

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2012**

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

**YEAR ENDED JUNE 30, 2012**  
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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 the Rhode Island Economic Development Corporation, (the Corporation) a component unit of the State of Rhode Island and Providence Plantations (State), as of June 30, 2012, 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 \$670,675,609 as of June 30, 2012, and total operating revenues of \$50,270,029 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 of America. 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, 2012, 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 October 22, 2012, 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. 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 Combined Statement of Net Assets, the Combined Statement of Revenues, Expenses, and Changes in Net Assets, the Combined Schedule of Long-Term Debt and the Combined Statement of Changes in Long-Term Debt is fairly stated in all material respects in relation to the financial statements as a whole.

*Braver PC*

Providence, Rhode Island  
October 22, 2012

## **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, 2012. 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 \$2,642,962 (net assets). Net assets totaling \$2,459,395 are unrestricted and may be used to meet the Corporation's general operating requirements.
- Net assets increased by \$318,946 for the year. The income before capital contributions and transfers decreased \$762,227 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. Subsequent to year end \$2.5 million was returned to the Office of Energy.
- During FY 2012 the I-195 Redevelopment District Commission was created by the General Assembly as a subsidiary of the EDC.

### **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 2011 and 2012, is as follows:

#### **STATEMENT OF NET ASSETS PRIMARY REPORTING ENTITY ONLY**

	<u>2012</u>	<u>2011</u>	<u>% of Change</u>
Capital assets, net.....	\$183,567	\$ 149,457	22.8
Current and other assets.....	54,981,255	49,397,893	11.3
<b>Total assets</b> .....	<u>55,164,822</u>	<u>49,547,350</u>	<u>11.3</u>
Long-term liabilities .....	35,484,278	36,791,557	-3.5
Other liabilities.....	17,037,582	10,431,777	63.3
<b>Total liabilities</b> .....	<u>52,521,860</u>	<u>47,223,334</u>	<u>11.2</u>
<b>Net assets:</b>			
Invested in capital assets .....	183,567	149,457	22.8
Unrestricted .....	<u>2,459,395</u>	<u>2,174,559</u>	<u>13.0</u>
<b>TOTAL NET ASSETS</b> .....	<u>\$ 2,642,962</u>	<u>\$2,324,016</u>	<u>13.7</u>

The changes in assets and liabilities between fiscal 2011 and 2012 result principally from:

- 1) Annual depreciation recognized on depreciable capital assets.
- 2) 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).
- 3) Other liabilities included deferred revenue for Renewable Energy and ARRA funds.

# 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>2012</u>	<u>2011</u>	<u>% of Change</u>
<b>Operating revenues, charges for services:</b>			
Rentals and fees.....	\$ 12,000	\$ 19,784	-39.3%
Interest on loans.....	10,821	7,611	42.2%
Renewable Energy Fund.....	3,251,749	2,884,023	12.8%
<b>Subtotal.....</b>	<b>3,274,570</b>	<b>2,911,418</b>	<b>12.5%</b>
<b>Nonoperating revenues</b>			
State appropriation.....	16,191,789	16,500,524	-1.9%
Investment and other revenue.....	2,901,006	3,856,663	-24.8%
Grant income.....	1,590,399	2,249,904	-29.3%
<b>Subtotal.....</b>	<b>20,683,194</b>	<b>22,607,091</b>	<b>-8.5%</b>
<b>TOTAL REVENUES.....</b>	<b>23,957,764</b>	<b>25,518,509</b>	<b>-6.1%</b>
<b>Operating expenses:</b>			
Personnel services.....	2,986,659	3,194,842	-6.5%
Contractual services.....	949,926	1,123,733	-15.5%
Grants.....	1,059,474	1,797,319	-41.1%
Depreciation and Amort.....	14,710	9,540	54.2%
Other operating expense.....	2,762,565	1,003,762	175.2%
<b>Subtotal.....</b>	<b>7,773,334</b>	<b>7,129,196</b>	<b>9.0%</b>
<b>Nonoperating expenses:</b>			
Interest expense.....	2,660,671	2,772,313	-4.0%
Public investment payments and job credits....	6,388,776	6,269,526	1.9%
Grant expense.....	1,596,394	2,438,171	-34.5%
Other non-operating expense.....	5,851,799	6,460,286	-9.4%
<b>Subtotal.....</b>	<b>16,497,640</b>	<b>17,940,296</b>	<b>-8.0%</b>
<b>TOTAL EXPENSES.....</b>	<b>24,270,974</b>	<b>25,069,492</b>	<b>-3.2%</b>
Income(Loss) before capital contributions and transfers....	(313,210)	449,017	-169.8%
Transfers.....	632,156	161,567	291.3%
Change in net assets.....	\$ 318,946	\$ 610,584	-47.8%

