

**RHODE ISLAND**  
**ECONOMIC DEVELOPMENT CORPORATION**  
*(A Component Unit of the State of Rhode Island)*

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2011**

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**YEAR ENDED JUNE 30, 2011**  
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**REPORT OF INDEPENDENT AUDITORS**

**Board of Directors  
Rhode Island Economic Development Corporation  
Providence, Rhode Island**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION, (the Corporation) a component unit of the State of Rhode Island and Providence Plantations (State), as of June 30, 2011, and for the year then ended, which collectively comprise the Corporation's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Rhode Island Airport Corporation, a component unit of the Corporation, which statements reflect total assets of \$669,412,749 as of June 30, 2011, and total operating revenues of \$50,152,396 for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rhode Island Airport Corporation, is based solely on the report of the other auditors.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the financial statements, the Corporation is dependent upon annual appropriations by the General Assembly of the State of Rhode Island to fund its operating expenses.

Needham  
Boston  
Concord  
Taunton

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 6 and schedule of funding progress on page 42 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements as a whole. The Combined Statement of Net Assets on pages 43-44, the Combined Statement of Revenues, Expenses, and Changes in Net Assets on pages 45, the Combined Schedule of Long-Term Debt on page 46 and the Combined Statement of Changes in Long-Term Debt on page 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements but is supplementary information required by the State of Rhode Island. These statements and schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Providence, Rhode Island  
September 26, 2011



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Introduction**

This narrative provides an overview and analysis of the financial activities of the Corporation for the fiscal year ending June 30, 2011. This analysis is intended to be read in conjunction with the entire audit report of the Corporation's financial statements.

### **Financial Highlights**

- Total assets exceeded total liabilities by \$2,324,016 (net assets). Net assets totaling \$2,174,559 are unrestricted and may be used to meet the Corporation's general operating requirements.
- Net assets increased by \$610,584 for the year. The income before capital contributions and transfers increased \$267,650 as compared to the prior fiscal year.
- Management of the Renewable Energy Fund was transferred to the RI Economic Development Corporation (EDC) during Fiscal year ending June 30, 2009. The fund activity has been combined with the EDC in the financial statements.
- During 2010, the Job Creation Guaranty Program was approved by the General Assembly. The program authorizes the RIEDC to provide credit enhancement not to exceed \$125 million on bonds or loans privately placed with capital providers and banks. The net proceeds of the bonds would provide the necessary financing to capitalize a company's growth and expansion in Rhode Island. In November 2010, the Corporation issued \$75 million in revenue bonds to finance the relocation of a Company's headquarters to the State. RIEDC is not obligated in any manner for the repayment of the bonds. See Financial Statements – Footnote 11.
- During FY 2011, the Corporation entered into a Memorandum of Understanding with the State's Office of Energy to administer funds provided thru the American Recovery and Reinvestment Act of 2009. As of June 30, 2011 \$3.5 million in funding was received by the Corporation and funds must be spent by the Spring of 2012.

### **Overview of the Financial Statements**

The Corporation (EDC) is organized as a quasi-public entity. It therefore engages in business activities that are most typically found in the private sector in addition to our work as an executive agency of the State of Rhode Island. Some of the activities involve the payment of fees to the Corporation for financing services provided by affiliated entities. The Corporation's audit report includes the following: a statement of net assets, a statement of revenues, expenses and change in net assets, a statement of cash flows, and detailed notes to the financial statements.

The statement of net assets presents comprehensive information on the Corporation's assets and liabilities at fiscal year end. The statement of changes in net assets presents how changes in the Corporation's assets and liabilities occurred during the fiscal year. The statement of cash flows presents how changes in the Corporation's net assets were financed during the course of the fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Overview of the Financial Statements (Continued)

All assets, liabilities and changes in net assets are reported on the accrual method of accounting, consistent with the applicable rulings of the Government Accounting Standards Board. All assets, liabilities, and changes in net assets are booked as soon as they occur, regardless of the timing of when the cash is actually paid or received. Consequently, certain revenues and expenses reported in the 2011 fiscal year may result in fluctuations to cash flow in future periods.

During fiscal 2005, the Quonset Development Corporation (QDC) was established as a separate operating subsidiary of the Corporation. Its mission is to develop and manage for commercial development purposes all lands received from the United States Navy comprising the two former bases at Quonset Point on behalf of the State of Rhode Island. Legislation was enacted in 2004 to enable this separation and it became effective on January 1, 2005. The Corporation retains management oversight responsibility for the activities of the QDC. Prior to that date, Quonset's activities were fully subsumed in the Corporation's financial statements. After that date, QDC's financial statements were broken out of the Corporation's and accounted for separately. They are consolidated, however, for reporting purposes in the Corporation's audited financial statements.

A summary of the Corporation's statement of net assets, for fiscal years 2010 and 2011, is as follows:

#### STATEMENT OF NET ASSETS

	<u>2011</u>	<u>2010</u>	<u>% of Change</u>
Capital assets, net.....	\$ 149,457	\$ 158,897	-5.94
Current and other assets .....	<u>49,397,893</u>	<u>47,848,636</u>	3.24
<b>Total assets</b> .....	<u>49,547,350</u>	<u>48,007,533</u>	3.21
Long-term liabilities .....	36,791,557	38,131,805	-3.51
Other liabilities.....	<u>10,431,777</u>	<u>8,162,296</u>	27.80
<b>Total liabilities</b> .....	<u>47,223,334</u>	<u>46,294,101</u>	2.01
<b>Net assets:</b>			
Invested in capital assets.....	149,457	158,997	-6.00
Unrestricted.....	<u>2,174,559</u>	<u>1,554,435</u>	39.89
<b>TOTAL NET ASSETS</b> .....	<u>\$ 2,324,016</u>	<u>\$1,713,432</u>	35.64

The changes in assets and liabilities between fiscal 2010 and 2011 result principally from:

- 1) Annual depreciation recognized on depreciable capital assets.
- 2) Funds received by the Corporation during FY 2011 from the State's Office of Energy provided by the American Recovery and Reinvestment Act of 2009. The funds must be spent by the end of the first quarter of calendar 2012.
- 3) The scheduled repayment of debt associated with bonds issued by the Corporation on behalf of FMR Corporation (Fidelity) for its facility in Smithfield and Fleet National Bank (Bank of America) for its facility in Lincoln (Footnote 6)

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## Financial Analysis of the Corporation

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PRIMARY REPORTING ENTITY ONLY

	<u>2011</u>	<u>2010</u>	<u>% of Change</u>
<b>Operating revenues, charges for services:</b>			
Rentals and fees.....	\$ 19,784	\$ 19,784	0.0%
Interest on loans.....	7,611	7,181	6.0%
Renewable Energy Fund..	2,884,023	3,400,666	-15.2%
<b>Subtotal.....</b>	<b>2,911,418</b>	<b>3,427,631</b>	<b>-15.1%</b>
<b>Nonoperating revenues</b>			
State appropriation.....	16,500,524	21,191,956	-22.1%
Investment and other revenue.....	3,856,663	5,190,757	-25.7%
Grant income.....	2,249,904	1,982,414	13.5%
<b>Subtotal.....</b>	<b>22,607,091</b>	<b>28,365,127</b>	<b>-20.3%</b>
<b>TOTAL REVENUES .....</b>	<b>25,518,509</b>	<b>31,792,758</b>	<b>-19.7%</b>
<b>Operating expenses:</b>			
Personnel services.....	3,194,842	2,962,868	7.8%
Contractual services.....	1,123,733	3,608,248	-68.9%
Grants.....	1,797,319	525,491	242.0%
Provision for Loan Losses.....	-	4,750,000	-100.0%
Depreciation and Amort.....	9,540	9,540	0.0%
Other operating expense.....	1,003,762	1,307,589	-23.2%
<b>Subtotal.....</b>	<b>7,129,196</b>	<b>13,163,736</b>	<b>-45.8%</b>
<b>Nonoperating expenses:</b>			
Interest expense.....	2,772,313	3,092,299	-10.3%
Public investment payments and job credits....	6,269,526	6,092,526	2.9%
Grant expense.....	2,438,171	2,053,109	18.8%
Other non-operating expense.....	6,460,286	7,209,721	-10.4%
<b>Subtotal.....</b>	<b>17,940,296</b>	<b>18,447,655</b>	<b>-2.8%</b>
<b>TOTAL EXPENSES .....</b>	<b>25,069,492</b>	<b>31,611,391</b>	<b>-20.7%</b>
Income(Loss) before capital contributions and transfers....	449,017	181,367	147.6%
Transfers.....	161,567	136,111	18.7%
<b>Change in net assets.....</b>	<b>\$ 610,584</b>	<b>\$ 317,478</b>	<b>92.3%</b>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

### **Small Business Loan Fund Corporation**

The SBLFC was originally created through a grant to the Corporation by the Economic Development Administration of the U.S. Department of Commerce to capitalize a loan fund to assist small business grow in Rhode Island. SBLFC provides financing, typically as a junior lender, to eligible applicants who are unable to obtain conventional financing. SBLFC also acts as a participant lender with other financial institutions in certain circumstances. Given the fact that SBLFC is generally involved with non-conventional financings, the risk profile of the portfolio is somewhat higher than a normal bank loan portfolio and the consequent loan loss experience also tends to run higher. Since inception, the SBLFC has originated a total of 623 loans with a face value of \$53.0 million.

### **Request for Information**

Questions concerning any information contained in this report or requests for additional information should be directed to:

Rhode Island Economic Development Corporation  
315 Iron Horse Way, Suite 101  
Providence, RI 02908  
(401) 278-9100

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

**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Primary Reporting Entity	Component Units		
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 2,065,793	\$ 1,180,578	\$ 47,456,627	\$ 4,686,969
Accounts receivable, less allowance for uncollectibles	275,625	633,733	4,434,188	2,522,948
Notes and loans receivable, less allowance for loan losses	70,978	13,663		86,729
Interest receivable	48,073			(61,736)
Internal receivable (payable)	37,903			
Due from other component units	-	292,265		
Due from State of Rhode Island		515,429		
Grants receivable		1,343,953		
Deposits and prepaid expenses	39,567		511,885	
Restricted:				
Cash and cash equivalents	7,481,849		19,132,018	
Receivables	256,654		1,582,369	
Net investment in direct financing leases	1,730,037		4,228,693	
Deposits and prepaid expenses			77,345,780	
<b>Total current assets</b>	<b>12,006,479</b>	<b>3,979,621</b>	<b>77,345,780</b>	<b>7,234,910</b>
<b>Noncurrent assets</b>				
Restricted:				
Cash and cash equivalents	5,195,896		53,683,263	
Investments	953,273			
Notes receivable	541,606			
Net investments in direct financing leases, less current portion	30,004,082	260,597		
Cash and cash equivalents held for capital acquisition			142,458	
Other receivables	696,557			
Due from State agencies		424,830		
Notes and loans receivable, less allowance for loan losses			5,222,795	4,735,595
Deferred charges, less accumulated amortization of \$3,363,101	128,762	60,958,177	45,277,642	
Capital assets not being depreciated	20,695	69,871,007	487,740,811	
Capital assets being depreciated, net	37,540,871	131,514,611	592,066,969	4,735,595
<b>Total noncurrent assets</b>	<b>49,547,350</b>	<b>135,494,232</b>	<b>669,412,749</b>	<b>11,970,505</b>
<b>TOTAL ASSETS</b>	<b>\$ 49,547,350</b>	<b>\$ 135,494,232</b>	<b>\$ 669,412,749</b>	<b>\$ 11,970,505</b>

