,397,887 and \$1,222,873 of amounts due from the State, respectively. As of June 30, 2020 and 2019, the Rhode Island Commerce Corporation had balances of \$1,397,887 and \$1,222,873 of amounts due to the State.

For the years ending June 30, 2020 and 2019, the Rhode Island Commerce Corporation had returned appropriations of \$10,486,668 and \$750,000 based on revised appropriation acts, respectively.

For the years ended June 30, 2020 and 2019, the Rhode Island Commerce Corporation received \$4,530,302 and \$5,772,595, 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:

	2020
Site Readiness	\$ 1,000,000
RICAP-Expo	250,000
DLT-Statewide Planning contribution	150,000
RIEMA	142,179
McCoy Stadium	83,866
General Counsel - MOU	72,000
Real Jobs Platform	45,000
FHWA PI - Systems Planning	40,000
DOH Management Services-MOU	20,039
Indirect Cost Recovery-MOU DOH	13,280
IT Revolving Fund	6,000
WB Mason	544
Total other State sources	\$ 1,822,908

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 and their years of service not in excess of thirty-five years. For all participants who started to receive a benefit prior to March 1, 2009, an annual cost of living adjustment (COLA) of 3% will be added to the monthly benefit. The COLA takes place July 1st of every year. The 3% COLA shall not apply to participants who began receiving their benefits after March 1, 2009. Accrued benefits of \$20,000 or less can be paid in a single sum amount.

The plan sponsor has the authority, under the plan document, to amend benefit provisions. Participants may elect to provide pension benefits to their designated beneficiary. However, such election results in reduced benefit payment to the participants themselves.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - PENSION PLANS (CONTINUED)

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

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 27.50% of the annual covered payroll for the fiscal year ended June 30, 2019. Rhode Island Commerce Corporation contributed \$182,529 and \$243,152 for the fiscal years June 30, 2020 and 2019, respectively, equal to 100% of the required contributions for fiscal years ended June 30, 2020 and 2019. 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, 2020 and 2019, Rhode Island Commerce Corporation reported an asset of \$885,436 and \$539,859, 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, 2019 and 2018, 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 2020 and 2019 relative to the total contributions of all participating employers for those fiscal years. At June 30, 2020 and 2019, Rhode Island Commerce Corporation's proportion was 40.81% and 40.81%, respectively.

PENSION EXPENSE

For the years ended June 30, 2020 and 2019, Rhode Island Commerce Corporation recognized pension expense of \$30,712 and \$126,255, respectively, relating to the Plan.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - PENSION PLANS (CONTINUED)

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

PENSION EXPENSE (CONTINUED)

At June 30, 2020 and 2019, Rhode Island Commerce Corporation reported the following deferred outflows of resources and deferred inflows of resources related to the Plan:

	2020	2019
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 76,305	\$ 13,128
Differences between projected and actual earnings	142,188	284,410
Contributions subsequent to the measurement date	182,529	243,152
Total	\$ 401,022	\$ 540,690
Deferred Inflows of Resources		
Changes in assumptions	\$ (14,891)	\$ (47,525)
Differences projected and actual earnings	(557,595)	(582,987)
Total	\$ (572,486)	\$ (630,512)

For the years ended June 30, 2020 and 2019, \$182,529 and \$243,152, respectively, were reported as deferred outflows of resources related to the Plan resulting from Rhode Island Commerce Corporation's contributions in fiscal year 2020 and 2019 subsequent to the measurement date and will be recognized as an increase in the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

	Year Ending June 30,	
2020		\$ 3,561
2021		(200,041)
2022		(118,231)
2023		(39,282)
Total		\$ (353,993)

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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	3.00%
Salary increases	3.00%
Long-term rate of return on investments	7.00%, net of pension plan investment expense, including inflation

Mortality rates are based on RP 2014 Employee/Healthy Annuitant (M/F) with MP 2016 Generational Improvements from 2006 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 8.77%. 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, 2020	Target Asset	Long-Term Expected Real
	Asset Allocation	Allocation	Rate of Return
Stocks and mutual funds	58.56%	60.00%	9.00%
Bonds	9.73%	40.00%	4.00%
Mutual funds	24.96%	0.00%	N/A
Cash	<u>6.75%</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, 2020 and 2019. 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, 2020 AND 2019

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.

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)
2019	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Corporation's net pension liability (asset)	\$ 359,195	\$ (539,859)	\$ (1,304,921)

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, 2020 AND 2019

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, 2020 AND 2019

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 26.39% and 25.75% of annual covered payroll for the fiscal years ended June 30, 2020 and 2019, respectively. Rhode Island Commerce Corporation contributed \$26,808, \$25,267 and \$23,801 for the fiscal years ended June 30, 2020, 2019 and 2018, 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, 2020 and 2019, Rhode Island Commerce Corporation reported a liability of \$302,413 and \$308,888, 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, 2019, 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, 2018, rolled forward to the June 30, 2019 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 2019 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2019 and 2018 measurement date, Rhode Island Commerce Corporation's proportion was approximately 1.33% and 1.37%, respectively.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019, Rhode Island Commerce Corporation recognized pension expense of \$25,532 and \$22,004 relating to the ERS, respectively.