## **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 648 loans with a face value of \$57.0 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, 2012**

	Primary Reporting	Component Units			
	Entity	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	\$ 2,359,782	\$ 944,619	\$ 47,163,642	\$ 3,963,961	\$ 100,341
Accounts receivable, less allowance for uncollectibles	57,203	781,918	4,093,695		
Notes and loans receivable, less allowance for loan losses		13,065		1,995,103	
Interest receivable	-			29,229	
Internal receivable (payable)	468,201	(2,059)		(216,142)	(250,000)
Due from other component units					
Due from state agencies	131,379				
Due from State of Rhode Island	885,000	719,634			
Grants receivable		2,794,386			
Deposits and prepaid expenses	81,542	1,261,635	758,966		
Restricted:					
Cash and cash equivalents	12,170,098		22,480,734		
Due from State of Rhode Island			4,959,370		
Receivables	238,096		1,565,956		
Net investment in direct financing leases	1,871,621				
Investments			12,413,358		
Deposits and prepaid expenses			107,578		
<b>Total current assets</b>	<b>18,262,922</b>	<b>6,513,198</b>	<b>93,543,299</b>	<b>5,772,151</b>	<b>(149,659)</b>
<b>Noncurrent assets</b>					
Restricted:					
Cash and cash equivalents	5,802,833		37,913,415		
Investments	950,476		7,471,610	1,400,000	
Notes receivable	1,136,006				
Net investments in direct financing leases, less current portion	28,132,461				
Cash and cash equivalents held for capital acquisition		328,759			
Other receivables			135,046		
Due from State agencies	696,557				
Notes and loans receivable, less allowance for loan losses		423,376		6,372,487	
Deferred charges, less accumulated amortization of \$3,756,124			4,829,772		
Capital assets not being depreciated	128,762	79,120,220	45,307,833		
Capital assets being depreciated, net	54,805	75,845,340	481,474,634		
<b>Total noncurrent assets</b>	<b>36,901,900</b>	<b>155,717,695</b>	<b>577,132,310</b>	<b>7,772,487</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 55,164,822</b>	<b>\$ 162,230,893</b>	<b>\$ 670,675,609</b>	<b>\$ 13,544,638</b>	<b>\$ (149,659)</b>

(CONTINUED)

SEE NOTES TO FINANCIAL STATEMENTS

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

**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Primary Reporting Entity	Component Units			
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	I-195 Redevelopment District Commission
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 944,760	\$ 164,582	\$ 771,123	\$ 13,993	\$ 34,214
Accrued expenses and other	904,501	3,697,183	4,305,248	4,339	
Deferred revenue	13,275,162	92,248	144,221	1,024,299	
Current portion of notes, bonds and leases payable		458,836	160,819		
Liability for claims, judgments and other settlements			276,500		
Due to primary government					
Payable from restricted assets	1,913,159		27,205,999		
<b>Total current liabilities</b>	<b>17,037,582</b>	<b>4,412,849</b>	<b>32,863,910</b>	<b>1,042,631</b>	<b>34,214</b>
<b>Noncurrent liabilities</b>					
Liabilities payable from restricted cash and cash equivalents	3,095,676				
Net pension obligation	688,430	959,803			
Bonds and leases payable, less current portion	30,717,433				
Other long-term obligations, less current portion		1,566,847	330,517,880		
Due to primary government			5,225,000		
Deferred revenue	982,739	222,250			
<b>Total noncurrent liabilities</b>	<b>35,484,278</b>	<b>2,748,900</b>	<b>335,742,880</b>		<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>52,521,860</b>	<b>7,161,749</b>	<b>368,606,790</b>	<b>1,042,631</b>	<b>34,214</b>
Commitments and contingencies (Note 10)					
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	183,567	152,939,877	201,865,575		
Restricted			54,216,042		
Unrestricted (deficit)	2,459,395	2,129,267	45,987,202	12,502,007	(183,873)
<b>TOTAL NET ASSETS</b>	<b>\$ 2,642,962</b>	<b>\$ 155,069,144</b>	<b>\$ 302,068,819</b>	<b>\$ 12,502,007</b>	<b>\$ (183,873)</b>

SEE NOTES TO FINANCIAL STATEMENTS

(CONCLUDED)