SEE NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

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

**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Primary Reporting Entity	Component Units		
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 144,409	\$ 736,578	\$ 1,544,638	\$ 4,797
Accrued expenses and other	487,615	820,949	4,449,747	2,787
Deferred revenue	7,984,851	81,028	106,101	
Current portion of notes, bonds and leases payable		238,737	407,468	
Liability for claims, judgments and other settlements	1,814,902		378,000	
Payable from restricted assets	10,431,777	1,877,292	27,601,017	7,584
<b>Total current liabilities</b>				
<b>Noncurrent liabilities</b>				
Liabilities payable from restricted cash and cash equivalents	3,097,996			
Net pension obligation	756,007	1,009,871		
Bonds and leases payable, less current portion	32,569,054	1,083,503	325,231,490	
Other long-term obligations, less current portion			6,790,000	
Due to primary government	348,500	244,790		
Deferred revenue	36,791,557	2,338,164	332,021,490	
<b>Total noncurrent liabilities</b>				
<b>TOTAL LIABILITIES</b>	47,223,334	4,215,456	366,508,461	7,584
Commitments and contingencies (note 10)				
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	149,457	130,829,184	214,790,463	
Restricted			48,032,872	
Unrestricted	2,174,559	449,592	40,080,953	11,962,921
<b>TOTAL NET ASSETS</b>	\$ 2,324,016	\$ 131,278,776	\$ 302,904,288	\$ 11,962,921

(CONCLUDED)

SEE NOTES TO FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2011**

	Primary Reporting Entity	Component Units		
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation
<b>Operating revenues</b>				
Charges for services				
Rentals and fees	\$ 19,784	\$ 7,188,244	\$ 24,815,837	
Utility and service		1,863,831	13,748,215	
Landing fees			11,588,344	
Parking	7,611			\$ 649,339
Interest on loans	2,884,023			
Renewable energy fund				
<b>Total operating revenues</b>	<b>2,911,418</b>	<b>9,052,075</b>	<b>50,152,396</b>	<b>649,339</b>
<b>Operating expenses</b>				
Personnel services	3,194,842	2,366,010	17,542,387	263,715
Contractual services	1,123,733	583,103	11,541,469	35,563
Airport operating expenses		1,506,237		
Utility services	1,797,319			
Grants	1,003,762	1,201,599		19,587
Other expenses				377,185
Provision for loan losses and uncollectibles				
Depreciation and amortization	9,540	2,117,749	19,043,196	
<b>Total operating expenses</b>	<b>7,129,196</b>	<b>7,774,698</b>	<b>48,127,052</b>	<b>696,050</b>
<b>Operating income (loss)</b>	<b>(4,217,778)</b>	<b>1,277,377</b>	<b>2,025,344</b>	<b>(46,711)</b>

SEE NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2011**

	Primary Reporting Entity	Component Units		
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation
<b>Nonoperating revenues (expenses)</b>				
Appropriations from State	\$ 16,500,524	\$ 62,007		
Gain (loss) on sale of properties	3,856,663	26,926	\$ 140,756	
Investment and other revenue	(2,772,313)		(13,667,819)	
Interest expense			8,313,719	
Passenger and customer facility charges	2,249,904		3,983,623	\$ 195,000
Grant income			205,987	
Claims, judgments and other settlements	(2,438,171)		(3,869,237)	(260,926)
Grant expenses	(6,269,526)			
Public investment payments and job credits	(6,460,286)			
Other	4,666,795	88,933	120,217	
<b>Total nonoperating revenues, net</b>	<b>449,017</b>	<b>1,366,310</b>	<b>(2,747,410)</b>	<b>(112,537)</b>
<b>Income (loss) before capital contributions and transfers</b>				
<b>Capital contributions</b>				
State bond proceeds		4,014,444		
Other		2,844,570	(5,768,578)	
<b>Total capital contribution</b>		<b>6,859,014</b>	<b>(5,768,578)</b>	
<b>Transfers:</b>				
Transfer from (to) other State agencies	161,567			
<b>Total transfers</b>	<b>161,567</b>			
<b>Change in net assets</b>	<b>610,584</b>	<b>8,225,324</b>	<b>(8,515,988)</b>	<b>(112,537)</b>
<b>Total net assets, beginning of year</b>	<b>1,713,432</b>	<b>123,053,452</b>	<b>311,420,276</b>	<b>12,075,458</b>
<b>Total net assets, end of year</b>	<b>\$ 2,324,016</b>	<b>\$ 131,278,776</b>	<b>\$ 302,904,288</b>	<b>\$ 11,962,921</b>

(CONCLUDED)

SEE NOTES TO FINANCIAL STATEMENTS

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

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2011**

	Primary Reporting Entity				Component Units		
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation			
<b>Cash flows from operating activities</b>							
Receipts from customers/borrowers	\$ 2,911,418	\$ 8,850,527	\$ 53,088,487	\$ 592,977			
Payments to suppliers	(4,025,951)	(2,349,674)	(12,013,355)	(51,033)			
Payments to employees	(3,149,639)	(3,236,947)	(17,509,465)	(370,693)			
<b>Net cash provided by (used in) operating activities</b>	<b>(4,264,172)</b>	<b>3,263,906</b>	<b>23,565,667</b>	<b>171,251</b>			
<b>Cash flows from noncapital financing activities</b>							
State of Rhode Island appropriation received	19,200,598			195,000			
Grants received	2,117,097		3,301,512	(260,826)			
Grant expenditures	(8,703,763)		(3,841,395)				
InterLink, net			5,363,177				
Advances from State agencies		122,849					
Transfers	337,714						
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>12,951,646</b>	<b>122,849</b>	<b>4,823,294</b>	<b>(65,826)</b>			

(CONTINUED)

SEE NOTES TO FINANCIAL STATEMENTS

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

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2011**

	Primary Reporting Entity	Component Units		
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation
<b>Cash flows from capital and related financing activities</b>				
Proceeds from sale of property	\$	\$	\$	
Bond proceeds, State and capital contributions and grant revenues, net	(2,772,313)	152,550	11,700	
Interest paid, long-term obligations	-	8,766,888	(3,501,199)	
Acquisition and construction of capital assets	-	(11,778,862)	(15,380,159)	
Proceeds from long-term obligations			(39,290,311)	
Collection of passenger facility charges			18,729,265	
Issuance of long-term debt			8,400,269	
Restricted liabilities	(1,729,957)		(11,916,137)	
Other	(297,061)		108,516	
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(4,799,331)</b>	<b>(2,859,424)</b>	<b>(42,838,056)</b>	
<b>Cash flows from investing activities</b>				
Proceeds from sale and maturity of investments			3,386,224	
Purchases of investments	(520)			
Interest income	3,855,749	26,926	194,161	
Loan originations and principal collections, net				765,728
(Increase) decrease in notes receivable		9,955		
Principal payments made on note receivable and capital leases	(5,105,091)			
<b>Net cash provided by (used in) investing activities</b>	<b>(1,249,862)</b>	<b>36,881</b>	<b>3,580,385</b>	<b>765,728</b>

SEE NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

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

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2011**

	Primary Reporting Entity	Component Units		
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation
<b>Net increase (decrease) in cash and cash equivalents</b>	2,638,281	564,212	(10,868,710)	871,153
<b>Cash and cash equivalents, beginning of year</b>	12,105,257	876,963	131,140,618	3,815,816
<b>Cash and cash equivalents, end of year</b>	\$ 14,743,538	\$ 1,441,175	\$ 120,271,908	\$ 4,686,969
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	\$ (4,217,778)	\$ 1,277,377	\$ 2,025,344	\$ (46,711)
Operating income (loss)				
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	9,540	2,117,749	19,043,196	377,185
Provision for loan losses				
Changes in:				
Notes and accounts receivable	1,923	(130,494)	2,898,425	(56,362)
Deposits and prepaid expenses		200,899	(32,559)	
Due to/from state agencies				(92,821)
Accounts payable, accrued expenses and deferred revenue	(26,348)	(110,424)	(368,739)	(10,040)
Net OPEB obligation	(16,560)			
Net pension obligation	(14,949)	(91,201)		
<b>Net cash provided by (used in) operating activities</b>	\$ (4,254,172)	\$ 3,263,906	\$ 23,565,667	\$ 171,251
<b>Reconciliation of cash and cash equivalents to the statements of net assets:</b>				
Current unrestricted assets	\$ 2,065,793	\$ 1,180,578	\$ 47,456,627	\$ 4,686,969
Current restricted assets	7,481,849		19,132,018	
Noncurrent assets		260,597		
Noncurrent restricted assets	5,195,896		53,683,263	
	\$ 14,743,538	\$ 1,441,175	\$ 120,271,908	\$ 4,686,969

**Supplemental disclosure of cash flow information**

Noncash capital and related financing activities:  
 Capital assets acquired through accounts payable  
 Capital contribution recognized through accounts receivable  
 Reduction of unamortized bond issuance costs and unamortized original premiums and discounts

\$ 9,739,648  
 1,582,369  
 393,021

(CONCLUDED)

SEE NOTES TO FINANCIAL STATEMENTS

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Rhode Island Economic Development Corporation (RIEDC) was authorized, created and established in 1974 by an Act (the Act) of the General Assembly of the State of Rhode Island (the State) for the purpose of acquiring and developing real and personal property to promote economic development in the State. RIEDC, 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 RIEDC, and accordingly, are considered conduit debt obligations and are not reported as liabilities in the accompanying financial statements.

RIEDC is a component unit of the State for financial reporting purposes and, as such, the financial statements of RIEDC are included in the State's comprehensive annual financial report.

RIEDC and its component units are exempt from federal and state income taxes.

***Reporting Entity***

The accompanying financial statements present RIEDC (referred to herein as the primary reporting entity) and its component units, entities for which RIEDC has control over or for which RIEDC has financial accountability. RIEDC and its component units are collectively referred to herein as the Corporation.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."

***Blended Entity***

In August 2008, pursuant to an act of the General Assembly of the State of Rhode Island, the management and fund balance of the Renewable Energy Fund (REF) was transferred from the State's Office of Energy Resources to RIEDC. While RIEDC is responsible for managing the REF, since the fund does not have separate corporate powers that would distinguish it as being legally separate from RIEDC, it has been presented as a blended unit, and its activities have been included in the primary reporting entity.

***Discretely Presented Component Units***

Each discretely presented component unit is reported in a separate column in the accompanying financial statements to emphasize that it is legally separate from RIEDC and other component units included in the financial statements.

Quonset Development Corporation (QDC) – The Quonset Development Corporation was created and incorporated on July 2, 2004, under Rhode Island law, as a subsidiary of RIEDC, for the purpose of developing and managing state lands for commercial purposes. QDC does not have the power to issue bonds, notes, or borrow money without the approval of RIEDC. Consequently, RIEDC is financially accountable for QDC.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Discretely Presented Component Units (Continued)***

Complete financial statements for QDC may be obtained at its administrative office at the following address:

Quonset Development Corporation  
95 Cripe Street  
North Kingstown, RI 02852

Rhode Island Airport Corporation (the Airport Corporation) – The Rhode Island Airport Corporation was created and incorporated on December 9, 1992, under Rhode Island law, as a subsidiary of RIEDC, for the purpose of assuming operating responsibility for the six airports in the State. The Airport Corporation does not have the power to issue bonds, notes or borrow money without the approval of RIEDC. Consequently, RIEDC is financially accountable for the Airport Corporation.

Complete financial statements for the Airport Corporation may be obtained at its administrative office at the following address:

Rhode Island Airport Corporation  
T.F. Green State Airport  
2000 Post Road  
Warwick, Rhode Island 02886

Small Business Loan Fund Corporation (SBLF) – The Small Business Loan Fund Corporation was created and incorporated on January 21, 1986, under Rhode Island law, as a subsidiary of RIEDC, 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 RIEDC Board. Consequently, the SBLF has been included as a component unit of RIEDC.