At June 30, 2020 and 2019, Rhode Island Commerce Corporation reported the following deferred outflows of resources and deferred inflows of resources related to the ERS:

	2020	2019
Deferred Outflows of Resources		
Contributions subsequent to measurement date	\$ 26,808	\$ 23,801
Change in assumptions	13,226	19,843
Net difference projected and actual earnings	6,211	13,354
Changes in proportionate share of contributions	2,947	4,476
Net difference between expected and actual experience	3,185	2,061
Total	\$ 52,377	\$ 63,535
Deferred Inflows of Resources		
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 8,993	\$ 10,373
Net difference between projected and actual earnings on pension plan investments	6,772	10,130
Differences between expected and actual experience	1,576	3,966
Changes in assumptions	--	236
Total	\$ 17,341	\$ 24,705

Contributions of \$26,808 and \$23,801 are reported as deferred outflows of resources related to pensions resulting from Rhode Island Commerce Corporation contributions in fiscal years 2020 and 2019, 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, 2020 AND 2019

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		
2021	\$	6,378
2022		2,030
2023		614
2024		(664)
2025		(130)
Total	\$	8,228

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 actuarial cost methodology is used
Amortization method	Level percent of payroll - closed
Inflation	3.00%
Salary increases	3.00%
Long-term rate of return on investments	7.00%, net of pension plan investment expense, including inflation

Mortality rates for male plan members were based on the RP-2014 Combined Healthy for Males with Blue Collar adjustments, projected with the ultimate values of the MP scale. Mortality rates for female plan members were based on the RP-2014 Combined Healthy for Females, projected with the ultimate values of the MP scale. The actuarial assumptions used in the June 30, 2018 valuation rolled forward to June 30, 2019 and the calculation of the total pension liability at June 30, 2019 were consistent with the results of an actuarial experience investigation study performed as of June 30, 2016.

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, 2020 AND 2019

NOTE 8 - PENSION PLANS (CONTINUED)

B. EMPLOYEES' RETIREMENT SYSTEM PLAN (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

collective summary of capital market expectations from 34 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, 2019 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
GROWTH		
Global Equity		
U.S. Equity	22.10%	6.16%
International Developed Equity	13.20%	6.83%
Emerging Markets Equity	4.70%	8.90%
Private Growth		
Private Equity	11.25%	9.81%
Non-Core RE	2.25%	5.51%
Opportunistic Private Credit	1.50%	9.81%
INCOME		
High-Yield Infrastructure	1.00%	3.98%
REITS	1.00%	5.51%
Liquid Credit	2.80%	3.98%
Private Credit	3.20%	3.98%
STABILITY		
Crisis Protection Class		
Treasury Duration	4.00%	0.77%
Systematic Trend	4.00%	4.20%
Inflation Protection		
Core Real Estate	3.60%	5.51%
Private Infrastructure	2.40%	5.85%
TIPs	1.00%	1.37%
Natural Resources	1.00%	3.76%
Volatility Protection		
IG Fixed Income	11.50%	2.15%
Absolute Return	6.50%	4.20%
Cash	3.00%	0.77%
	<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

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 - PENSION PLANS (CONTINUED)

B. EMPLOYEES' RETIREMENT SYSTEM PLAN (CONTINUED)

DISCOUNT RATE (CONTINUED)

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.

2020	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Corporation's net pension liability	<u>\$ 371,185</u>	<u>\$ 302,413</u>	<u>\$ 246,115</u>
2019	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Corporation's net pension liability	<u>\$ 385,686</u>	<u>\$ 308,888</u>	<u>\$ 251,686</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

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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:

Years of Service as of 7/1/2016	Employer Contribution Rate
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, 2020 and 2019.

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, 2020 AND 2019

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, 2019, 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, 2020 and 2019, were \$248,754 and \$216,806, respectively. All employees are eligible to participate in the 457 Plan. Both the 401(a) Plan and the 457 Plan.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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.

The System is administered by the OPEB Board and was authorized, created, and established under RIGL §36-12.1. The Board was established 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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

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 6.65% of annual covered payroll for the fiscal year ended June 30, 2020. The Rhode Island Commerce Corporation contributed \$5,851, \$5,715, and \$5,723 for the fiscal years ended June 30, 2020, 2019 and 2018, 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.

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

At June 30, 2020 and 2019, the Rhode Island Commerce Corporation reported a liability of \$58,256 and \$68,885, 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, 2019, 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, 2018, rolled forward to the June 30, 2019 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 2019 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2019 and 2018, the Rhode Island Commerce Corporation's proportion was .013% and .014%, respectively.

For the year ended June 30, 2020 and 2019, the Rhode Island Commerce Corporation recognized OPEB expense of (\$3,951) and (\$130), respectively. At June 30, 2020 and 2019, the Rhode Island Commerce Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

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

	2020	2019
Deferred Outflows of Resources		
Changes in assumptions	\$ 2,853	\$ 3,553
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,819	2,160
Contributions subsequent to measurement date	5,851	5,715
Total Deferred Outflows of Resources	\$ 10,523	\$ 11,428
Deferred Inflows of Resources		
Difference between expected and actual experience	\$ 7,360	\$ 3,476
Changes in assumptions	512	--
Changes in proportionate share of contributions	797	--
Net difference between projected and actual investment earnings	1,854	1,274
Total Deferred Inflows of Resources	\$ 10,523	\$ 4,750

Contributions of \$5,851 and \$5,715 are reported as deferred outflows of resources related to OPEB resulting from Rhode Island Commerce Corporation contributions in fiscal years 2020 and 2019, 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	\$ (1,155)
2022	(1,155)
2023	(943)
2024	(788)
2025	(601)
Thereafter	(1,209)
	\$ (5,851)

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NOTES TO FINANCIAL STATEMENTS

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NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS

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

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 34 nationally recognized investment consulting firms. The June 30, 2019 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%	6.25%
Fixed Income	35%	1.39%

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

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

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.