**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, 2012**

	Primary Reporting Entity	Component Units			
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	I-195 Redevelopment Distric Commission
<b>Operating revenues</b>					
Charges for services					
Rentals and fees	\$ 12,000	\$ 7,942,107	\$ 25,026,223		
Utility and service		2,062,954			
Landing fees			13,800,015		
Parking			11,443,791		
Interest on loans	10,821			\$ 622,270	
Renewable energy fund	3,251,749				
<b>Total operating revenues</b>	<b>3,274,570</b>	<b>10,005,061</b>	<b>50,270,029</b>	<b>622,270</b>	
<b>Operating expenses</b>					
Personnel services	2,986,659	2,453,803	16,907,287	407,425	
Contractual services	949,926	513,766		112,315	\$ 183,507
Airport operating expenses			11,327,224		
Utility services		1,381,674			
Grants	1,059,474				
Other expenses	2,762,565	1,438,349		60,652	366
Provision for loan losses and uncollectibles				957,928	
Depreciation and amortization	14,710	2,493,980	19,872,690		
<b>Total operating expenses</b>	<b>7,773,334</b>	<b>8,281,572</b>	<b>48,107,201</b>	<b>1,538,320</b>	<b>183,873</b>
<b>Operating income (loss)</b>	<b>(4,498,764)</b>	<b>1,723,489</b>	<b>2,162,828</b>	<b>(916,050)</b>	<b>(183,873)</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, 2012**

	Primary Reporting	Component Units				
	Entity	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	I-195 Redevelopment Distric Commission
<b>Nonoperating revenues (expenses)</b>						
Appropriations from State	\$ 16,191,789					
Investment and other revenue	2,901,006	\$ 17,766		\$ 39,808	\$ 11,667	\$ -
Interest expense	(2,660,671)			(13,131,729)		
Passenger and customer facility charges				5,513,248		
Grant income	1,590,399			795,213	3,321,256	
Grant expenses	(1,596,394)			(964,161)	(1,502,886)	
Public investment payments and job credits	(6,388,776)					
Other	(5,851,799)			94,667		
<b>Total nonoperating revenues, net</b>	<b>4,185,554</b>	<b>17,766</b>		<b>(7,652,954)</b>	<b>1,830,037</b>	
<b>Income (loss) before capital contributions and transfers</b>	<b>(313,210)</b>	<b>1,741,255</b>		<b>(5,490,126)</b>	<b>913,987</b>	<b>(183,873)</b>
<b>Capital contributions</b>						
State bond proceeds			4,467,892			
Other			17,581,221	4,654,657		
<b>Total capital contribution</b>			<b>22,049,113</b>	<b>4,654,657</b>		
<b>Transfers:</b>						
Transfer (to) from Rhode Island Economic Development Corporation	374,901				(374,901)	
Transfer from (to) other State agencies	257,255					
<b>Total transfers</b>	<b>632,156</b>				<b>(374,901)</b>	
<b>Change in net assets</b>	<b>318,946</b>	<b>23,790,368</b>		<b>(835,469)</b>	<b>539,086</b>	<b>(183,873)</b>
<b>Total net assets, beginning of year</b>	<b>2,324,016</b>	<b>131,278,776</b>		<b>302,904,288</b>	<b>11,962,921</b>	
<b>Total net assets, end of year</b>	<b>\$ 2,642,962</b>	<b>\$ 155,069,144</b>		<b>\$ 302,068,819</b>	<b>\$ 12,502,007</b>	<b>\$ (183,873)</b>

SEE NOTES TO FINANCIAL STATEMENTS

(CONCLUDED)

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

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2012**

	Primary Reporting Entity	Component Units			
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	I-195 Redevelopment District Commission
<b>Cash flows from operating activities</b>					
Receipts from customers/borrowers	\$ 3,274,570	\$ 9,845,555	\$ 49,813,900	\$ 679,770	
Payments to suppliers	(4,013,589)	(988,308)	(12,381,571)	(163,770)	\$ (149,659)
Payments to employees	(3,961,691)	(2,484,241)	(16,867,329)	(251,467)	
<b>Net cash provided by (used in) operating activities</b>	<b>(4,700,710)</b>	<b>6,373,006</b>	<b>20,565,000</b>	<b>264,533</b>	<b>(149,659)</b>
<b>Cash flows from noncapital financing activities</b>					
State of Rhode Island appropriation received	21,482,100				
Grants received	1,867,218		1,278,706	3,332,923	
Grant expenditures	(7,545,829)		(968,056)	(1,502,886)	
InterLink, net			6,485,223		
Advances from State agencies		37,168		1,024,299	250,000
Transfers	118,552			(374,902)	
<b>Net cash provided by noncapital financing activities</b>	<b>15,922,041</b>	<b>37,168</b>	<b>6,795,873</b>	<b>2,479,434</b>	<b>250,000</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, 2012**