The SBLF does not prepare separate financial statements.

***Financial Statement of Presentation, Measurement Focus and Basis of Accounting***

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

The Corporation uses the economic resources management focus and accrual basis of accounting. The Corporation applies all pronouncements of the GASB, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Corporation has elected not to apply all FASB pronouncements and interpretations issued after November 30, 1989.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Financial Statement of Presentation, Measurement Focus and Basis of Accounting (Continued)***

The Corporation distinguishes between operating and non-operating 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 non-operating revenues and expenses.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to material change in the near term relate to the determination of the allowance for loan losses.

***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. For the purpose of reporting cash flows, cash and cash equivalents include repurchase agreements which are highly liquid, with maturity dates of three months or less at the time of purchase.

***Accounts Receivable and Concentrations***

Accounts receivable are reported at gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The Corporation does not require collateral or other forms of security from its customers. At June 30, 2011, approximately 53% of QDC's accounts receivable is due from five customers and approximately 11% of the Airport Corporation's accounts receivable is due from one customer.

***Investments***

In accordance with GASB Statement No. 31, money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost provided that the fair value of such investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Investments in nonparticipating interest-earning investment contracts, such as certificates of deposit, nonnegotiable guaranteed investment contracts and nonnegotiable debentures with redemption terms that do not consider market rates, are reported at cost or amortized cost provided that fair value of such contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. All other investments are reported at fair value. Fair value is established by quoted market values.

All investment income, including changes in the fair value of investments, is reported as revenues in the statement of revenues, expenses, and changes in net assets.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently issued standards***

The Corporation has implemented the following new accounting pronouncements:

- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Corporation's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies, effective for the Corporation's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus, effective for the Corporation's fiscal year ending June 30, 2011.

The adoption of these Statements did not have an impact on the Corporation's financial position or results of operation.

The Corporation will adopt the following new accounting pronouncement in future years:

- ✓ GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, effect for the fiscal year ending June 30, 2012.
- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangement, effective for the Corporation's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 61 – The Financial Reporting entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, effective for the Corporation's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the Corporation's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the Corporation's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53, effective for the Corporation's fiscal year ending June 30, 2012.

The impact of these pronouncements on the Corporation's financial statements has not been determined.

***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.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
*(A Component Unit of the State of Rhode Island)*

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Notes and Loans Receivable (Continued)***

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 collectibility 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 there no longer exists a concern as to the collectibility of principal.

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

***Allowance for Loan Losses***

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

***Capital Assets and Depreciation***

Capital assets are stated at cost except for capital assets conveyed to the Corporation by the State or the United States of America, which are stated at fair value as of the date of contribution. Donated capital assets of the Airport Corporation are recorded as estimated fair market value at the date of donation, except for capital assets donated by the State which were recorded at the same net book value as previously reported by the State. Assets leased from the State by the Airport Corporation are recorded at the present value of the future minimum lease payments plus the value of funding received from the federal government. Expenditures in excess of \$500, \$2,500, and \$2,500 incurred by QDC, RIEDC, and the Airport Corporation, respectively, which substantially increase the useful lives of existing assets are capitalized and routine maintenance and repairs and costs associated with Noise Mitigation and Property Acquisition Programs are expensed as incurred. Depreciation and amortization of capital assets is calculated using the straight-line method over the estimated useful lives (5-100 years) of these assets. QDC's land is held for sale or lease, and principally all of QDC's buildings and improvements are held for lease or sale. All other capital assets are used in operations.

Interest expense incurred during the construction phase of capital assets, net of interest income earned on financing proceeds invested over the same period, are included as part of the capitalized value of the assets constructed. For the year ended June 30, 2011, the Airport Corporation capitalized \$1,130,851 of interest expense, net of interest income of \$118.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**1. 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.

***Deferred Charges***

Bond issuance costs are deferred and amortized over the life of the related bonds using the straight-line method and are reported as deferred charges. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the effective interest method. Deferred amounts on refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the refunding bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the original issue bond premium or discount, as appropriate and deferred amounts on refundings, as applicable.

***Compensated Absences***

The Corporation accrues vacation benefits (vacation and sick benefits for the Airport Corporation) as earned by its employees in accordance with established personnel policies using the salary rates in effect at the date of the statement of net assets. Sick pay benefits of the Airport Corporation are accrued in accordance with the vesting method in accordance with GASB Statement No. 16, "Accounting for Compensated Absences"

***Leasing and Utility and Service Activities and Concentrations***

The Quonset Development Corporation's principal leasing activities consist of the rental of land and buildings located at the Quonset Point/Davisville Industrial Park under both non-cancelable operating leases expiring through 2073 and operating leases with lease periods of one year or less or which are cancelable at the option of the Corporation or the tenant. Rental revenue under operating leases is recognized based on the terms of the lease contracts, except for contingent rentals which are recognized when the tenant reports the rental activity. The Corporation also provides water and waste disposal services to tenants and recognized related revenue as services are provided. For the year ended June 30, 2011, revenue from three customers comprises approximately 54% of rental revenue and revenue from one customer comprises approximately 30% of utility and service revenue.

The Airport Corporation generates rental and concession revenues from airlines, food and beverage outlets, retail, rental cars, advertising and commercial tenants. Leases are accounted for as operating leases and rental revenue is recognized on a straight-line basis over the terms of the operating leases. Concession revenues are recognized based on reported concessionaire revenue.

***Grants***

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

Bond proceeds received from the State and government grants to fund certain construction costs, and government grant revenues received to fund certain airport capital improvements, are recorded as nonoperating revenues as allowable expenditures are incurred. Bond proceeds and grants received to fund capital acquisition, and airport facility development and eligible long-term planning studies, are reported as capital contributions in the statement of revenues, expenses and changes in net assets.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Passenger and Customer Facility Charges***

Passenger Facility Charges ("PFC") net receipts are restricted for use on pre-approved Federal Aviation Administration ("FAA") projects, including related debt service. The FAA has approved PFC funding for twenty-six projects that comprise a significant portion of RIAC's capital improvement program. RIAC has been authorized to collect PFCs in the aggregate amount of approximately \$183,559,000 based on a rate of \$4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2011 were approximately \$127,489,000. Passenger facility charges are recorded as non-operating revenue as earned, based on enplaned passengers.

***Landing Fees***

Landing fees are generated by the Airport Corporation principally from scheduled airlines, cargo carriers and nonscheduled commercial aviation based on landed weight of the aircraft and/or signed contracts. Airfield revenues include tiedown and hangar rentals, fuel flowage fees and other airfield related revenues. Landing fees and airfield revenues are recognized as revenue as the related facilities are used.

***Parking***

Parking revenues are generated by the Airport Corporation principally from on-site facilities managed by a third party. Revenues are based upon utilization of the facilities, subject to certain minimum amounts under certain contracts. Parking revenues are recognized based upon reported revenue by the management company. Additional parking revenues resulting from audit of the management company records are recognized when such amounts become known.

***Net Assets***

Net assets are segregated into the following three components in accordance with GASB Statement No. 34:

Invested in capital assets, net of related debt – represents the net book value of all capital assets less the outstanding balances of bond, notes and other debt used to acquire, construct or improve these assets.

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.

Unrestricted – a residual category for the balance of net assets.

**2. DEPOSITS AND INVESTMENTS**

RIEDC and its component units have implemented the provisions of GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

***Deposits***

RIEDC and its component units assume levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a bank failure, deposits of RIEDC or respective component units may not be returned to it

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**2. DEPOSITS AND INVESTMENTS (Continued)**

**Deposits (continued)**

In accordance with Rhode Island General Laws, Chapter 35-10.1, 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 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. RIEDC and its component units do not have any additional policy in regards to custodial credit risk for deposits.

The bank balances of RIEDC and its component units cash deposits are listed below. They were exposed to custodial credit risk as of June 30, 2011 as follows:

	<u>RIEDC</u>	<u>QDC</u>	<u>Airport Corporation</u>	<u>SBLF</u>
Uninsured, uncollateralized .....	\$9,491,592	\$274,272		
Insured .....	6,373,517	250,000	\$250,000	\$4,939,803
Collateralized with securities held by bank trust departments .....			72,346,760	
Collateralized with securities held by bank trust departments not in Corporation's name ....		2,028,685		
<b>Total</b> .....	<u>\$15,865,109</u>	<u>\$2,552,957</u>	<u>\$72,596,760</u>	<u>\$4,939,803</u>

**Investments**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. RIEDC, QDC, and SBLF do not have any policies governing interest rate risk. The Airport Corporation's investment policy limits its investments to those that provide for sufficient liquidity to meet all operating requirements, annual debt service and to obtain a reasonable rate of return.

At June 30, 2011, investments by remaining maturity are as follows:

	<u>1 Year or Less</u>	<u>&gt;1 to 5 Years</u>
RIEDC, U.S. Government Obligation .....	\$ 953,273	
<b>Airport Corporation:</b>		
Money market funds .....	\$ 48,544,366	

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Rhode Island General Laws permit RIEDC and its component units to invest in certificates of deposit, savings accounts, money market accounts, obligations of the U.S. Government or certain obligations thereof, repurchase agreements with any eligible depository for a period not to exceed 30 days, commercial paper with a rating of P-1, A-1 or higher, and investment grade corporate debentures with a rating of AAA or AA by Standard and Poor's Rating Service (S&P) and Aaa, Aa by Moody's Investor's Service, Inc. (Moody's). RIEDC and its component units do not have any investment policies that would further limit its investment choices beyond those limited by Rhode Island General Laws. At June 30, 2011, the Airport Corporation's investments were held in money market funds.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**2. DEPOSITS AND INVESTMENTS (Continued)**

**Investments (continued)**

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer regardless of its credit history. RIEDC and its component units do not have any policies governing concentration of credit risk. At June 30, 2011, there are no investments in a single issuer that represents 5% or more of RIEDC's or a respective component unit's investments.

Custodial credit risk for investment securities is the risk that, in the event of the failure of the counterparty, RIEDC or its component units will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. RIEDC and its component units do not have any policies governing custodial credit risk except for that which is provided by Rhode Island General Laws, Chapter 35-10.1. At June 30, 2011, RIEDC and its component units did not have any investments that were subject to custodial credit risk.

**3. ACCOUNTS, LOANS AND NOTES RECEIVABLE AND COMMITMENTS**

At June 30, 2011, accounts and loans receivable, including the allowance for uncollectibles and allowance for loan losses, is as follows:

	<u>RIEDC</u>	<u>QDC</u>	<u>Airport Corporation</u>	<u>SBLF</u>
Unrestricted:				
Rentals		\$ 219,578		
Utilities and service		231,957		
Trade			\$ 1,530,382	
Federal government and other grants			3,285,083	
Due from Primary Government			15,888	
Other	\$ 275,625	199,600		
Loans, secured principally through junior liens, by:				
Real estate mortgages				\$ 6,101,459
Property and equipment		245,224		1,967,688
Unsecured loans (Note 4)	14,000,000	179,606		166,292
Gross receivable	14,275,625	1,075,965	4,831,353	8,235,439
Less allowance for:				
Uncollectibles		17,402	254,707	976,896
Loan losses	14,000,000			
Net unrestricted receivables	275,625	1,058,563	4,576,646	7,258,543
Restricted for capital expenditures, principally passenger facility and customer facility charges			1,582,369	
Federal grants and other grants	216,935			
Other restricted receivables, principally unsecured notes receivables	581,325			
Total receivables, net	<u>\$ 1,073,885</u>	<u>\$ 1,058,563</u>	<u>\$ 6,159,015</u>	<u>\$ 7,258,543</u>

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**3. ACCOUNTS, LOANS AND NOTES RECEIVABLE AND COMMITMENTS (Continued)**

An analysis of the SBLF's allowance for loan losses for the year ended June 30, 2011 is as follows:

Balance, beginning of year .....	\$770,876
Provision for loan losses .....	377,185
Loans charged off .....	<u>(171,165)</u>
Balance, end of year .....	<u>\$976,896</u>

The SBLF had the following outstanding loan and grant commitments at June 30, 2011:

Commitments to originate loans/grants .....	\$2,186,000
Unadvanced portions of construction and commercial loans ..	\$40,000

RIEDC issues notes and grants loans to private-sector entities and others located in Rhode Island. The ability of RIEDC'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.