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)
2020			
Net OPEB Liability	\$ 65,790	\$ 58,256	\$ 45,237
	1% Decrease (4.0% Discount Rate)	(5.0% Discount Rate)	1% Increase (6.0% Discount Rate)
2019			
Net OPEB Liability	\$ 80,895	\$ 68,885	\$ 58,896

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - POSTEMPLOYMENT HEALTHCARE (CONTINUED)

OPEB PLAN FIDUCIARY NET POSITION (CONTINUED)

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 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).

2020	1% Decrease	8.25%	1% Increase
Net OPEB Liability	\$ 42,654	\$ 58,256	\$ 69,492

2019	1% Decrease	9.00%	1% Increase
Net OPEB Liability	\$ 56,773	\$ 68,885	\$ 83,996

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.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

PUBLIC INVESTMENT PAYMENTS

For the years ended June 30, 2020 and 2019, the Rhode Island Commerce Corporation had public investment payments that consisted of the following:

	2020	2019
Public investment payments paid to Providence Place Group Limited Partnership (PPG)	\$ --	\$ 3,560,000
Joe Rent Credits - FMR (See Note 6)	1,406,763	2,892,026
Total public investment payments	<u>\$ 1,406,763</u>	<u>\$ 6,452,026</u>

Rhode Island Commerce Corporation has entered into a Public Investment and HOV Agreement dated September 9, 1996 (the PIP Agreement) with Providence Place Group Limited Partnership (PPG). The PIP Agreement requires Rhode Island Commerce Corporation to make annual public investment payments to PPG equal to the lesser of \$3,680,000 or two-thirds of the actual amount of sales tax paid to the State by virtue of sales occurring at or within Providence Place Mall (the Mall) for the first five years, and annual public investment payments to PPG equal to the lesser of \$3,560,000 or two-thirds of the actual amount of sales tax paid to the State by virtue of sales occurring at or within the Mall for the next 15 years. Rhode Island Commerce Corporation's requirement to make public investment payments to PPG is subject to the State's annual appropriations to Rhode Island Commerce Corporation of related sales tax. During the years ended June 30, 2020 and 2019, RI Commerce Corporation made public investment payments to PPG totaling \$0 and \$3,560,000, respectively. Reserves were used in FY 2020 to fund the payments therefore no income or expense was recognized.

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 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, 2020 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, 2020 AND 2019

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

RISK MANAGEMENT (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 declares 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 issues in amounts equal to interest and principal payments due on the respective issues. Accordingly, the payments are not shown as receipts and disbursements of Rhode Island Commerce Corporation.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

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, 2020 and 2019, 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 \$446,819 and \$0, 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 the net amount of the settlements, totaling of \$44,190,101, 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 RI Commerce Corporation, the trustee, and 38 Studios, should amounts in the Capital Reserve Account fall below minimum requirements, RI Commerce Corporation has agreed to present the Governor of Rhode Island with a certificate stating the amounts required to restore any shortfall and the Governor is required to include such amounts in a budget request for appropriation to the General Assembly. The General Assembly may, but is not required to, appropriate such amounts. The General Assembly approved approximately \$446,819 in its budget for the fiscal year ended June 30, 2020 to cover the scheduled bond payments in November 2019 and May 2020. The total debt service for the issuance is \$112,587,089, but the remaining debt service as of June 30, 2020 is \$11,830,000, with reserves of approximately \$12,748,313, the maximum annual (calendar year) debt service. As of June 30, 2020, \$0 is available in the Principal and Interest Sinking Fund to fund future debt service payments.

The total aggregate principal amount outstanding under all conduit debt obligations at June 30, 2020 and 2019 was \$1,043,367,814 and \$953,525,709, respectively.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 12 - CONTRACTUAL SERVICES

Contractual services expense by service category for Rhode Island Commerce Corporation and SBLF for the years ended June 30, 2020 and 2019 are as follows:

	2020		2019	
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Consulting	\$ 1,334,771	\$ --	\$ 474,945	\$ --
Marketing	875,033	--	2,946,396	--
Other	525,532	8,520	234,724	8,460
Legal Services	374,081	12,262	855,340	8,431
Information Technology	153,074	--	144,104	--
	<u>\$ 3,262,491</u>	<u>\$ 20,782</u>	<u>\$ 4,655,509</u>	<u>\$ 16,891</u>

NOTE 13 - INCENTIVE PROGRAM EXPENSES

The Rhode Island Commerce Corporation recognized the following incentive program expenses for the years ended June 30, 2020 and 2019:

	2020	2019
Innovative Initiative	\$ 1,560,649	\$ 1,607,381
Wavemaker Fellowship	1,372,644	1,355,011
Rebuild Rhode Island	7,748,895	486,263
Small Business Assistance	478,739	169,205
Main Street	760,276	247,716
Industry Cluster	16,433	106,702
Pathways in Technology Early College High School (P-TECH)	--	237,500
Total Incentive Program Expenses	<u>\$ 11,937,636</u>	<u>\$ 4,209,778</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 relation to a project for which incentives have been provided under the foregoing programs.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 14 - OTHER NONOPERATING EXPENSES

The Rhode Island Commerce Corporation recognized the following other nonoperating expenses for the years ended June 30, 2020 and 2019:

	2020		2019	
	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation	Rhode Island Commerce Corporation	Small Business Loan Fund Corporation
Rhode Island Science & Technology Advisory Council (STAC)	\$ 1,802,819	\$ --	\$ 1,667,149	\$ --
Airport Impact Aid	1,012,123	--	1,010,036	--
Rhode Island Export Assistance Center	957,923	--	966,200	--
Loss on conduit debt obligation	446,819	--	--	--
First Wave Closing Expenses	89,834	--	86,291	--
Loss on SBLF Loans Receivable	--	110,163	--	164,531
Total Incentive Program Expenses	\$ 4,309,518	\$ 110,163	\$ 3,729,676	\$ 164,531

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, 2020 and 2019, 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, 2020 and 2019, the Rhode Island Commerce Corporation received from RIIFC \$44,522 and \$45,198, respectively. For the years ended June 30, 2020 and 2019, the Rhode Island Commerce Corporation received from RIIRBA \$20,772 and \$30,269, respectively. Amounts charged are based on hours of service and indirect rates.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CORPORATION CONTRIBUTIONS

STATE OF RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OPEB SYSTEM

LAST TEN YEARS

Valuation Date	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	7/1/2019	7/1/2018	7/1/2017	7/1/2016	7/1/2015	7/1/2014	7/1/2013	7/1/2012	7/1/2011	7/1/2010
Actuarially Determined	\$ 4,622	\$ 92,740	\$ 204,613	\$ 97,831	\$ 97,831	\$ 92,525	\$ 88,332	\$ 100,969	\$ 53,064	\$ 127,299
Contributions in relation to the actuarially determined contribution	182,529	243,372	207,271	88,549	88,549	45,990	88,332	108,596	53,515	128,436
Contribution deficiency/(excess)	(177,907)	(150,632)	(2,658)	9,281	9,281	46,535	(0)	(7,628)	(451)	(1,137)
Covered Employee Payroll	<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>	<u>1,495,990</u>
Contributions as a Percentage of Covered Employee Payroll	33.96%	27.50%	19.99%	8.21%	8.21%	4.11%	7.57%	8.59%	3.77%	8.59%

Actuarially Determined Contribution Calculated in accordance with the Aggregate Actuarial Cost Method

Actuarial Cost Method Entry Age Normal Actuarial Cost Method
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.

See notes to Required Supplementary Information.

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

SCHEDULE OF CORPORATION CONTRIBUTIONS

EMPLOYEES RETIREMENT SYSTEM (ERS) PLAN

LAST SIX FISCAL YEARS

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 26,808	\$ 25,267	\$ 23,801	\$ 23,785	\$ 22,833	\$ 21,260
Contributions in relation to the actuarially determined contribution	26,808	25,267	23,801	23,785	22,833	21,260
Contribution deficiency/(excess)	--	--	--	--	--	--
Covered Employee Payroll	<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	26.26%	26.64%	25.71%	25.61%	25.00%	23.33%

Notes:

1.) Employers participating in the State Employee's 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 PROPORTIONATE
SHARE OF NET PENSION LIABILITY (ASSET)**

RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST

LAST SIX FISCAL YEARS

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	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%	40.79%	40.47%	40.89%	42.15%
Corporation's proportionate share of the net pension	\$ (885,436)	\$ (539,859)	\$ 83,246	\$ 623,723	\$ 1,717	\$ (477,935)
Corporation's covered-employee payroll	<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	-98.86%	-61.00%	8.03%	55.76%	0.15%	-40.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability						
	110.46%	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 SIX FISCAL YEARS

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	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)						
	1.33%	1.37%	1.35%	1.38%	1.00%	2.00%
Corporation's proportionate share of the net pension liability	302,413	308,888	305,320	293,616	270,891	\$ 273,850
Corporation's covered-employee payroll	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	325.73%	325.73%	319.03%	316.09%	296.57%	300.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.*

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 PLAN

LAST THREE FISCAL YEARS

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

Employers participating in the State Employee's 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 THREE FISCAL YEARS

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
Rhode Island Commerce Corporation's proportion of the net OPEB liability	0.013%	0.014%	0.013%
Rhode Island Commerce Corporation's proportionate share of the net OPEB liability	58,256	68,885	67,763
Rhode Island Commerce Corporation's covered payroll	102,089	94,830	95,703
Rhode Island Commerce Corporation's proportionate share of the net OPEB as a percentage of its covered payroll	57.06%	72.64%	70.81%
Plan fiduciary net position as a percentage of the total OPEB liability	26.25%	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 multiyear trend information for the Authority'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.

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.

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, 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.

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.

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 (Continued)

- 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.

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.

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, 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.

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, 2020

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	\$ --	\$ 337,826
Total U.S. Department of Defense		--	337,826
U.S. Department of Commerce			
Section 8 Project-Based Cluster Economic Adjustment Assistance	11.307	--	8,843,783
Total Department of Commerce		--	8,843,783
U.S. Department of Treasury			
Pass-through Program from the State of Rhode Island (State Energy Program)	81.041	--	8,543
Total U.S. Department of Energy		--	8,543
Total Schedule of Expenditures of Federal Awards		\$ --	\$ 9,190,152

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, 2020

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, 2020. 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 expenditure 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, 2020.

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, 2020. The Small Business Loan Fund Corporation had \$5,153,309 in loans outstanding with continuing compliance requirements under federal loan and loan guarantee programs at June 30, 2020.