	Primary Reporting	Component Units			
	Entity				
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	I-195 Redevelopment District Commission
<b><i>Cash flows from capital and related financing activities</i></b>					
Bond proceeds, State and capital contributions and grant revenues, net		\$ 19,342,787	\$ 4,539,531		
Interest paid, long-term obligations	\$ (2,660,671)		(17,258,685)		
Acquisition and construction of capital assets	(48,820)	(26,630,356)	(20,842,897)		
Proceeds from long-term obligations	-	1,116,133	16,220,825		
Collection of passenger facility charges			7,809,213		
Payment of long-term debt	(1,871,621)	(412,690)	(10,784,464)		
Restricted liabilities	95,937				
Other			94,673		
<b><i>Net cash used in capital and related financing activities</i></b>	<b>(4,485,175)</b>	<b>(6,584,126)</b>	<b>(20,221,804)</b>		<b>-</b>
<b><i>Cash flows from investing activities</i></b>					
Proceeds from sale and maturity of investments	953,273		-		
Purchase of investments	(950,476)		(19,885,629)	\$ (1,400,000)	
Interest income	2,971,984	17,766	32,443		
Loan originations and principal collections, net				(2,066,975)	
(Increase) decrease in notes receivable	-	(11,611)			
Principal payments made on note receivable and capital leases	(4,121,762)				
<b><i>Net cash provided by (used in) investing activities</i></b>	<b>(1,146,981)</b>	<b>6,155</b>	<b>(19,853,186)</b>	<b>(3,466,975)</b>	<b>-</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, 2012**

	Primary Reporting Entity	Component Units			
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	I-195 Redevelopment District Commission
<b>Net increase (decrease) in cash and cash equivalents</b>	5,589,175	(167,797)	(12,714,117)	(723,008)	\$ 100,341
<b>Cash and cash equivalents, beginning of year</b>	14,743,538	1,441,175	120,271,908	4,686,969	-
<b>Cash and cash equivalents, end of year</b>	\$ 20,332,713	\$ 1,273,378	\$ 107,557,791	\$ 3,963,961	\$ 100,341
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ (4,498,764)	\$ 1,723,489	\$ 2,162,828	\$ (916,050)	\$ (183,873)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	14,710	2,493,980	19,872,690	957,928	
Provision for loan losses					
Changes in:					
Notes and accounts receivable		(148,185)	(494,249)	57,500	
Due from State of Rhode Island	(885,000)				
Deposits and prepaid expenses	(41,975)	82,318	(247,081)		
Due to/from state agencies				154,406	
Accounts payable, accrued expenses and deferred revenue	777,896	2,271,472	(729,188)	10,749	34,214
Net pension obligation	(67,577)	(50,068)			
<b>Net cash provided by (used in) operating activities</b>	\$ (4,700,710)	\$ 6,373,006	\$ 20,565,000	\$ 264,533	\$ (149,659)
<b>Reconciliation of cash and cash equivalents to the statements of net assets:</b>					
Current unrestricted assets	\$ 2,359,782	\$ 944,619	\$ 47,163,642	\$ 3,963,961	
Current restricted assets	12,170,098		22,480,734		\$ 100,341
Noncurrent assets		328,759			
Noncurrent restricted assets	5,802,833		37,913,415		
	\$ 20,332,713	\$ 1,273,378	\$ 107,557,791	\$ 3,963,961	\$ 100,341
<b>Supplemental disclosure of cash flow information</b>					
Noncash capital and related financing activities:					
Capital assets acquired through accounts payable			\$ 6,914,844		
Capital contribution recognized through accounts receivable			\$ 6,566,597		
Reduction of unamortized bond issuance costs and unamortized original premiums and discounts			\$ 393,023		

SEE NOTES TO FINANCIAL STATEMENTS

(CONCLUDED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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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.

The I-195 commission was created during the legislative year 2012 as a subsidiary of the EDC for the purpose of redeveloping the land reclaimed from the 195 relocation project and the Washington bridge projects. The Board of Directors is subject to advice and consent of the Senate. During fiscal 2013, the I-195 commission will receive funding through a Bond issue not to exceed \$42 million, to advance its mission.

The I-195 commission 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)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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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 of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. 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, 2012, approximately 53% of QDC's accounts receivable is due from five customers and approximately 13% 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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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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. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, effect for the fiscal year ending June 30, 2012.
- ✓ GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53, effective for the fiscal year ending June 30, 2012.