At June 30, 2011, RIEDC's note receivable is summarized as follows:

Note receivable, bearing interest at 0.5%, interest payments due annually commencing on the first anniversary of the loan, entire principal due at maturity, maturing July 2047 (note 6-Masonic Temple) .....	<u>14,000,000</u>
Less current portion .....	<u>0</u>
Notes receivable, long-term portion .....	14,000,000
Less allowance for loan losses .....	<u>14,000,000</u>
Notes receivable, long term portion, net of allowance .....	<u>\$0</u>

**4. RESTRICTED ASSETS**

The Airport Corporation's restricted assets consist of monies and other resources which are restricted legally under agreements with creditors or grantors. Assets restricted for capital expenditures represent assets restricted under the Airport Corporation's capital grant and other agreements for certain projects and cannot be expended for any other purpose. Assets restricted for deposits represent deposits held by the Airport Corporation to ensure performance by tenants. Assets restricted for reserves represent assets restricted by a master indenture of trust.

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**5 CAPITAL ASSETS**

**Capital asset activity for RIEDC for the year ended June 30, 2011 is as follows**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 128,762			\$ 128,762
Equipment not placed into service				
Total Capital assets not being depreciated	128,762			128,762
Capital assets being depreciated				
Equipment	47,725			47,725
Less accumulated depreciation	(17,490)	\$ (9,540)		(27,030)
Total capital assets being depreciated, net	30,235	(9,540)		20,695
Total capital assets, net	\$ 158,997	\$ (9,540)		\$ 149,457

**Capital asset activity for QDC for the year ended June 30, 2011 is as follows**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 48,017,384	\$ 1,706,022	\$ (90,543)	\$ 49,632,863
Construction in progress	7,466,570	11,142,428	(7,283,684)	11,325,314
Total capital assets not being depreciated	55,483,954	12,848,450	(7,374,227)	60,958,177
Capital assets being depreciated				
Land improvements	21,964,238	3,413,339		25,377,577
Buildings and improvements	41,681,368	4,002,182		45,683,550
Furniture and equipment	8,208,734	120,815		8,329,549
Total capital assets being depreciated	71,854,340	7,536,336		79,390,676
Less accumulated depreciation	(7,401,920)	(2,117,749)		(9,519,669)
Total capital assets being depreciated, net	64,452,420	5,418,587		69,871,007
Total capital assets, net	\$ 119,936,374	\$ 18,267,037	\$ (7,374,227)	\$ 130,829,184

Certain accounts from 2010 have been reclassified to conform with the 2011 presentation

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**5 CAPITAL ASSETS (Continued):**

Capital asset activity for the Airport Corporation for the year ended June 30, 2011, is as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 37,773,355	\$ 1,349,035		\$ 39,122,390
Construction in progress	144,387,080	22,522,877	\$ (160,754,705)	6,155,252
Total capital assets not being depreciated	182,160,435	23,871,912	(160,754,705)	45,277,642
Capital assets being depreciated				
Assets leased from the State	30,608,849			30,608,849
Leasehold improvements	485,355,436	145,170,620		630,526,056
Machinery and equipment	27,092,104	15,823,731	(77,144)	42,838,691
Vehicles	1,836,906			1,836,906
Total capital assets being depreciated	544,893,295	160,994,351	(77,144)	705,810,502
Less accumulated depreciation	(196,029,954)	(22,116,598)	76,861	(218,069,691)
Total capital assets being depreciated, net	348,863,341	138,877,753	(283)	487,740,811
Total capital assets, net	\$ 531,023,776	\$ 162,749,665	\$ (160,754,988)	\$ 533,018,453

Accumulated amortization on assets under capital lease for the Airport Corporation amounts to \$5,980,600 at June 30, 2011.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**6. LONG-TERM DEBT**

***RIEDC Bonds Payable and Net investment in Direct Financing Leases***

During 1995, RIEDC issued bonds totaling \$34,070,000 to finance the rehabilitation and other related costs of the Shepard Building. The debt service of the bonds was being funded by the State under a lease agreement between the Corporation and the State. In August 1997, the Corporation transferred the Shepard Building to the State through a Certificate of Participation Plan and the lease receivable with the State and the bonds were removed from the Corporation's books. The outstanding defeased debt on these bonds at June 30, 2011 was approximately \$15,220,000.

During 1996, RIEDC 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, RIEDC 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, RIEDC 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 \$43,000, 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 RIEDC's revenue bonds and total future minimum lease payments receivable at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012 .....	\$1,730,037	\$2,660,671
2013 .....	1,871,621	2,516,257
2014 .....	2,019,566	2,363,960
2015 .....	2,188,058	2,199,403
2016 .....	2,365,510	2,023,604
2017 - 2021 .....	15,087,012	6,881,260
2022 - 2026 .....	7,257,644	2,229,997
2027 .....	<u>1,799,643</u>	<u>100,783</u>
	34,319,091	<u>\$20,975,935</u>
Less: current portion of long-term debt.....	<u>1,730,037 (1)</u>	
Net long-term portion of bonds payable.....	<u>\$32,589,054</u>	

RIEDC has entered into direct financing leases with Bank of America and FMR Rhode Island, Inc. Total minimum lease payments receivable and unearned income under direct financing leases is equivalent to scheduled aggregate principal and interest payments and scheduled aggregate interest payments, respectively, under the bonds payable, net of job rent credits. Job rent credits are payable by RIEDC semi-annually over the life of the bonds provided that the lessees achieve certain job targets. For the year ended June 30, 2011, job rent credits issued by RIEDC totaled \$2,709,526.

(1) 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 of \$1,814,902 includes \$1,730,037 of current portion of long-term debt and \$84,865 of other current liabilities payable from restricted assets.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**6. LONG-TERM DEBT (Continued)**

**Notes Payable/Masonic Temple Tax Credit Loans**

In July 2007, the Corporation closed on transactions relative to the State's retirement of approximately \$21 million of unused historic tax credit obligations on the Masonic Temple Hotel, resulting in a net benefit to the State of approximately \$ 7 million.

To satisfy payment the Corporation issued \$14,280,000 of notes payable. The notes bear interest at 6.10%, with interest payments due semi-annually and principal payments due annually. The notes matured on June 15, 2010. The State provided semi-annual appropriations to the Corporation thru FY 2010 to pay the interest and debt service.

The notes payable by the Corporation are secured by an assignment of a Payment Agreement between the State of Rhode Island and the Corporation reflecting legislative approval of the Corporation's executing this debt and the State's obligation to appropriate to the Corporation funds sufficient to repay the debt.

The proceeds from the notes payable were used to loan \$14,000,000 (See Note 3) to the owner (MTRI, Inc) in exchange for MTRI's (and its affiliate's) forbearance on utilizing or selling the eligible tax credits. MTRI, Inc is to pay the corporation annual interest only payments until the loan is due 40 years from the date of closing. In addition, MTRI was required to deposit \$760,000 in escrow as security for the loan. The primary benefit of the transaction to the State was the \$7 million discount. Therefore, the Corporation is not expecting repayment on the loan to exceed the escrow and any interest payments made, A loan loss reserve has been established equal to the debt service and interest payments provided by the State.

Repayment by the Corporation's borrower is secured by a pledged interest in the borrower and the escrow referenced above.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**6. LONG-TERM DEBT (Continued)**

**Airport Corporation Long-term Debt**

**Revenue and Special Facility Bonds payable (1):**

Description	Date of Maturity	Interest Rate	Principal 2011
1994 Series A bonds	7/1/2014	5.25% to 7%	\$ 4,315,000
1998 Series A and B bonds	7/1/2028	4.2% to 5.25%	32,060,000
2003 Series A bonds	7/1/2015	3.5% to 5%	14,190,000
2004 Series A bonds	7/1/2024	2% to 5%	48,985,000
2005 Series A, B and C bonds	7/1/2030	3% to 5%	112,210,000
2006 First lien special facility bonds	7/1/2036	4% to 5%	48,765,000
2008 Series A, B and C bonds	7/1/2038	3.5% to 5.25%	49,185,000
<b>Total principal outstanding</b>			<b>\$ 309,710,000</b>
Add: unamortized bond premium, net .....			194,655
Revenue and Special Facility Bonds payable, less unamortized discount, net 309,904,655			
State of Rhode Island payable (2) .....			6,790,000
Obligations under capital leases (3) .....			377,673
TIFIA loan .....			23,837,950
Note payable (4) .....			443,680
Total .....			341,353,958
Less: current portion .....			9,332,468
<b>TOTAL</b> .....			<b>\$332,021,490</b>

(1) Issued by RIEDC on behalf of the Airport Corporation. The proceeds from these bonds are being used to finance construction and related costs of certain capital improvements at T.F. Green Airport. These bonds, except for the 2006 First lien special facility bonds, are secured by net revenues derived from the operations of the airport. The 2006 First lien special facility bonds are secured solely by the net revenues derived from the InterLink.

(2) The Lease Agreement with the State requires the Airport Corporation to make annual payments to the State in an amount equal to the principal and interest payments due bondholders under certain airport-related General Obligation Bonds issued on behalf of the Airport Corporation. Although the original airport-related General Obligation Bonds were defeased in June 2002, the terms of the Lease Agreement require the Airport Corporation to continue to remit lease payments to the State based upon the amortization schedule of original airport-related General Obligation Bonds through June 2023 (see Note 12). As of June 30, 2011, the amounts owed were approximately \$6,790,000.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**6. LONG-TERM DEBT (Continued)**

**Airport Corporation Long-term Debt (Continued)**

- (3) The Airport Corporation has financed the acquisition of certain equipment through lease-purchase agreements. The agreements provide for monthly, quarterly, or semi-annual lease payments which range from \$114,000 to \$244,000. The interest rates associated with these agreements range from 3.67% to 4.11%.
- (4) The Airport Corporation has financed the acquisition of a parcel of land with seller-provided financing. The note requires monthly payments of principal and interest of \$9,176, including interest at 4.15% through November 2015. As of June 30, 2011 the amount owed was approximately \$444,000

Aggregate scheduled principal and interest payments due on the Airport Corporation's long-term debt at June 30, 2011, excluding obligations under capital leases, and secured TIFIA loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 9,018,468	\$ 14,940,659	\$ 23,959,127
2013	12,492,422	15,045,268	27,537,690
2014	13,267,790	14,462,837	27,730,627
2015	13,480,000	13,817,991	27,297,991
2016	14,070,000	13,140,411	27,210,411
2017 - 2021	76,830,000	55,508,978	132,338,978
2022 - 2026	83,675,000	34,923,011	118,598,011
2027 - 2031	59,935,000	16,209,731	76,144,731
2032 - 2036	24,305,000	5,523,800	29,828,800
2037 - 2041	9,870,000	727,625	10,597,625
Total	<u>\$ 316,943,680</u>	<u>\$ 184,300,311</u>	<u>\$ 501,243,991</u>