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, 2020

Assets

Current assets

Cash and cash equivalents	\$	9,655,292
Investments		--
Receivables (net)		2,947,106
Restricted assets:		
Cash and cash equivalents		82,726,597
Investments		4,479,400
Receivables (net)		49,546
Other assets		--
Due from primary government		1,397,887
Due from other component units		102,911
Due from other governments		--
Inventories		--
Other assets		146,492
		<u>101,505,231</u>

Total Current Assets

Noncurrent Assets

Investments		516,224
Receivables (net)		4,257,447
Due from other governments and agencies		
Restricted assets:		
Cash and cash equivalents		9,206,529
Investments		6,472,271
Receivables (net)		186,121
Other assets		
Due from other component units		--
Net pension asset		885,436
Net OPEB asset		--
Capital assets - nondepreciable		527,078
Capital assets - depreciable (net)		485,344
Other assets, net of amortization		--
		<u>22,536,450</u>

Total Noncurrent Assets

Total Assets

124,041,681

Deferred outflows of resources

Deferred pension amounts		453,399
Deferred OPEB amounts		10,523
Other deferred outflows of resources		--

Total Deferred Outflows of Resources

\$ 463,922

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, 2020

Liabilities

Current Liabilities

Cash overdraft	\$	--
Accounts payable		954,369
Due to primary government		--
Due to other component units		--
Due to other governments		--
Accrued expenses		5,971,096
Compensated absences		--
Unearned revenue		1,641,571
Other current liabilities		--
Current portion of long-term debt		<u>3,534,659</u>

Total current liabilities 12,101,695

Noncurrent Liabilities

Due to primary government - advances from state for conduit debt obligations		24,080,932
Due to other component units		--
Due to other governments		--
Net pension liability		302,413
Net OPEB obligation		58,256
Unearned revenue		3,261,289
Notes payable		--
Loans payable		--
Obligations under capital leases		--
Compensated absences		--
Bonds payable		9,057,243
Other liabilities		<u>2,238,736</u>

Total Noncurrent Liabilities 38,998,869

Total Liabilities 51,100,564

Deferred Inflows of Resources

Deferred pension amounts		589,827
Deferred OPEB amounts		10,523
Other deferred inflows of resources		--

Total Deferred Inflows of Resources 600,350

Net Position

Net investment in capital assets		1,012,422
Restricted for:		
Debt		--
Other		85,556,724
Nonexpendable		--
Capital projects		--
Unrestricted (Deficit)		<u>(13,764,457)</u>

Total Net Position \$ 72,804,689

See Independent Auditors' Report

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

COMBINED STATEMENT OF ACTIVITIES (ATTACHMENT C)

FOR THE YEAR ENDED JUNE 30, 2020

Expenses	\$ 38,143,050
Program Revenues	
Charges for services	5,253,501
Operating grants and contributions	1,154,978
Capital grants and contributions	--
Total Program Revenues	<u>6,408,479</u>
Net (Expenses) Revenues	<u>(31,734,571)</u>
General Revenues	
State appropriations	25,719,302
Interest and investment earnings	4,019,060
Miscellaneous revenue	6,353,210
Total General Revenues	<u>36,091,572</u>
Total General Revenues	<u>4,357,001</u>
Transfer from other State component unit	331,684
Transfer to State of Rhode Island	(10,486,668)
Extraordinary items	--
Change in net position	<u>(5,797,983)</u>
Total Net Position - Beginning	<u>78,602,672</u>
Total Net Position - Ending	<u><u>\$ 72,804,689</u></u>

See Independent Auditors' Report

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

COMBINED SCHEDULE OF LONG-TERM DEBT (ATTACHMENT D)

FOR THE YEAR ENDED JUNE 30, 2020

June 30,	Principal	Interest
2021	\$ 3,534,659	\$ 886,863
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 - 2027	<u>3,467,185</u>	<u>327,779</u>
Total Bonds Payable	12,591,902	3,217,635
Less Current Portion	<u>(3,534,659)</u>	<u>--</u>
Net Long-Term Portion of Bonds Payable	<u>\$ 9,057,243</u>	<u>\$ 3,217,635</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, 2020

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable	\$ 15,827,740	\$ --	\$ 3,235,838	\$ 12,591,902	\$ 3,534,659	\$ 9,057,243
Net unamortized premium / discount	--	--	--	--	--	--
Bonds Payable	<u>15,827,740</u>	<u>--</u>	<u>3,235,838</u>	<u>12,591,902</u>	<u>3,534,659</u>	<u>9,057,243</u>
Notes payable	--	--	--	--	--	--
Loans payable	--	--	--	--	--	--
Obligations under capital leases	--	--	--	--	--	--
Net pension liability	308,888	--	6,475	302,413	--	302,413
Net OPEB liability	68,885	--	10,629	58,256	--	58,256
Due to primary government - advances from State for conduit debt obligations	23,634,113	446,819	--	24,080,932	--	24,080,932
Due to component units	--	--	--	--	--	--
Due to other governments and agencies	--	--	--	--	--	--
Unearned revenue	6,833,098	--	1,930,238	4,902,860	1,641,571	3,261,289
Compensated absences	--	--	--	--	--	--
Arbitrage rebate	--	--	--	--	--	--
Pollution remediation	--	--	--	--	--	--
Funds held for others	--	--	--	--	--	--
Other liabilities - liabilities payable from restricted assets	<u>3,430,295</u>	<u>--</u>	<u>1,191,559</u>	<u>2,238,736</u>	<u>--</u>	<u>2,238,736</u>
	<u>\$ 50,103,019</u>	<u>\$ 446,819</u>	<u>\$ 6,374,739</u>	<u>\$ 44,175,099</u>	<u>\$ 5,176,230</u>	<u>\$ 38,998,869</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, 2020