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. 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. 65 – Items Previously Reported as Assets and Liabilities, effective for the Corporation's fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 66 – Technical Corrections – 2012 – an amendment of GASB statement No. 10 and No. 62, effective for the Corporation's fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 67 – Financial Reporting for Pensions Plans – an amendment of GASB Statement No. 25, effective for the Corporation's fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 68 – Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective for the Corporation's fiscal year ending June 30, 2015.

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)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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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, 2012, the Airport Corporation capitalized \$221,842 of interest expense, net of interest income of \$0.

(CONTINUED)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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, 2012, revenue from three customers comprises approximately 52% of rental revenue and revenue from two customers comprises approximately 34% 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)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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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, 2012 were approximately \$135,305,000. Passenger facility charges are recorded as non-operating revenue as earned, based on enplaned passengers.

***Landing Fees and Airfield Revenues***

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. 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, 2012**

**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, 2012 as follows:

	<u>RIEDC</u>	<u>QDC</u>	<u>Airport Corporation</u>	<u>SBLF</u>	<u>I-195</u>
Uninsured, uncollateralized.....	\$ 8,539,548	\$ 118,483			
Insured.....	11,806,633	1,456,615	\$ 1,849,882	\$ 3,979,796	\$ 171,186
Collateralized with securities held by bank trust departments.....			77,807,751		
Collateralized with securities held by bank trust departments not in Corporation's name..					
<b>Total</b>	<b>\$ 20,346,181</b>	<b>\$ 1,575,098</b>	<b>\$ 79,657,633</b>	<b>\$ 3,979,796</b>	<b>\$ 171,186</b>

**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, 2012, investments by remaining maturity are as follows:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
RIEDC, U.S. Government Obligation.....	\$ 950,476		
<b>Airport Corporation:</b>			
Money market funds.....	\$ 29,248,783	\$ 29,248,783	\$ -
U.S. Treasury Notes.....	8,123,771	3,965,808	4,157,963
U.S. Treasury Bills.....	11,761,197	8,447,550	3,313,647
	<b>\$ 49,133,751</b>	<b>\$ 41,662,141</b>	<b>\$ 7,471,610</b>

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, 2012, the Airport Corporation's money market funds were rated AAA.

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012, 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, 2012, RIEDC and its component units did not have any investments that were subject to custodial credit risk.

The State Small Business Credit Initiative (SSBCI) received by the state of RI is being monitored through the SBLF. During fiscal 2012, the SBLF entered into an agreement with BetaSpring whereby the SBLF agreed to an investment in BetaSpring of \$2.0 million. During 2012, \$1.4 million was disbursed. Beta Spring is an entity which helps to develop entrepreneurs through a "bootcamp" process to allow their "graduates" to be placed before investors to help bootstrap their idea into a future viable business.

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

At June 30, 2012, 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		\$ 265,796		
Utilities and service		297,274		
Trade			\$ 1,942,017	
Federal government and other grants			2,482,515	
Due from Primary Government	\$ 885,000	719,634	4,959,370	
Other	57,203	236,250	60,126	
Loans, secured principally through junior liens, by:				
Real estate mortgages				\$ 5,245,390
Property and equipment		229,924		3,689,482
Unsecured loans (Note 6)	14,000,000	206,517		116,892
Gross receivable	14,942,203	1,955,395	9,444,028	9,051,764
Less allowance for:				
Uncollectibles		17,402	255,917	684,174
Loan losses	14,000,000			
Net unrestricted receivables	942,203	1,937,993	9,188,111	8,367,590
Restricted for capital expenditures, principally passenger facility and InterLink facility revenues			1,548,633	
Federal grants and other grants	190,080		4,959,370	
Other restricted receivables, principally unsecured notes receivables	1,184,022		75,917	
Total receivables, net	<u>\$ 2,316,305</u>	<u>\$ 1,937,993</u>	<u>\$ 15,772,031</u>	<u>\$ 8,367,590</u>

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 is as follows:

Balance, beginning of year .....	\$976,896
Provision for loan losses.....	998,322
Loans charged off .....	<u>(1,291,044)</u>
Balance, end of year .....	<u>\$684,174</u>

The SBLF had the following outstanding loan and grant commitments at June 30, 2012:

Commitments to originate loans/grants .....	\$226,000
Unadvanced portions of construction and commercial loans ..	\$250,000

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, 2012, 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 whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like or through restrictions imposed by law through constitutional provisions or enabling legislation. 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, 2012**