Future minimum lease payments and the net present value of these minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2012 .....	\$324,396
2013 .....	<u>64,700</u>
Total .....	389,096
Less: amount representing interest.....	<u>11,423</u>
Present value of minimum lease payments.....	<u>\$377,673</u>

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**6. LONG-TERM DEBT (Continued)**

Changes in long-term debt, net of unamortized bond premium, for the year ended June 30, 2011 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due within One year</u>
<b>RIEDC</b>					
Revenue bonds.....	\$ 35,674,285	\$ -	\$ (1,355,194)	\$ 34,319,091	\$ 1,730,037
<b>Total long-term liabilities.....</b>	<b>\$ 35,674,285</b>	<b>\$ -</b>	<b>\$ (1,355,194)</b>	<b>\$ 34,319,091</b>	<b>\$ 1,730,037</b>
<b>Airport Corporation:</b>					
Revenue bonds.....	\$ 319,812,995	\$ -	\$ (9,908,340)	\$ 309,904,655	\$8,925,000
State of Rhode Island payable.....	8,260,000		(1,470,000)	6,790,000	
Note payable.....	533,355		(89,675)	443,680	93,468
TIFIA loan.....	5,108,685	18,729,265		23,837,950	
Obligations under capital leases.....	882,455		(504,782)	377,673	314,000
<b>Total long-term liabilities.....</b>	<b>\$334,597,490</b>	<b>\$ 18,729,265</b>	<b>\$(11,972,797)</b>	<b>\$341,353,958</b>	<b>\$9,332,468</b>

In June, 2006, the Airport Corporation, RIEDC and the Rhode Island Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42,000,000 with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998. The purpose of the Agreement is to reimburse RIEDC and RIDOT and to provide funding to the Airport Corporation for a portion of eligible project costs related to the InterLink. The Airport Corporation is permitted under the agreement to make requisitions of funds for eligible project costs and it is anticipated that such requisitions will occur through fiscal year 2012. Upon completion of the project, the Airport Corporation will begin making monthly payments of principal and interest, with interest at a rate of 5.26%. Payments will be made of behalf of the RIEDC (the borrower per the Agreement) and it is anticipated that repayments will commence in fiscal year 2012 with a final maturity of January 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2011, the Airport Corporation had approximately \$23,838,000 in borrowings under this agreement.

**7. STATE APPROPRIATIONS AND BOND PROCEEDS**

During the year ended June 30, 2011, RIEDC, and QDC received the following appropriations and bond proceeds from the State:

Budget.....	\$ 4,648,487
Legislative.....	852,320
Slater.....	2,000,000
Public Investment Payment (Note 10).....	3,560,000
Job rent credits (Note 6).....	2,709,526
RI Airport Impact Aid.....	1,009,430
Science and Technology Advisory Council.....	1,500,000
State general obligation bond proceeds, construction.....	4,014,444
Total received.....	20,294,207
Less: deferred at June 30, 2011.....	(181,331)
Add: deferred at June 30, 2010.....	402,092
<b>State Appropriations and Bond Proceeds.....</b>	<b>\$20,514,968</b>

RIEDC is dependent upon annual appropriations by the General Assembly of the State to fund its operating expenses.

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**8. PENSION PLANS**

***RIEDC Pension Plan***

Employees of the Corporation hired prior to January 1, 2006 are covered by the Rhode Island Economic Development Corporation Pension Plan and Trust (the Plan), a single-employer defined benefit pension plan administered by RIEDC. The Plan provides retirement, disability, and death benefits to Plan member and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries. The plan was amended to eliminate the 3% cost of living adjustment with respect to participants and beneficiaries who commence benefit payments after March 1, 2009. The Plan assigns to RIEDC the authority to amend benefit provisions. The actuarially determined benefits are based on 60% of average compensation and are adjusted based on length of service. The minimum length of service is one year and employees are fully vested after 5 years of service.

***Funding Policy***

The contribution requirements are established by RIEDC. Plan members are not required to contribute to the Plan. The employer is responsible for funding the cost of all benefits.

**Annual pension cost and net pension obligation:**

RIEDC's annual pension cost for the year ended June 30, 2011 and net pension obligation were as follows:

Annual required contribution.....	\$ 297,345
Interest on net pension obligation.....	121,682
Adjustment to annual required contribution .....	<u>(225,177)</u>
Annual pension cost .....	193,850
Contributions made.....	<u>(300,000)</u>
Decrease in net pension obligation .....	(106,150)
Net pension obligation, beginning of year .....	<u>1,872,028</u>
Net pension obligation, end of year .....	<u>\$1,765,878</u>

The net pension obligation at June 30, 2011 and the annual pension cost for the year ended June 30, 2011 is allocated between the Corporation and QDC by the Plan's actuary.

The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation using the aggregate actuarial cost method. This method does not identify and separately amortize unfunded actuarial liabilities. The actuarial assumptions included a 6.5% investment rate of return and projected salary increases of 3% per year. The actuarial value of assets was determined using the market value of investments.

Three-year trend information

Fiscal year Ended June 30,	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
2011	\$193,850	\$300,000	155.0%	\$1,765,878
2010	\$339,884	\$520,000	153.0%	\$1,872,028
2009	\$508,029	\$700,000	137.8%	\$2,052,144

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**8. PENSION PLANS (Continued)**

***RIEDC Pension Plan***

***Funding Progress***

As of the latest actuarial valuation date (July 1, 2011), actuarial value of assets in the RIEDC plan was \$15,385,170 and actuarial accrued liability was \$13,619,019 for a total actuarial asset of \$1,766,151. Annual covered payroll was \$3,316,037. The actuarial asset is 53.0% of covered payroll. Since the aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using an entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the plan.

The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***Other Plans***

Employees of the Corporation hired on or after 1/01/06 participate in the Rhode Island Economic Development Corporation Retirement and Savings Plan (401a) (a discretionary contribution plan). The plan provides for the Corporation to make discretionary matching and/or additional contributions as approved by the Board of Directors. For fiscal year ended June 30, 2011 the Corporation contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the Rhode Island Economic Development Corporation Deferred Compensation Plan (457). The contributions for fiscal year ended June 30, 2011 were \$88,769.

All employees are eligible to participate in the Rhode Island Economic Development Corporation Deferred Compensation Plan (457).

Both the 401a and 457 plans are calendar year based.

***Airport Corporation Pension and Deferred Compensation Plans***

**Employees' Retirement System of the State of Rhode Island**

All employees who transferred from the State's payroll to the Airport Corporation's on July 1, 1993 participate in the Employees' Retirement System of the State of Rhode Island (the Plan). The Plan is a cost-sharing, multiple-employer, public employee retirement system administered by the State. The number of Airport Corporation employees covered by the Plan throughout the year averaged thirteen. The Airport Corporation's total payroll was approximately \$11,927,000, of which \$855,000 was covered under the Plan.

The Plan issues a stand-alone, publicly available financial report that includes financial statements and required supplementary information. A copy of the report can be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, Rhode Island 02903.

Pension benefits vest with 10 years of contributing service. Participants eligible to retire prior to September 30, 2009, are eligible to retire with 10 years of service if they have attained age 60, or after 28 years of service regardless of age and are entitled to retirement benefits payable monthly for life. Effective October 1, 2009, legislation established a minimum retirement age of 62 for all participants who were not eligible to retire prior to September 30, 2009. Legislation provides for a proportional downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009.

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**8. PENSION PLANS (Continued)**

***Airport Corporation Pension and Deferred Compensation Plans (Continued)***

The retirement benefit is a percentage of final average salary per year of credited service with a maximum benefit of 80% of final average salary. The percentage for each year of credited service is as follows:

<u>Years of Credited Service</u>	<u>Percent/Year</u>
1-10	1.7%
11-20	1.9%
21-34	3.0%
35	2.0%

Final average salary for members eligible to retire as of September 30, 2009 is computed using the three highest consecutive years of earned salary excluding overtime, bonuses or severance pay. Retirees' benefits are subject to a 3% compounded annual cost of living adjustment (COLA) commencing on the January 1st following the third anniversary of an employee's retirement. Effective October 1, 2009 final average salary is computed using the five highest consecutive years of earned salary excluding overtime, bonuses, or severance pay.

During fiscal year 2010, legislation modified the COLA for participants not eligible to retire as of June 12, 2010. The first \$35 thousand of retirees' benefits are subject to a COLA based on the CPI or 3%, whichever is less, commencing on the third anniversary of an employee's retirement or when the retiree reaches age 65, whichever is later. The \$35 thousand limit will increase annually by the percentage increase in the CPI for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year or 3%, whichever is less.

***Funding Policy***

Rhode Island general laws and the General Assembly set the contribution rates for participating State employees at 8.75% of salary. The Plan's Retirement Board sets the contribution rate for participating employers. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The Airport Corporation was required to contribute for all full-time employees 20.78% for the fiscal year 2011.

The amounts contributed to the Plan were as follows:

<u>Year Ending June 30.</u>	<u>Airport Corporation Required Contributions</u>	<u>Percentage Contributed</u>
2011 .....	\$174,735	100%
2010 .....	\$212,176	100%
2009 .....	\$276,372	100%

In accordance with GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," as amended by GASB Statement No. 50 "Pension Disclosures" the Airport Corporation has determined that there is and has been no pension liability or assets related to the Plan.

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**8. PENSION PLANS (Continued)**

***Money Purchase Pension Plan***

Employees hired by the Airport Corporation on or after July 1, 1993 are eligible to participate in the Money Purchase Pension Plan and Trust, a defined contribution plan administered by the Airport Corporation. The number of Airport Corporation employees covered by this Plan throughout the year averaged 144. The Airport Corporation's total payroll was approximately \$11,927,000, of which \$9,892,000 was covered under the Plan.

In order to participate in the Plan, covered employees must contribute 6% of their base pay to the Plan. The participant is 100% vested in the amounts they contribute. Withdrawals of these contributed amounts are not permitted prior to termination of employment. The Airport Corporation matches 100% of the participant's required contribution under a five-year vesting schedule. Total contributions for the year ended June 30, 2011 were \$593,000 by the employer and \$610,000 by the employees. The Board of Director's of the Airport Corporation has the authority to establish and/or amend the plan's provisions and the plan's contribution rates.

**9. POSTEMPLOYMENT HEALTHCARE PLAN**

***Plan Description***

The Rhode Island Economic Development Corporation and the Rhode Island Airport Corporation both contribute (for certain employees) to the State Employees' defined benefit post-employment health care plan, a cost sharing multiple employer plan administered through the Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System). The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the RI General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB system. The plan provides medical benefits to certain retired employees of participating employers including the Rhode Island Economic Development Corporation and the Rhode Island Airport Corporation.

Pursuant to legislation enacted by the General Assembly, a trust was established in fiscal year 2011 to accumulate assets and pay benefits and other costs associated with the system.

Beginning with the fiscal year ended June 30, 2011, the OPEB system will issue a stand-alone financial report. A copy will be available at the web site of the Office of Accounts & Control-<http://controller.admin.ri.gov/Financial%20Reports/index.php>.

***Funding Policy***

RIGL Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB plan. Employees who retired after October 1, 2008 must contribute 20% of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)**

***Funding Policy (Continued)***

Effective in fiscal year 2011, all participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 2011 was 6.74% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Rhode Island Economic Development Corporation and the Rhode Island Airport Corporation contributions to the plan for the year ended June 30, 2011 was approximately \$5,800 and \$57,000, respectively. Prior to the creation of the OPEB trust in fiscal year 2011, the contributions to the plan were made on a pay as you go basis.

