

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

INDEPENDENT AUDITORS' REPORTS PURSUANT
TO *GOVERNMENT AUDITING STANDARDS*
AND UNIFORM GUIDANCE

FOR THE YEAR ENDED JUNE 30, 2024

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

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Independent Auditors' Report on Schedule of Expenditures of Federal Awards

To the Board of Directors
Rhode Island Commerce Corporation

Report on the Audit of the Schedule of Expenditures of Federal Awards***Opinion***

We have audited the schedule of expenditures of federal awards of Rhode Island Commerce Corporation (the "Organization") for the year ended June 30, 2024, and the related notes (the "schedule").

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards of the Organization for the year ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule

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

Auditors' Responsibilities for the Audit of the Schedule

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the schedule, whether due to fraud, or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Providence, RI
April 29, 2025

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Schedule of Expenditures of Federal Awards
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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the schedule of expenditures of federal awards of Rhode Island Commerce Corporation (the "Organization") as of and for the year ended June 30, 2024, and the related notes to the schedule (collectively referred to as the "schedule") and have issued our report thereon dated April 29, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the schedule, we considered the Organization'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 schedule, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's schedule 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 preceding paragraph of 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's schedule is 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 Schedule. 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*.

Entity's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the schedule of expenditures of federal awards and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

Providence, RI
April 29, 2025

**Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors
Rhode Island Commerce Corporation

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Rhode Island Commerce Corporation's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2024. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material, noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control

over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CBIZ CPAs P.C.

Providence, RI
April 29, 2025

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, 2024

<i>Federal Agency</i>				
Cluster	Federal	Pass-Through		
Pass-Through Agency	AL	Identifying	Federal	Passed Through to
Program Title	Number	Number	Expenditures	Subrecipients
<i>U.S. Department of Defense</i>				
Direct Program				
Procurement Technical Assistance for Business Firms	12.002	APEX Accelerator	\$ 377,386	\$ --
Total U.S. Department of Defense			<u>377,386</u>	<u>--</u>
<i>U.S. Department of Commerce</i>				
Direct Program				
Economic Adjustment Assistance	11.307	EDA Tourism Grant	3,222,358	--
Broadband Equity, Access, and Deployment Program	11.035	Broadband BEAD	1,941,219	--
State Digital Equity Planning and Capacity Grant	11.032	Broadband DE	<u>386,289</u>	<u>--</u>
Total U.S. Department of Commerce			<u>5,549,866</u>	<u>--</u>
<i>U.S. Department of Treasury</i>				
Passed Through the U.S. Economic Development Administration				
COVID-19 Coronavirus Relief Fund	21.019	EDA Coronavirus Relief Fund	5,790,872	--
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	EDA Statewide Planning Grant	573,692	--
Passed Through the State of Rhode Island				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	RI Rebounds	11,902,439	11,398,859
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Broadband CPF	415,492	--
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Other	<u>2,919,135</u>	<u>--</u>
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds			15,810,758	11,398,859
State Small Business Credit Initiative Technical Assistance Grant Program	21.031	SSBCI	<u>8,333,763</u>	<u>8,333,763</u>
Total U.S. Department of Treasury			<u>29,935,393</u>	<u>19,732,622</u>
<i>Federal Communications Commission</i>				
Passed Through the State of Rhode Island				
Affordable Connectivity Outreach Grant Program	32.011	FCC Broadband	<u>86,128</u>	<u>84,180</u>
Total Federal Communications Commission			<u>86,128</u>	<u>84,180</u>
<i>U.S. Department of Energy</i>				
Passed Through the State of Rhode Island				
State Energy Program	81.041	N/A	<u>1,074</u>	<u>--</u>
Total U.S. Department of Energy			<u>1,074</u>	<u>--</u>
Total Federal Expenditures			<u>\$ 35,949,847</u>	<u>\$ 19,816,802</u>

See notes to schedule of expenditures of federal awards.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2024

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 (the Organization) under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - DETERMINATION OF MAJOR PROGRAMS

The Schedule is presented as supplementary information required by the State of Rhode Island. The federal programs of Rhode Island Commerce Corporation are included in the State of Rhode Island's schedule of expenditures of federal awards, which is audited under the Uniform Guidance by the State of Rhode Island's Office of the Auditor General. The determination of major programs is made at the State level based on the State of Rhode Island's schedule of expenditures of federal awards. Since the determination of major programs is made at the State level, the State of Rhode Island's Office of the Auditor General determined that the Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number #21.027) was a major program for the year ended June 30, 2024. As a result, the Rhode Island Commerce Corporation is not required to file a Data Collection Form to report its expenditures of federal awards.