**5 CAPITAL ASSETS**

**Capital asset activity for RIEDC for the year ended June 30, 2012 is as follows**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 128,762			\$ 128,762
Equipment not placed into service	-			-
<b>Total Capital assets not being depreciated</b>	<b>128,762</b>			<b>128,762</b>
Capital assets being depreciated				
Equipment	47,725	\$ 26,782		74,507
Automobiles		22,038		22,038
Less accumulated depreciation	(27,030)	(14,710)		(41,740)
<b>Total capital assets being depreciated, net</b>	<b>20,695</b>	<b>34,110</b>		<b>54,805</b>
<b>Total capital assets, net</b>	<b>\$ 149,457</b>	<b>\$ 34,110</b>	<b>\$ -</b>	<b>\$ 183,567</b>

**Capital asset activity for QDC for the year ended June 30, 2012 is as follows**

	<u>Beginning Balance (As Reclassified)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 49,723,405	\$ 1,426,907		\$ 51,150,312
Construction in progress	11,234,772	24,437,478	\$ (7,702,342)	27,969,908
<b>Total capital assets not being depreciated</b>	<b>60,958,177</b>	<b>25,864,385</b>	<b>(7,702,342)</b>	<b>79,120,220</b>
Capital assets being depreciated				
Land improvements	25,377,577	5,959,178		31,336,755
Buildings and improvements	45,683,550	2,295,077		47,978,627
Furniture and equipment	8,329,549	214,058		8,543,607
<b>Total capital assets being depreciated</b>	<b>79,390,676</b>	<b>8,468,313</b>		<b>87,858,989</b>
Less accumulated depreciation	(9,519,669)	(2,493,980)		(12,013,649)
<b>Total capital assets being depreciated, net</b>	<b>69,871,007</b>	<b>5,974,333</b>		<b>75,845,340</b>
<b>Total capital assets, net</b>	<b>\$ 130,829,184</b>	<b>\$ 31,838,718</b>	<b>\$ (7,702,342)</b>	<b>\$ 154,965,560</b>

Certain accounts from 2011 have been reclassified to conform with the 2012 presentation

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**5 CAPITAL ASSETS (Continued):**

Capital asset activity for the Airport Corporation for the year ended June 30, 2012, is as follows

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 39,122,390			\$ 39,122,390
Construction in progress	6,155,252	\$ 19,446,482	\$ (19,416,291)	6,185,443
Total capital assets not being depreciated	45,277,642	19,446,482	(19,416,291)	45,307,833
Capital assets being depreciated				
Assets leased from the State	30,608,849			30,608,849
Leasehold improvements	630,526,056	14,163,945		644,690,001
Machinery and equipment	42,838,691	4,013,130	(28,214)	46,823,607
Vehicles	1,836,906			1,836,906
Total capital assets being depreciated	705,810,502	18,177,075	(28,214)	723,959,363
Less accumulated depreciation	(218,069,691)	(24,442,614)	27,576	(242,484,729)
Total capital assets being depreciated, net	487,740,811	(6,265,539)	(638)	481,474,634
Total capital assets, net	\$ 533,018,453	\$ 13,180,943	\$ (19,416,929)	\$ 526,782,467

Accumulated amortization on assets under capital lease for the Airport Corporation amounts to \$6,345,675 at June 30, 2012.

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 \$13,060,000.

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, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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 .....	2,560,035	1,828,449
2018 – 2022 .....	13,775,904	5,702,452
2023 - 2027 .....	<u>7,808,360</u>	<u>1,681,139</u>
	32,589,054	<u>\$18,315,264</u>
Less: current portion of long-term debt.....	1,871,621 (1)	
Net long-term portion of bonds payable.....	<u>\$30,717,433</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, 2012, job rent credits issued by RIEDC totaled \$2,828,776.

(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 \$1,913,159 includes \$1,871,621 of current portion of long-term debt and \$41,538 of other current liabilities payable from restricted assets.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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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.

***Quonset Development Corporation***

The Corporation entered into an agreement with WDIC, LLC for the purchase of approximately 41.5 acres of land. The commencement date of the note was December 29, 2010, with monthly payments of \$24,952 including interest at a rate of 5% per annum of the unpaid principal balance until June 27, 2016.

The Corporation entered into a lease agreement with EBA, LLC for the rental of land and a building. The commencement date of the lease agreement was January 19, 2012, with monthly payments of \$12,721 including interest at a rate of 10% per annum of the unpaid principal balance until December 19, 2021.

The Corporation entered into a promissory note with Marrinan Realty Two, LLC for the purchase of land. The commencement date of the note was April 17, 2012, with quarterly payments of approximately \$26,000 including interest at a rate of .25% per quarter of the unpaid principal balance until July 17, 2013.