In prior years, the Rhode Island Economic Development Corporation and the Rhode Island Airport Corporation contributed to the State Employees' OPEB plan, which consistent with GASB 45 provisions, was administered as an agent multiple employer plan because no separate legal trust had been created. The transition by the State of its OPEB plan in fiscal 2011 to an OPEB Trust resulted in the State Employees' Plan being redefined as a cost sharing multiple employer plan. In accordance with the requirements of GASB 45, the component unit's net OPEB obligation recorded in previous years has been reduced to zero.

**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 could not be determined at this time, and Corporation officials believe that such disallowances, if any, would not be material.

***Public Investment Payments***

RIEDC 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 RIEDC 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. RIEDC's requirement to make public investment payments to PPG is subject to the State's annual appropriations to RIEDC of related sales tax. During the year ended June 30, 2011, RIEDC made public investment payments to PPG totaling \$3,560,000.

***Superfund Site Redevelopment Program***

Certain of QDC's capital assets are located at the former Davisville Naval Construction Battalion Center (NCBC) which has been named a Superfund site by the United States Environmental Protection Agency (EPA). From 1951 to 1994, NCBC provided mobilization support to Naval construction forces, which in turn, contaminated several areas of the installation. In 1989, EPA added the site to its list of hazardous waste sites needing cleanup. PCB spill debris, a battery acid tank, asphalted material, and lead-contaminated soil were removed to prevent them from migrating into nearby water. The base closed in 1994 and in 1996, RIEDC began redevelopment. No amounts are accrued in the accompanying financial statements as the cost of any future remediation efforts are currently unknown.

(CONTINUED)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**10. COMMITMENTS AND CONTINGENCIES (Continued)**

***Litigation***

As part of the condemnation of various parcels of real estate relating to the FMR Project, actions against RIEDC have been filed in Providence Superior Court (the Court) appealing the order of the Court regarding the amount to be paid by RIEDC for the condemned properties. The Plaintiffs have not stated specific damage amounts. Subject to the Ground Lease entered into between RIEDC and FMR (see Note 6), FMR is obligated to pay the Corporation's costs resulting from such condemnation. The likelihood of an unfavorable outcome and the amount or range of potential loss to RIEDC, if any, is unknown.

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

In connection with these matters, the Airport Corporation has recorded estimated liabilities for claims, judgments and other settlements totaling \$378,000 as of June 30, 2011. This amount is included in liabilities for claims, judgments and other settlements in the accompanying statements of net assets.

***Risk Management***

RIEDC and the Airport Corporation are self-insured for unemployment compensation. No accrual has been made for claims expected to arise from services rendered on or before June 30, 2011 because RIEDC and Airport Corporation officials are of the opinion that, based upon prior years' experience, any claims will not be material.

RIEDC, QDC, and the Airport Corporation are 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 RIEDC, QDC, and the Airport Corporation carry commercial insurance. Neither RIEDC, QDC, the Airport Corporation, nor its insurers have settled any claims which exceeded RIEDC, QDC, or the Airport Corporation's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

***Private-Sector Entity Insured Commitment***

Under a Settlement Agreement, dated March 3, 2001, by and between Cyto Therapeutics, Inc. (CTI), RIEDC, Rhode Island Industrial-Recreational Building Authority (RIIRBA) and Rhode Island Industrial Facilities Corporation (RIIFC), RIEDC advanced to RIIRBA an amount equal to that previously funded by CTI and held in reserve by RIIRBA. The reserve is to be used by RIIRBA to fund shortfalls, if any, resulting from the difference between the amounts required to repay the outstanding bonds on the related building formerly occupied by CTI and insured by RIIRBA and the lease payments received and/or proceeds from the sale of the building. Upon repayment of all outstanding bonds relating to the building, RIIRBA will return to RIEDC any unused funds. At June 30, 2011, the balance outstanding is \$696,557.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**10. COMMITMENTS AND CONTINGENCIES (Continued)**

**Capital Improvements**

At June 30, 2011, QDC was obligated for the completion of certain construction contracts under commitments totaling approximately \$14,141,590, which are expected to be funded from the receipt of Federal Grant proceeds of \$11,342,691, the receipt of State Bond proceeds of \$1,027,354, and cash and cash equivalents of \$1,771,545.

At June 30, 2011, the Airport Corporation was obligated for completion of certain airport improvements under commitments of approximately \$6,836,000 which are expected to be funded from current available resources and future operations. As of June 30, 2011, the Airport Corporation was also obligated for the completion of certain projects related to the InterLink of approximately \$20,853,000.

**11. CONDUIT DEBT OBLIGATIONS**

From time to time, RIEDC 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. RIEDC is not obligated in any manner for repayment of the bonds and notes. Accordingly, 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 the amounts equal to interest and principal payments due on the respective issues. Accordingly, the payments are not shown as receipts and disbursements of RIEDC. The aggregate principal amount outstanding under this type of conduit debt obligation at June 30, 2011 was approximately \$1,047,000,000.

During the FY 2010 legislative session, the General Assembly approved the Job Creation Guaranty Program, which authorizes the RIEDC to provide credit enhancements up to \$125 million 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 bondholder and lenders.

In November 2010, RIEDC issued \$75 million of 2010 Series bonds to finance the relocation of a Company's Corporate headquarters and the establishment and operation by the Company of a gaming studio in the State. The 2010 bonds are payable from, and secured by, among other things, loan payments by the Company to the Issuer, certain property and interest in the Trust Estate, Gross receipts of the Company, amounts on deposit in the Capital Reserve Account, Sinking Fund, Capitalized Interest Account and Program Account, and by certain appropriations made by the State. RIEDC is not obligated in any manner for repayment of the bonds. The aggregate principal amount of conduit debt outstanding under this program is \$75,000,000.

The total aggregate principal amount outstanding under all conduit debt obligations at June 30, 2011 was approximately \$1,122,000,000.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**12. LEASES AND OTHER CHARGES**

**Rentals Under Operating Leases**

Aggregate minimum future contractual rental payments to be received by QDC from noncancelable operating leases, excluding CPI increases effective under the leases, as of June 30, 2011 are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2012 .....	\$ 6,859,791
2013 .....	6,998,592
2014 .....	7,003,519
2015 .....	6,805,007
2016 .....	6,276,665
Thereafter.....	<u>169,578,067</u>
 Total .....	 <u>\$203,521,641</u>

The above amounts do not include contingent rentals since QDC is unable to estimate the amount of contingent rentals for future periods.

Minimum future contractual rental payments to be received by the Airport Corporation under non-cancelable operating leases as of June 30, 2011 are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2012 .....	\$ 3,642,243
2013 .....	3,517,683
2014 .....	3,029,847
2015 .....	2,975,486
2016 .....	3,049,902
2017 - 2020 .....	<u>11,111,772</u>
 Total .....	 <u>\$27,326,933</u>

In the event of tenant default, the Airport Corporation has the right to reclaim its leased property together with any improvements thereon.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**12. LEASES AND OTHER CHARGES (Continued)**

***Related Party Transactions***

The Lease Agreement between the Airport Corporation and the State is for a 30-year term whereby the State has agreed to lease various assets to the Airport Corporation for \$1.00 per year. In addition, the Lease Agreement requires the Airport Corporation to make annual payments to the State through June 2023 in amounts equal to the principal and interest payments due bondholders for certain airport related General Obligation Bonds issued by the State on behalf of the Airport Corporation.

In the event the Airport Corporation does not have sufficient funds to make the required lease payments when due, the amount is payable in the next succeeding fiscal year and remains an obligation of the Airport Corporation until paid in full.

The State has no rights to terminate the Lease Agreement so long as there are bonds and subordinate indebtedness outstanding.

Amounts due to the Airport Corporation from the QDC totaled \$28,256 as of June 30, 2011, and are included in accounts receivable in the accompanying statement of net assets. Amounts due to the Rhode Island Economic Development Corporation totaled \$132,877 as of June 30, 2011 and are included in accrued expenses in the accompanying statement of net assets

***Passenger Facility Charges***

Passenger Facility Charges (PFC) net receipts are restricted for use on pre-approved Federal Aviation Administration (FAA) projects, including related debt service. The FAA has approved PFC funding for twenty-six projects that comprise a significant portion of the Airport Corporation's capital improvement program. The Airport Corporation has been authorized to collect PFCs in the aggregate amount of approximately \$183,559,000, based on a rate of \$4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2011, were approximately \$127,489,000. Passenger facility charges are recorded as non-operating revenue as earned, based on enplaned passengers.

***Customer Facility Charges***

Effective July 1, 2001, rental car agencies operating under lease agreements with the Airport Corporation were required to impose a customer facility charge (CFC) per transaction per day on substantially all car rentals. Effective October 1, 2010 the CFC is \$5.00. CFC revenue is recorded as non-operating revenue as earned, based upon daily car rentals reported by the rental car agencies. Additional CFC revenues resulting from audits of the rental car agency records are recognized when such amounts become known.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**13. CONTRACTUAL SERVICES**

Contractual services by service category for RIEDC, QDC and SBLF for the year ended June 30, 2011 are as follows:

SERVICE CATEGORY	PRIMARY REPORTING ENTITY			COMPONENT UNITS	
	<u>Economic</u>	<u>Renewable</u>	TOTAL	<u>Quonset</u>	Small Business Loan
	<u>Development</u>	<u>Energy Fund</u>		<u>Development</u>	
	<u>Corporation</u>			<u>Corporation</u>	
Information Technology	142,238		142,238	84,514	1,188
Legal	256,901	78,105	335,006	206,069	24,975
Engineering				114,460	
Public Relations	170,000		170,000	120,000	
RI Export Assistance Center	188,040		188,040		
Tourism/Americas Cup	141,304		141,304		
Other	88,677	78,468	147,145	58,060	9,400
	<u>967,160</u>	<u>156,573</u>	<u>1,123,733</u>	<u>583,103</u>	<u>35,563</u>

**14. INTERLINK FACILITY**

The InterLink Facility includes consolidated facilities for the Rhode Island Airport Corporation's rental car operations; a train platform to provide access for commuter rail service south to Wickford, Rhode Island and north to both Providence and Boston; and a parking garage for rental car operators and rail commuters. An elevated and enclosed skywalk system connects the InterLink Facility to the Airport.

Net Income for the InterLink is recorded as Nonoperating Revenue in RIAC's Statements of Revenues, Expenses and Changes in Net Assets. Facility Revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, and Net Commuter Parking Revenues. CFC revenues, including audit recoveries, were \$5,051,874 and \$4,757,751 for fiscal years 2011 and 2010, respectively. Operating Expenses include utilities, contracted maintenance, insurance and other costs associated with the InterLink. Depreciation related to the InterLink is reflected in this line item. Interest Expense includes the interest component of RIAC's debt service on the 2006 Series Special Facility Bonds and the U.S. Department of Transportation's (USDOT's) Transportation Infrastructure Finance and Innovation Act (TIFIA) loan. Interest Income on accounts associated with the InterLink is also included in this line item. A breakdown of Net Income from the InterLink Facility is as follows:

	<u>2011</u>
Facility revenues	\$ 6,084,995
Operating and maintenance expense	608,126
<b>InterLink net income</b>	<u>5,476,869</u>
Depreciation and amortization expense	2,860,908
<b>Net income after depreciation and amortization</b>	<u>2,615,961</u>
Interest expense	(2,445,190)
Interest income	53,405
<b>Net income InterLink Facility</b>	<u>\$ 224,176</u>

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Rhode Island)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**15. SUBSEQUENT EVENT**

Subsequent to year end the Corporation approved an inducement resolution to issue up to \$5 million in tax-exempt bonds.