Date	Payee	Amount	Purpose
8/1/2019	RI Food Dealers Association	\$ 549	RI Business Day Conference in Washington, DC for J. Saglio
8/29/2019	Greater NE Minority Supplier Devel. Council	550	Registration Fee for SupplyRI employees for the Greater NE Minority Supplier Devel. Council Conf.
9/6/2019	Nathaniel (Jeff) Tingley	430	Offshore Wind Conference in Denmark
9/10/2019	AWEA (American Wind Energy Assoc)	2,650	AWEA Offshore Wind Conference Fee in Boston, MA
9/19/2019	APTAC	1,390	Registration Fee for Fall 2019 APTAC Conference in Washington, DC for PTAC employees
9/30/2019	Crowdcentric Media, LLC	545	Registration fee for Social Media week in New York for Matt Sheaff
10/9/2019	Heather Evans	2,527	U.S. Travel ESTO Conference in Austin, TX
10/9/2019	Discover New England	5,500	Registration Fee for WTM in London, England for Mark Brodeur
10/9/2019	Discover New England	916	Registration and Hotel for DNE 3rd Annual NYC Reception in New York for Mark Brodeur
10/22/2019	Doris Blanchard	430	Greater NE Minority Supplier Development Council Conference in Springfield, MA
10/22/2019	Savannah Martin	314	Greater NE Minority Supplier Development Council Conference in Springfield, MA
10/25/2019	Annie Ratanasima	2,284	EHS & Sustainability Mgmt Forum in Toronto, Canada
10/25/2019	Melissa Simon	1,950	Canadian Trade Mission to Toronto and Montreal
10/30/2019	American Bus Association	1,695	Registration fee for ABA Marketplace Conference in Omaha, NE or Mark Brodeur
10/30/2019	American Bus Association	3,500	Sponsorship & booth fee for 2020 ABA Marketplace in Omaha, NE
10/30/2019	BIOtechnology Innovation Organization	9,200	Deposit on Booth Fee for BIO International Conference in San Diego, CA
11/6/2019	Stefan Pryor	2,274	Society for Neuroscience Conference in Chicago, IL
11/21/2019	Charlene Bouthillette	1,279	APTAC Fall 2019 Conference in Washington, DC
11/21/2019	Melody Weeks	1,029	APTAC Fall 2019 Conference in Washington, DC
11/22/2019	Global Experience Specialists Ltd (GES)	817	Furniture for Offshore Wind Conference Booth in Copenhagen
11/22/2019	Global Experience Specialists Ltd (GES)	255	Electrical for Offshore Wind Conference Booth in Copenhagen
11/25/2019	National Tour Association, Inc.	1,695	Registration fee for Conference in Fort Worth, TX for Mark Brodeur
12/5/2019	The Democracy Collaborative Foundation	990	Registration fee for Anchor Collaborative Convening Conference in Memphis, TN for SupplyRI
12/11/2019	BIOtechnology Innovation Organization	4,600	Booth Fee for BIO International Conference in San Diego, CA-Pay#2
12/11/2019	Mark Brodeur	433	World Trade Market in London, England
12/11/2019	Mark Brodeur	680	Discover New England 3rd Annual Receptive Event in New York, NY
12/11/2019	Discover New England	1,411	Airfare for Mark Brodeur for the World Trade Market in London, England
12/11/2019	CEVA Logistics	2,263	Booth Handling Fees for Offshore Wind Conference Booth in Copenhagen

See Independent Auditors' Report

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

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Date	Payee	Amount	Purpose
12/17/2019	Doris Blanchard	\$ 1,453	Anchor Collaborative Convening Conf in Memphis, TN
12/17/2019	Savannah Martin	1,286	Anchor Collaborative Convening Conf in Memphis, TN
1/2/2020	Levy Premium FoodService	867	Catering Services for ABA Booth in Omaha, NE
1/2/2020	Mark Brodeur	1,392	National Tour Association Travel Exchange in Fort Worth, TX
1/2/2020	Discover New England	2,254	Hotel charges for Mark Brodeur for the World Trade Market in London, England
1/6/2020	Michael Walker	2,120	Brownsfield Conference in Los Angeles, CA
1/24/2019	Hilary Fagan	168	Eastern Regional Conference in Berlin
1/24/2019	APTAC	745	Registration Fee for Spring 2020 APTAC Conference in Chicago, IL for M. Weeks
1/28/2020	Freeman Company	833	Booth Furniture fee for the 2020 ABA Marketplace Conference in Omaha, NE
2/13/2020	Stefan Pryor	791	The Real Estate Roundtable 2020 State of the Industry Meeting in Washington, DC
2/14/2020	Mark Brodeur	1,941	American Bus Association Marketplace in Omaha, NE
2/14/2020	BIOtechnology Innovation Organization	4,600	Final payment on Booth Fee for BIO International Conference in San Diego, CA
2/14/2020	Freeman Company	626	Booth Furniture fee for the 2020 ABA Marketplace Conference in Omaha, NE
3/12/2020	Doris Blanchard	429	Airfare for WBENC Conference in Nashville, TN
4/13/2020	Melody Weeks	1,508	APTAC Spring 2020 Conference in Chicago, IL
5/5/2020	Hilary Fagan	774	Next Generation Meeting in Philadelphia, PA
5/11/2020	Robin Erickson	756	NYC Travel Show in New York, NY
5/11/2020	Robin Erickson	2,014	MMGY Conference in New Orleans, LA
5/15/2020	Jesse Saglio	1,984	Phoenix Rising Football Club meeting in Phoenix, AZ
7/15/2020	Stefan Pryor	3,328	Phoenix Rising Football Club meeting in Phoenix, AZ
4/30/2020	Mark Brodeur	951	Flight for ITB Marketplace in Berlin Germany
Total		<u>\$ 82,978</u>	