The Corporation entered into a capital lease for the purchase of a new truck. The commencement date of this note was May 22, 2012, with monthly payments, starting July 6, 2012, of \$460 including interest at a rate of 6.49% per annum of the unpaid principal balance until June 6, 2017.

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**Airport Corporation Long-term Debt**

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

Description	Date of Maturity	Interest Rate	Principal 2012
1994 Series A bonds	7/1/2014	5.25% to 7%	\$ 3,345,000
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%	11,570,000
2004 Series A bonds	7/1/2024	2% to 5%	48,900,000
2005 Series A, B and C bonds	7/1/2030	3% to 5%	109,890,000
2006 First lien special facility bonds	7/1/2036	4% to 5%	48,195,000
2008 Series A, B and C bonds	7/1/2038	3.5% to 5.25%	46,825,000
<b>Total principal outstanding</b>			<b>300,785,000</b>
Add: unamortized bond premium, net .....			251,315
Revenue and Special Facility Bonds payable, less unamortized discount, net			301,036,315
State of Rhode Island payable (2) .....			5,225,000
Obligations under capital leases (3) .....			63,397
TIFIA loan .....			40,058,775
Note payable (4) .....			350,212
Total .....			346,733,699
Less: current portion .....			10,990,819
<b>TOTAL .....</b>			<b>\$335,742,880</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, 2012, the amounts owed were approximately \$5,225,000.

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 \$159,000. 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, 2012 the amount owed was approximately \$350,000.

Aggregate scheduled principal and interest payments due on the Airport Corporation's long-term debt at June 30, 2012, excluding obligations under capital leases, and secured TIFIA loan are as follows:

Year Ending June 30,	RIAC - P Principal	RIAC - I Interest	Total
2013	\$ 10,927,422	\$ 14,699,390	\$ 25,626,812
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	13,355,000	12,528,550	25,883,550
2018-2022	80,775,000	51,703,696	132,478,696
2023-2027	80,920,000	30,822,230	111,742,230
2028-2032	49,695,000	13,173,506	62,868,506
2033-2037	25,780,000	4,245,113	30,025,113
2038-2042	4,090,000	420,050	4,510,050
Total	<u>\$ 306,360,212</u>	<u>\$ 169,013,774</u>	<u>\$ 475,373,986</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>
2013 .....	\$64,700
Total .....	64,700
Less: amount representing interest.....	<u>1,303</u>
Present value of minimum lease payments.....	<u>\$63,397</u>

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

Changes in long-term debt, net of unamortized bond premium, for the year ended June 30, 2012 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due within One year</u>
RIEDC					
Revenue bonds .....	\$ 34,319,091	\$ -	\$ (1,730,037)	\$ 32,589,054	\$ 1,871,621
<b>Total long-term liabilities .....</b>	<b>\$ 34,319,091</b>	<b>\$ -</b>	<b>\$ (1,730,037)</b>	<b>\$ 32,589,054</b>	<b>\$ 1,871,621</b>
Airport Corporation:					
Revenue bonds .....	\$ 309,904,655	\$ -	\$ (8,868,340)	\$ 301,036,315	\$ 10,830,000
State of Rhode Island payable .....	6,790,000		(1,565,000)	5,225,000	
Note payable .....	443,680		(93,468)	350,212	97,422
TIFIA loan .....	23,837,950	16,220,825		40,058,775	
Obligations under capital leases .....	377,673		(314,276)	63,397	63,397
<b>Total long-term liabilities .....</b>	<b>\$341,353,958</b>	<b>\$16,220,825</b>	<b>\$(10,841,084)</b>	<b>\$346,733,699</b>	<b>\$10,990,819</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 (TIFIA) 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 2013. The Rhode Island Airport Corporation began making payments of interest in fiscal year 2012, with interest at a rate of 5.26%. Payments are made on behalf of the RIEDC (the borrower per the Agreement) and debt service payments commenced in fiscal year 2012 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2012, the Airport Corporation had approximately \$40,059,000 in borrowings under this agreement.