(CONCLUDED)

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**SUPPLEMENTARY INFORMATION**

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

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

**Schedule of funding progress**

**JUNE 30, 2011**

**Required supplementary information**

**Rhode Island Economic Development Corporation's schedule of funding progress for the Pension Plan is as follows:**

<u>Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>AAL as a percentage Of Covered Payroll ((a-b)/c)</u>
7/1/2009	\$11,859,194	\$12,752,117	(\$892,923)	93.00%	\$3,570,995	-25.00%
7/1/2010	\$13,112,512	\$12,668,379	\$444,133	103.51%	\$3,494,327	12.71%
7/1/2011	\$15,385,170	\$13,619,019	\$1,766,151	112.97%	\$3,316,037	53.26%

Since the aggregate actuarial cost methods does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress was prepared using the entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the plan

SEE INDEPENDENT AUDITOR'S REPORT

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

**COMBINED STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

**Supplementary information**

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**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 55,389,967
Accounts receivable	9,238,402
Receivables allowance	(1,214,201)
Restricted:	
Cash and cash equivalents	26,613,867
Other assets	7,797,753
Due from primary government	292,265
Due from other government	553,332
Other assets	1,895,405
<b>Total current assets</b>	<b>100,566,790</b>

**Noncurrent assets**

Receivables	19,302,883
Receivables allowance	(14,000,000)
Due from other component units	696,557
Restricted assets	
Cash and cash equivalents	59,139,756
Investments	953,273
Other assets	30,545,688
Capital assets - nondepreciable	106,364,581
Capital assets - depreciable (net)	557,632,513
Other assets, net of amortization	5,222,795
<b>Total noncurrent assets</b>	<b>765,858,046</b>

**TOTAL ASSETS**

**866,424,836**

**LIABILITIES**

**Current liabilities:**

Accounts payable	30,491,067
Deferred revenue	8,171,980
Other liabilities	6,139,098
Current portion of long-term debt	2,001,479
<b>Total current liabilities</b>	<b>46,803,624</b>

SEE INDEPENDENT AUDITOR'S REPORT

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

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

**COMBINED STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

**Supplementary information**

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**LIABILITIES (CONTINUED)**

***Noncurrent liabilities***

Deferred revenue	593,290
Loans payable	358,526,374
Due to primary government	6,790,000
Obligations under capital leases	377,673
Other liabilities	4,863,874
<b><i>Total noncurrent liabilities</i></b>	<b><u>371,151,211</u></b>

***TOTAL LIABILITIES***

**417,954,835**

**NET ASSETS**

Invested in capital assets, net of related debt	345,769,104
Restricted, other	48,032,872
Unrestricted	54,668,025

***TOTAL NET ASSETS***

**\$ 448,470,001**

SEE INDEPENDENT AUDITOR'S REPORT

**(CONCLUDED)**

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2011**

**Supplementary information**

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***Operating revenues***

Charges for services	\$ 59,224,255
Interest income on loans	656,950
Other operating income	<u>2,884,023</u>

***Total operating revenues*** 62,765,228

***Operating expenses***

Personnel services	23,366,954
Supplies, materials and services	14,790,105
Grants, scholarships and contract programs	1,797,319
Depreciation, depletion and amortization	21,170,485
Other operating expenses	<u>2,602,133</u>

***Total operating expenses*** 63,726,996

***Operating loss*** (961,768)

***Nonoperating revenues (expenses)***

Interest revenues	4,024,345
Grants	6,428,527
Payments from primary government	16,500,524
Gain on sale of property	62,007
Interest expense	(16,440,132)
Payments from other component units	161,567
Other non-operating revenues (expenses)	<u>(10,658,123)</u>

***Total nonoperating revenues*** 78,715

***Income before capital contributions and transfers*** (883,053)

***Capital contributions*** 1,090,436

***Change in net assets*** 207,383

***Total net assets, beginning of year*** 448,262,618

***Total net assets, end of year*** \$ 448,470,001

SEE INDEPENDENT AUDITOR'S REPORT

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

**COMBINED SCHEDULE OF LONG-TERM DEBT**  
**JUNE 30, 2011**

**Supplementary Information**

**BONDS**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 10,655,037	\$ 17,584,682
2013	12,701,621	17,202,952
2014	13,384,566	16,558,842
2015	14,113,058	15,855,070
2016	14,910,510	15,092,381
2017 - 2021	91,487,012	62,324,873
2022 - 2026	90,867,644	37,147,627
2027 - 2031	61,734,643	16,310,514
2032 - 2036	24,305,000	5,523,800
2037 - 2041	9,870,000	727,625
<b>Total</b>	<b>\$ 344,029,091</b>	<b>\$ 204,328,366</b>

SEE INDEPENDENT AUDITOR'S REPORT

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

**COMBINED SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
YEAR ENDED JUNE 30, 2011

**Supplementary information**

**Rhode Island Economic Development Corporation**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
<b>Bonds payable</b>						
FMR Rhode Island, Series 1996	\$ 17,749,285		\$ (1,039,553)	\$ 16,709,732	\$ 1,123,745	\$ 15,585,987
FMR Rhode Island, Series 2002	9,000,000		(45,641)	8,954,359	311,292	8,643,067
Bank of America, Series 1997	8,925,000		(270,000)	8,655,000	295,000	8,360,000
<b>Total Bonds payable:</b>	<b>35,674,285</b>		<b>(1,355,194)</b>	<b>34,319,091</b>	<b>1,730,037</b>	<b>32,589,054</b>
<b>Other liabilities</b>						
Notes Payable		\$ 1,472,240	(150,000)	1,322,240	238,737	1,083,503
Obligations under capital leases						
Compensated absences	194,316	249,621	(225,704)	218,233	218,233	
<b>Total other liabilities</b>	<b>194,316</b>	<b>1,721,861</b>	<b>(375,704)</b>	<b>1,540,473</b>	<b>456,970</b>	<b>1,083,503</b>
<b>Total long-term debt</b>	<b>\$ 35,868,601</b>	<b>\$ 1,721,861</b>	<b>\$ (1,730,898)</b>	<b>\$ 35,859,564</b>	<b>\$ 2,187,007</b>	<b>\$ 33,672,557</b>

**Rhode Island Airport Corporation**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
<b>Bonds payable</b>						
Bonds payable	\$ 319,675,000		\$ (9,965,000)	\$ 309,710,000	\$ 8,925,000	\$ 300,785,000
Net unamortized premium/discount	7,951,982		(605,520)	7,346,462		7,346,462
Deferred amount on refunding	(7,813,987)		662,180	(7,151,807)		(7,151,807)
<b>Bonds payable:</b>	<b>319,812,995</b>		<b>(9,908,340)</b>	<b>309,904,655</b>	<b>8,925,000</b>	<b>300,979,655</b>
<b>Due to Primary Government</b>	<b>8,260,000</b>		<b>(1,470,000)</b>	<b>6,790,000</b>		<b>6,790,000</b>
Notes Payable	533,355		(89,675)	443,680	93,468	350,212
Obligations under capital leases	882,455		(504,782)	377,673	314,000	63,673
Net OPEB obligation	59,345		(59,345)			
<b>Included in other liabilities:</b>						
Items not listed above	5,108,685	\$ 18,729,265		23,837,950		23,837,950
<b>Other liabilities:</b>	<b>5,108,685</b>	<b>18,729,265</b>		<b>23,837,950</b>		<b>23,837,950</b>
<b>Total long-term debt</b>	<b>\$ 334,656,835</b>	<b>\$ 18,729,265</b>	<b>\$ (12,032,142)</b>	<b>\$ 341,353,958</b>	<b>\$ 9,332,468</b>	<b>\$ 332,021,490</b>

SEE INDEPENDENT AUDITOR'S REPORT

**REPORT OF INDEPENDENT AUDITORS ON ACCOMPANYING INFORMATION**

Board of Directors  
Rhode Island Economic Development Corporation  
Providence, Rhode Island

We have audited the financial statements of Rhode Island Economic Development Corporation (the Corporation) as of and for the year ended June 30, 2011, and our report thereon dated September 26, 2011, which expressed an unqualified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's (a component unit of the State of Rhode Island) basic financial statements. The Schedules of Travel and Entertainment Expenses, Combining Statement of Net Assets and the Combining Statement of Revenues, Expenses and Changes in Net Assets are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Providence, Rhode Island  
September 26, 2011



**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
5/20/2011	Alisson Wah	\$ 702	SBDD Grantee Meeting & Broadband Conf. in Dallas Texas
12/15/2010	Alisson Walsh	616	G3ict Conference in Washington, DC
9/23/2010	Christine Smith	966	SSTI Meeting in Pittsburgh, PA
8/3/2010	Dorothy Reynolds	425	RI Food Dealers Assoc for RI Business Day Conference in Washington, DC
10/14/2010	Dorothy Reynolds	720	DOD Council Matchmaker Meeting in Portland, ME
12/15/2010	Dorothy Reynolds	1,486	Fall APTAC Conference in Arlington, VA
3/31/2011	Dorothy Reynolds	2,482	Spring APTAC Training in Ft. Lauderdale, FL
11/4/2010	Fred Hashway	3,666	AWEA U.S. Wind Energy Summit in London, England
4/21/2011	Fred Hashway	998	Bloomberg New Energy Conference in NY
3/31/2011	Jayne Panarello	1,449	Discover NE German Sales Mission to Germany
4/21/2011	Jayne Panarello	1,065	Discover NE Summit in Bretton Woods, NH
6/2/2011	Jayne Panarello	2,179	Pow Wow Conference in San Francisco, CA
12/2/2010	John Riendeau	247	RI Defense Expo in Annapolis, MD
5/12/2011	John Riendeau	1,392	CoreNet Global Summit in Chicago, IL
6/16/2011	Julian Dash	727	RI Energy & Environmental Leaders Day in Washington, DC
6/30/2011	Julian Dash	2,117	REFF Wall Street Finance Conference in New York City
12/23/2010	Katrina White	1,919	National Tour Association in Montreal, Canada
4/7/2011	Katrina White	1,186	ABA Marketplace 2011 in Philadelphia, PA
5/12/2011	Katrina White	369	Tourism Cares Conference in Mystic, CT
3/3/2011	Keith Stokes	1,076	Tour of Texas Medical Center in Houston, TX
5/4/2011	Keith Stokes	704	New England Wind Summit in Washington, DC
5/26/2011	Keith Stokes	800	Small Business Administration Meeting in Washington, DC
6/30/2011	Keith Stokes	282	America's Cup Luncheon Meeting in New York, NY
11/18/2010	Louis Francis	1,388	Fall APTAC Conference in Arlington, VA
3/31/2011	Louis Francis	1,990	Spring APTAC Training in Ft. Lauderdale, FL
8/26/2010	Mark Brodeur	1,134	ESTO Conference in Savannah, GA
12/2/2010	Mark Brodeur	1,398	National Tour Association in Montreal, Canada
4/28/2011	Mark Brodeur	1,044	Discover NE Summit in Bretton Woods, NH
6/30/2011	Mark Brodeur	267	Discover New England Meeting in Portsmouth, NH
6/30/2011	Pablo Sandoval	858	SBAIS Conference in Cleveland, OH
10/14/2010	Paul Harden	1,362	Corenet Conference in Phoenix, AZ
5/12/2011	Paul Harden	488	Wind & Ocean Energy Seminar in Portland, ME
12/2/2010	Richard Ferro	1,329	Fall APTAC Conference in Arlington, VA
3/31/2011	Richard Ferro	1,703	Spring APTAC Training in Ft. Lauderdale, FL
11/18/2010	Stuart Freiman	1,129	Rural Telecommunications Conference in Mesa, AZ
2/3/2011	Stuart Freiman	929	Broadband Program Planning Meeting in Baltimore, MD
5/20/2011	Stuart Freiman	809	Broadband Meeting in Washington, DC
5/20/2011	Stuart Freiman	1,196	SBDD Grantee Meeting & Broadband Conf. in Dallas Texas
		<u>\$ 44,597</u>	