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

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2020

	Rhode Island Commerce Corporation	Renewable Energy Fund	ARRA Energy	Airport Services	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	\$ 9,655,292	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,655,292
Accounts receivable	500,881	540	--	--	--	--	--	--	--	--	--	--	501,421
Interfund receivable	211,640	--	--	--	--	--	--	--	--	--	--	--	211,640
Due from State of Rhode Island	1,397,887	--	--	--	--	--	--	--	--	--	--	--	1,397,887
Due from other State component units	102,911	--	--	--	--	--	--	--	--	--	--	--	102,911
Deposits and prepaid expenses	140,532	--	--	--	--	--	--	--	--	--	--	--	140,532
Restricted:													
Cash and cash equivalents	6,427,758	16,539,322	29,756	--	915,379	40,976,653	197,700	1,959,608	682,346	1,517,406	9,962,082	3,518,587	82,726,597
Investments	944,741	--	--	--	--	--	--	--	--	--	--	--	944,741
Grants and other receivables	--	15,946	52	--	--	--	--	--	33,548	--	--	--	49,546
Net investment in direct financing leases	3,534,659	--	--	--	--	--	--	--	--	--	--	--	3,534,659
Total Current Assets	22,916,301	16,555,808	29,808	--	915,379	40,976,653	197,700	1,959,608	715,894	1,517,406	9,962,082	3,518,587	99,265,226
Noncurrent Assets													
Restricted:													
Cash and cash equivalents	3,735,706	--	--	--	--	--	--	--	--	--	--	--	3,735,706
Notes receivable, less current portion	--	177,578	8,543	--	--	--	--	--	--	--	--	--	186,121
Net investments in direct financing leases, less current portion	6,472,271	--	--	--	--	--	--	--	--	--	--	--	6,472,271
Net pension asset - Rhode Island Commerce Corporation	885,436	--	--	--	--	--	--	--	--	--	--	--	885,436
Capital assets not being depreciated	527,078	--	--	--	--	--	--	--	--	--	--	--	527,078
Capital assets being depreciated, net	479,797	--	--	--	--	--	--	--	--	--	--	5,547	485,344
Total Noncurrent Assets	12,100,288	177,578	8,543	--	--	--	--	--	--	--	--	5,547	12,291,956
Total Assets	35,016,589	16,733,386	38,351	--	915,379	40,976,653	197,700	1,959,608	715,894	1,517,406	9,962,082	3,524,134	111,557,182
Deferred Outflows of Resources													
Rhode Island Commerce Corporation pension plan	401,022	--	--	--	--	--	--	--	--	--	--	--	401,022
State OPEB plan	10,523	--	--	--	--	--	--	--	--	--	--	--	10,523
State of Rhode Island pension plan	52,377	--	--	--	--	--	--	--	--	--	--	--	52,377
Total Deferred Outflows of Resources	\$ 463,922	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 463,922

See Independent Auditors' Report

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

COMBINING SCHEDULE OF NET POSITION (CONTINUED)

JUNE 30, 2020

	Rhode Island Commerce Corporation	Renewable Energy Fund	ARRA Energy	Airport Services	P-TECH	Rebuild	Industry Cluster	Main Street	Small Business Assistance	Innovative Initiative	First Wave Closing	Wavemaker Fellowship	Total
Liabilities													
Current Liabilities													
Accounts payable	\$ 680,792	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 680,792
Accrued expenses and other	1,400,215	69,831	--	--	--	4,501,050	--	--	--	--	--	--	5,971,096
Interfund payable	--	83,472	--	--	4,074	--	--	--	--	--	--	71,954	159,500
Bonds and leases payable, current portion, restricted	3,534,659	--	--	--	--	--	--	--	--	--	--	--	3,534,659
Payable from restricted assets	--	--	--	--	--	2,231	--	--	137,105	112,588	20,295	--	272,219
Unearned revenue, restricted	199,752	--	--	--	--	--	--	--	--	--	--	--	199,752
Total Current Liabilities	5,815,418	153,303	--	--	4,074	4,503,281	--	--	137,105	112,588	20,295	71,954	10,818,018
Noncurrent Liabilities													
Liabilities payable from restricted cash and cash equivalents	2,095,477	143,259	--	--	--	--	--	--	--	--	--	--	2,238,736
Other post-employment benefit liability	58,256	--	--	--	--	--	--	--	--	--	--	--	58,256
Net pension liability - ERSRI	302,413	--	--	--	--	--	--	--	--	--	--	--	302,413
Bonds and leases payable, less current portion, restricted	9,057,243	--	--	--	--	--	--	--	--	--	--	--	9,057,243
Advances from State for conduit debt obligations	24,080,932	--	--	--	--	--	--	--	--	--	--	--	24,080,932
Unearned revenue, restricted	--	3,261,289	--	--	--	--	--	--	--	--	--	--	3,261,289
Total Noncurrent Liabilities	35,594,321	3,404,548	--	--	--	--	--	--	--	--	--	--	38,998,869
Total Liabilities	41,409,739	3,557,851	--	--	4,074	4,503,281	--	--	137,105	112,588	20,295	71,954	49,816,887
Deferred Inflows of Resources													
Rhode Island Commerce Corporation pension plan	572,486	--	--	--	--	--	--	--	--	--	--	--	572,486
State of Rhode Island OPEB plan	10,523	--	--	--	--	--	--	--	--	--	--	--	10,523
State of Rhode Island pension plan	17,341	--	--	--	--	--	--	--	--	--	--	--	17,341
Total Deferred Inflows of Resources	600,350	--	--	--	--	--	--	--	--	--	--	--	600,350
Net Position													
Investment in capital assets	1,006,875	--	--	--	--	--	--	--	--	--	--	5,547	1,012,422
Restricted for grants and other programs	6,228,004	13,175,535	38,351	--	911,305	36,473,372	197,700	1,959,608	578,789	1,404,818	9,941,787	3,446,633	74,355,902
Unrestricted (deficit)	(13,764,457)	--	--	--	--	--	--	--	--	--	--	--	(13,764,457)
Total Net Position	\$ (6,529,578)	\$ 13,175,535	\$ 38,351	\$ --	\$ 911,305	\$ 36,473,372	\$ 197,700	\$ 1,959,608	\$ 578,789	\$ 1,404,818	\$ 9,941,787	\$ 3,452,180	\$ 61,603,867