NOTE 4 - CARES ACT REVOLVING LOAN FUND

There are no balances of loans outstanding with continuing compliance requirements under federal loan and loan guarantee programs at June 30, 2024. The Small Business Loan Fund Corporation had \$0 in loans outstanding with continuing compliance requirements under federal loan and loan guarantee programs at June 30, 2024.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2024

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.

RHODE ISLAND COMMERCE CORPORATION
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2024

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS (INFORMATION OBTAINED FROM SEPARATE REPORT AUDITED BY OTHER AUDITORS)

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

FINANCIAL STATEMENTS - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Type of auditors’ report issued on whether the schedule of federal awards was prepared in accordance with GAAP *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to schedule of federal awards noted? ☐ Yes ☒ No

FEDERAL AWARDS

Type of auditors’ report issued on compliance for major federal programs *Unmodified*

Internal control over major federal programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

RHODE ISLAND COMMERCE CORPORATION
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2024

Identification of major federal programs:

<u><i>NAME OF FEDERAL PROGRAM OR CLUSTER</i></u>	<u><i>ASSISTANCE LISTING NUMBER(S)</i></u>
Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs:	\$20,289,375
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

RHODE ISLAND COMMERCE CORPORATION
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported by other auditors.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FINDINGS

2024-001 *Preparation of the Schedule of Expenditures of Federal Awards (SEFA)*

Criteria or Specific Requirement

The Organization is required to prepare a SEFA in accordance with the prescribed guidelines of the Uniform Guidance.

Condition and Context

In the initial version of the SEFA provided for our audit, the Organization improperly included \$10,552,379 of defederalized expenditures due to lack of controls in place over preparation and review of the SEFA.

Cause

The Organization did not have adequate controls in place in order to properly report federal expenditures in the SEFA.

Effect or Potential Effect

Due to the weakness in internal controls noted above, there is a risk that amounts reported on the SEFA are not complete and accurate. The lack of a complete and accurate SEFA may impact the determination if a single audit is required, as well as major program determination. Misstating expenditures on the SEFA results in the Organization being out of compliance with the requirements set forth in the underlying grant agreements and the Uniform Guidance.

Recommendation

The Organization should ensure that adequate procedures and controls are in place to ensure that the SEFA is complete and accurate. This should include controls requiring the reconciliation of federal expenditures to the appropriate supporting documentation (e.g., general ledger, grant reports, etc.) and formal review by a knowledgeable individual following preparation of the SEFA.

Views of Responsible Officials

Management agrees with the finding. Management's corrective action plan is included at the end of this report after the Schedule of Prior Year Findings.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2024

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

Financial Statement Findings:

None reported by other auditors.

Schedule of Expenditures of Federal Award Findings:

None reported by other auditors.

Federal Award Findings:

None reported by other auditors.



Audit Finding Reference: 2024-001 Improve Internal Controls over the Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Planned Corrective Action:

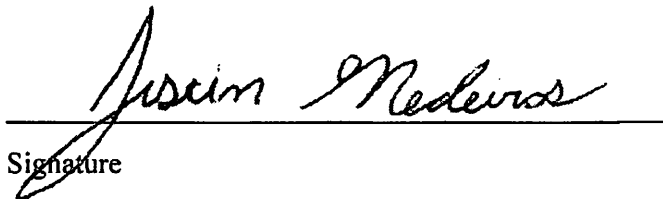
The expenditures related to this finding on the SEFA reflect the portion of the Small Business Loan Fund (SBLF) portfolio that was defederalized in September 2021 prior to the arrival of the new CFO, who was originally unaware that this had occurred. During the audit, the documentation proving the defederalization was provided to the CFO and the accounting department and is now stored in that department's records. Discussions with this portfolio's manager at the Corporation, revealed that despite the balances being defederalized, the loans are still being treated and operating within federal parameters out of an abundance of caution, as these balances stemmed originally from federal funds, and there is a concern that the awarding agency could revert this decision. This logic resulted in an argument that all SBLF balances should remain on the SEFA, but the CFO and auditors concluded, per the OMB Compliance Supplement reviewed, that they should be removed. This removal has already occurred, so no reporting of these balances as federal expenditures will continue. The CFO will also discuss defederalization plans with all Corporation grant leads going forward and will ask that these leads include the CFO in any conversations and correspondence with awarding agencies in the future.

Planned Implementation Date of Corrective Action:

Immediately (during the completion of the 2024 Federal Single Audit)

Person Responsible for Corrective Action:

CFO (Justin Medeiros)

A handwritten signature in black ink, reading "Justin Medeiros", written over a horizontal line. The word "Signature" is printed below the line on the left side.

Signature