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

Quonset Development Corporation

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
11/30/10	Antonio Ambrosio	\$ 24	Mileage
10/13/10	Brian Smith	12	Mileage
09/30/10	Evan Matthews	132	Mileage
10/28/10	Evan Matthews	117	Mileage
12/07/10	Evan Matthews	20	Mileage
12/07/10	Evan Matthews	100	Mileage
02/01/11	Evan Matthews	50	Mileage
03/08/11	Evan Matthews	241	DC Conference
03/30/11	Evan Matthews	447	AAPA Conference
04/15/11	Evan Matthews	496	Maritime Institute Conference
09/27/10	Evan Matthews	914	Halifax Meeting
11/15/10	Evan Matthews	297	North Atlantic Port Association
11/15/10	Evan Matthews	249	North Atlantic Port Association
02/03/11	Evan Matthews	159	DC Conference
03/07/11	Evan Matthews	189	DC Conference
03/24/11	Evan Matthews	365	AAPA Conference
04/07/11	Evan Matthews	309	Maritime Institute Conference
05/17/11	Evan Matthews	321	Norfolk, VA - Conference
06/06/11	Evan Matthews	271	Norfolk, VA - Conference
12/02/10	James McCullough	12	Mileage
12/30/10	James McCullough	13	Mileage
03/21/11	Jill Sherman	20	Mileage
04/29/11	Jill Sherman	7	Mileage
03/07/11	Katherine Trapani	189	DC Conference
04/07/11	Katherine Trapani	309	Maritime Institute Conference
04/15/11	Katherine Trapani	65	Maritime Institute Conference
04/15/11	Kevin Barry	796	Microsoft Convergence
02/22/11	Kevin Barry	365	Microsoft Convergence
06/30/11	Miscellaneous	(140)	Allocation
04/21/11	Norine Courtemanche	9	Mileage
01/21/11	Steven King	8	Mileage
		<u>\$ 6,366</u>	

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

Rhode Island Airport Corporation

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
8/13/10 to 8/18/10	S Traficante	\$ 1,524	NEC AAAE Conference
9/19/10 to 9/21/10	D Lucas	757	Safety-Net: Hazmat/Dangerous Goods Training
9/19/10 to 9/20/10	K Dillon	890	F. Russell Hoyt National Airports Conference
9/18/10 to 9/22/10	P Goldstein	2,258	World Route Development Conference
9/16/10 to 9/20/10	R McClaren	309	Control Maintenance Training
			National Explosives Detection Canine Team Program
11/1/10 to 11/4/10	S McElroy	1,007	Review
11/15/10 to 11/18/10	J Thomas	1,051	NTSB- Transportation Disaster Response
11/19/10 to 11/20/10	S Traficante	496	NEC AAAE Planning Committee Meeting
11/20/2010	Various	1,250	Providence Chamber Annual Dinner
12/1/10 to 12/3/10	SCahill	1,061	AAAE Law Enforcement Training
12/6/2010	L Messier	694	National Aviation Security Conference
2/9/2011	K Dillon	854	Airline Visit
2/9/2011	P Goldstein	711	Airline Visit
2/14/11 to 2/16/11	K Dillon	948	36th Annual Aviation Forecast Conference
2/22/11 to 2/25/11	A Shihadeh	1,170	AAAE Planning, Design & Construction Symposium
3/6/11 to 3/8/11	T Pimental	860	Network 2011 Conference
3/6/11 to 3/8/11	P Goldstein	1,117	Network 2011 Conference
3/18/2011	K Dillon	352	Airport Visit
3/18/2011	L Messier	294	Airport Visit
3/27/11 to 3/30/11	J Warcup	1,139	Bell Helicopter Training
3/30/11 to 4/1/11	L Messier	909	ALEAN Spring Conference
4/17/11 to 4/21/11	G DeCristofaro	1,155	Aviation Snow Symposium
4/26/2011	K Dillon	274	Bond Rating Meeting
4/26/2011	B Schattle	215	Bond Rating Meeting
4/26/11 to 4/28/11	M Garland	570	Safety-Net: Hazmat/Dangerous Goods Training
5/3/2011	Various	750	2011 Economic Outlook Luncheon
5/13/11 to 5/18/11	K Dillon	1,825	83rd Annual AAAE Conference
5/18/11 to 5/20/11	A Carvalho	223	Eastern Aviation Fuels: Fuel Quality Seminar
5/18/11 to 5/20/11	M Cunningham	513	Eastern Aviation Fuels: Fuel Quality Seminar
5/24/11 to 5/27/11	SCahill	555	C-Cure System Manager Training
			Business Aviation Professional of New England
6/1/11 to 6/2/11	D Lucas	344	Networking Event
6/4/11 to 6/12/11	D Stubbs	206	Exchange Server 2011 Boot Camp
6/8/11 to 6/10/11	B Pope	449	Environmental Toxicology and Chemistry 17th Annual Meeting
6/20/11 to 6/24/11	P Goldstein	1,411	ACI-NA Marketing and Communications Conference
6/20/11 to 6/24/11	T Pimental	1,344	ACI-NA Marketing and Communications Conference
7/1/10 to 6/30/11	Various	2,514	Mileage, Parking, Tolls & Gas Reimbursement
7/1/10 to 6/30/11	Various	6,147	Snow Meals
7/1/10 to 6/30/11	Various	6,250	Various Meeting Expenses
7/1/10 to 6/30/11	Various	1,048	Various Employee Trips to Block Island
7/1/10 to 6/30/11	Various	2,670	Miscellaneous Amounts under \$200
		<u>\$ 48,114</u>	

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Economic Development Corporation	Renewable Energy Fund	Job Creation Guaranty	ARRA Energy	Total
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,632,855		\$ 432,938		\$ 2,065,793
Accounts receivable, less allowance for uncollectibles	88,125		187,500		275,625
Interest receivable	70,978				70,978
Interfund receivable (payable)	95,358	\$ (39,197)	(8,088)		48,073
Due from State agencies	37,903				37,903
Deposits and prepaid expenses	39,567				39,567
Restricted:					-
Cash and cash equivalents	659,935	3,321,993		\$ 3,499,921	7,481,849
Receivables	216,935	39,719			256,654
Net investment in direct financing leases	1,730,037				1,730,037
<b>Total current assets</b>	<b>4,571,693</b>	<b>3,322,515</b>	<b>612,350</b>	<b>3,499,921</b>	<b>12,006,479</b>
<b>Noncurrent assets</b>					
Restricted:					
Cash and cash equivalents	4,729,749		466,147		5,195,896
Investments	953,273				953,273
Notes receivable		541,606			541,606
Net investments in direct financing leases, less current portion	30,004,082				30,004,082
Due from State agencies	696,557				696,557
Capital assets not being depreciated	128,762				128,762
Capital assets being depreciated, net	20,695				20,695
<b>Total noncurrent assets</b>	<b>36,533,118</b>	<b>541,606</b>	<b>466,147</b>	<b>-</b>	<b>37,540,871</b>
<b>TOTAL ASSETS</b>	<b>41,104,811</b>	<b>3,864,121</b>	<b>1,078,497</b>	<b>3,499,921</b>	<b>49,547,350</b>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	144,409				144,409
Accrued expenses and other	487,615				487,615
Payable from restricted assets	1,810,342	4,560			1,814,902
Deferred revenue	616,323	3,831,028	37,500	3,500,000	7,984,851
<b>Total current liabilities</b>	<b>3,058,689</b>	<b>3,835,588</b>	<b>37,500</b>	<b>3,500,000</b>	<b>10,431,777</b>
<b>Noncurrent liabilities</b>					
Liabilities payable from restricted cash and cash equivalents	3,097,996				3,097,996
Other post-employment benefit liability	-				-
Net pension obligation	756,007				756,007
Bonds and leases payable, less current portion	32,589,054				32,589,054
Deferred revenue	36,000		312,500		348,500
<b>Total noncurrent liabilities</b>	<b>36,479,057</b>		<b>312,500</b>		<b>36,791,557</b>
<b>TOTAL LIABILITIES</b>	<b>39,537,746</b>	<b>3,835,588</b>	<b>350,000</b>	<b>3,500,000</b>	<b>47,223,334</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	149,457				149,457
Unrestricted	1,417,608	28,533	728,497	(79)	2,174,559
<b>TOTAL NET ASSETS</b>	<b>\$ 1,567,065</b>	<b>\$ 28,533</b>	<b>\$ 728,497</b>	<b>\$ (79)</b>	<b>\$ 2,324,016</b>

SEE INDEPENDENT AUDITOR'S REPORT

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2011**

	Economic Development Corporation	Renewable Energy Fund	Job Creation Guaranty	ARRA Energy	Total
<b>Operating revenues</b>					
Charges for services					
Rentals and fees	\$ 19,784				\$ 19,784
Interest on loans		\$ 7,611			7,611
Other income	0	2,114,228	\$ 769,795		2,884,023
<b>Total operating revenues</b>	<u>19,784</u>	<u>2,121,839</u>	<u>769,795</u>		<u>2,911,418</u>
<b>Operating expenses</b>					
Personnel services	3,021,845	132,168	40,829		3,194,842
Contractual services	967,160	156,573			1,123,733
Grants		1,797,319			1,797,319
Other expenses	975,046	28,168	469	79	1,003,762
Depreciation and amortization	9,540				9,540
<b>Total operating expenses</b>	<u>4,973,591</u>	<u>2,114,228</u>	<u>41,298</u>	<u>79</u>	<u>7,129,196</u>
<b>Operating income (loss)</b>	<u>(4,953,807)</u>	<u>7,611</u>	<u>728,497</u>	<u>(79)</u>	<u>(4,217,778)</u>
<b>Nonoperating revenues (expenses)</b>					
Appropriations from State	16,500,524				16,500,524
Investment and other revenue	3,854,893	1,770			3,856,663
Interest expense	(2,772,313)				(2,772,313)
Grant income	2,249,904				2,249,904
Grant expenses	(2,438,171)				(2,438,171)
Public investment payments and job credits	(6,269,526)				(6,269,526)
Other	(6,460,286)				(6,460,286)
<b>Total nonoperating revenues, net</b>	<u>4,665,025</u>	<u>1,770</u>			<u>4,666,795</u>
<b>Income (loss) before transfers</b>	<u>(288,782)</u>	<u>9,381</u>	<u>728,497</u>	<u>(79)</u>	<u>449,017</u>
<b>Transfers:</b>					
Transfer from other State agencies	161,567				161,567
<b>Total transfers</b>	<u>161,567</u>				<u>161,567</u>
<b>Change in net assets</b>	<u>(127,215)</u>	<u>9,381</u>	<u>728,497</u>	<u>(79)</u>	<u>610,584</u>
<b>Total net assets, beginning of year</b>	<u>1,694,280</u>	<u>19,152</u>			<u>1,713,432</u>
<b>Total net assets, end of year</b>	<u>\$ 1,567,065</u>	<u>\$ 28,533</u>	<u>\$ 728,497</u>	<u>\$ (79)</u>	<u>\$ 2,324,016</u>

SEE INDEPENDENT AUDITOR'S REPORT

**REPORT OF INDEPENDENT AUDITORS 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**

Board of Directors  
Rhode Island Economic Development Corporation  
Providence, RI

We have audited the financial statements of the Rhode Island Economic Development Corporation, a component unit of the State of Rhode Island, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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 Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Needham  
Boston  
Concord  
Taunton

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors and management of the Rhode Island Economic Development Corporation, the Rhode Island Department of Administration, the Rhode Island Auditor General and other cognizant agencies and is not intended to be and should not be used by anyone other than these specified parties.

Providence, Rhode Island  
September 26, 2011