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, 2020

	Rhode Island Commerce Corporation	Renewable Energy Fund	ARRA Energy	Airport Services	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	\$ 14,178	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 14,178
Interest on loans	--	3,004	29	--	--	--	--	--	1,035	--	--	--	4,068
Other income	284,000	4,617,779	242	--	--	--	--	--	6,146	--	--	--	4,908,167
Total operating revenues	298,178	4,620,783	271	--	--	--	--	--	7,181	--	--	--	4,926,413
Operating Expenses													
Personnel services	5,707,170	120,934	--	--	15,781	--	--	--	--	--	--	94,721	5,938,606
Contractual services	3,119,796	119,330	--	--	--	--	--	--	--	--	--	23,365	3,262,491
Grants	--	4,121,970	--	--	--	--	--	--	--	--	--	--	4,121,970
Other expenses	4,346,456	47,190	--	--	--	--	--	--	--	--	--	18,342	4,411,988
Provision for loan losses and uncollectibles	--	--	--	--	--	--	--	--	99,520	--	--	--	99,520
Public investment payments and job credits	1,406,763	--	--	--	--	--	--	--	--	--	--	--	1,406,763
Incentive Program Expenses	--	--	--	--	--	7,748,895	16,433	760,276	478,739	1,560,649	--	1,372,644	11,937,636
Depreciation and amortization	281,260	--	--	--	--	--	--	--	--	--	--	3,448	284,708
Total Operating Expenses	14,861,445	4,409,424	--	--	15,781	7,748,895	16,433	760,276	578,259	1,560,649	--	1,512,520	31,463,682
Operating (Loss) Income	(14,563,267)	211,359	271	--	(15,781)	(7,748,895)	(16,433)	(760,276)	(571,078)	(1,560,649)	--	(1,512,520)	(26,537,269)
Nonoperating Revenues (Expenses)													
Appropriations from State	13,217,306	9,760,779	--	--	41,217	--	--	--	500,000	1,000,000	--	1,200,000	25,719,302
Hotel tax revenue	4,530,302	--	--	--	--	--	--	--	--	--	--	--	4,530,302
Other State sources	1,822,908	--	--	--	--	--	--	--	--	--	--	--	1,822,908
Investment and other revenue	3,873,623	112,210	221	--	--	6,704	--	--	--	--	--	26,302	4,019,060
Interest expense	(1,151,486)	--	--	--	--	--	--	--	--	--	--	--	(1,151,486)
Grant income	575,887	--	--	--	--	--	--	--	--	--	--	--	575,887
Grant expenses	(412,558)	--	--	--	--	--	--	--	--	--	--	--	(412,558)
Other Expenses	(4,219,684)	--	--	--	--	--	--	--	--	--	(89,834)	--	(4,309,518)
Total Nonoperating Revenues (Expenses), Net	18,236,298	9,872,989	221	--	41,217	6,704	--	--	500,000	1,000,000	(89,834)	1,226,302	30,793,897
Income (Loss) Before Transfer	3,673,031	10,084,348	492	--	25,436	(7,742,191)	(16,433)	(760,276)	(71,078)	(560,649)	(89,834)	(286,218)	4,256,628
Transfer from Other State Component Units	331,684	--	--	--	--	--	--	--	--	--	--	--	331,684
Transfer to State of Rhode Island	--	--	--	(486,668)	--	(5,000,000)	--	--	--	--	(5,000,000)	--	(10,486,668)
Change in Net Position	4,004,715	10,084,348	492	(486,668)	25,436	(12,742,191)	(16,433)	(760,276)	(71,078)	(560,649)	(5,089,834)	(286,218)	(5,898,356)
Total Net (Benefit) Position - Beginning of Year	(10,534,293)	3,091,187	37,859	486,668	885,869	49,215,563	214,133	2,719,884	649,867	1,965,467	15,031,621	3,738,398	67,502,223
Total Net (Benefit) Position - End of Year	\$ (6,529,578)	\$ 13,175,535	\$ 38,351	\$ --	\$ 911,305	\$ 36,473,372	\$ 197,700	\$ 1,959,608	\$ 578,789	\$ 1,404,818	\$ 9,941,787	\$ 3,452,180	\$ 61,603,867

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, 2020, 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 October 29, 2020.

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rhode Island Commerce Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 29, 2020