**7. STATE APPROPRIATIONS AND BOND PROCEEDS**

During the year ended June 30, 2012, RIEDC, and QDC received the following appropriations and bond proceeds from the State:

Budget .....	\$ 3,951,214
Legislative .....	760,597
Slater .....	2,000,000
Public Investment Payment (Note 10) .....	3,560,000
Job rent credits (Note 6) .....	2,828,776
RI Airport Impact Aid .....	1,007,630
Science and Technology Advisory Council .....	1,500,000
America's Cup .....	385,000
Welcome center funding .....	100,000
State general obligation bond proceeds, construction .....	<u>4,467,892</u>
Total received .....	20,561,109
Less: deferred at June 30, 2012 .....	(82,759)
Add: deferred at June 30, 2011 .....	181,331
<b>State Appropriations and Bond Proceeds .....</b>	<b><u>\$20,659,681</u></b>

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

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 and net pension obligation were as follows:

Annual required contribution.....	\$ 123,947
Interest on net pension obligation.....	114,782
Adjustment to annual required contribution.....	<u>(231,374)</u>
Annual pension cost .....	7,355
Contributions made.....	<u>(125,000)</u>
Decrease in net pension obligation .....	(117,645)
Net pension obligation, beginning of year .....	<u>1,765,878</u>
Net pension obligation, end of year .....	<u>\$1,648,233</u>

The net pension obligation at June 30, 2012 and the annual pension cost for the year ended June 30, 2012 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, 2012 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

<u>Fiscal year</u> <u>Ended</u> <u>June 30,</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2012	\$7,355	\$125,000	1700.0%	\$1,648,233
2011	\$193,850	\$300,000	155.0%	\$1,765,878
2010	\$339,884	\$520,000	153.0%	\$1,872,028

(CONTINUED)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**8. PENSION PLANS (Continued)**

***Funding Progress***

As of the latest actuarial valuation date (July 1, 2012), actuarial value of assets in the RIEDC plan was \$14,895,987 and actuarial accrued liability was \$14,943,184 for a total actuarial liability of \$47,197. Annual covered payroll was \$3,026,453. The actuarial liability is (1.6%) 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 Rhode Island Economic Development Corporation (EDC) and Quonset Development Corporation (QDC) hired on or after 1/01/06 participate in the EDC and QDC Retirement and Savings Plan (401a) (a discretionary contribution plan), respectively. The Plan provides for the Corporation's to make discretionary matching and/or additional contributions as approved by the Board of Directors. For fiscal year ended June 30, 2012 the Corporation's contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the EDC and the QDC Deferred Compensation Plans (457). The contributions for fiscal year ended June 30, 2012 were \$98,775 and 39,448, respectively.

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 a cost-sharing multiple-employer defined benefit pension plan administered by the State of Rhode Island Employees' Retirement System (ERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments (COLAs), and death benefits to plan members and beneficiaries. The level of benefits provided to state employees is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. The number of Airport Corporation employees covered by the Plan throughout the year averaged eleven. The Airport Corporation's total payroll was approximately \$11,556,000, of which \$794,000 was covered under the Plan. The ERS issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained by writing to the Employees' Retirement System of Rhode Island, 50 Service Avenue, Warwick, RI 02886.

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**8. PENSION PLANS (Continued)**

***Funding Policy***

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the Plan. The Airport Corporation employees are required to contribute 8.75% of their annual covered salary. The Airport Corporation is required to contribute at an actuarially determined rate; the rate was 22.98% of annual covered payroll for the fiscal year ended June 30, 2012.

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>
2012 .....	\$182,393	100%
2011 .....	\$174,735	100%
2010 .....	\$212,176	100%

***Pension Reform Impacting Future Periods:***

In November 2011, the Rhode Island General Assembly enacted comprehensive pension reform legislation which included implementing a supplemental defined contribution plan and other benefit and eligibility changes including suspending COLAs. The above changes and other provisions of the reform enacted are effective July 1, 2012.

***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 140. The Airport Corporation's total payroll was approximately \$11,556,000, of which \$9,777,000 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, 2012 were approximately \$600,000 by the employer and \$587,000 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.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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 has been established to accumulate assets and pay benefits and other costs associated with the system.

The OPEB system issues a stand-alone, publically available financial report that includes the financial statements and required supplementary information. A copy of the report can be obtained from the State Controller's Office, 1 Capitol Hill, Providence, RI 02903.

***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.

All participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 2012 was 6.86% 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, 2012 was approximately \$6,400 and \$54,000, respectively, and for the year ended June 30, 2011 was approximately \$88,769 and \$57,000, respectively, which represent 100% of the ARC.

(CONTINUED)

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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, 2012, 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.

***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.

(CONTINUED)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

***Litigation (Continued)***

In connection with these matters, the Airport Corporation has recorded estimated liabilities for claims, judgments and other settlements totaling \$276,500 as of June 30, 2012. This amount is included in liabilities for claims, judgments and other settlements in the accompanying statements of net assets.

As of June 30, 2012, the Corporation has been named, along with other parties, in a pending lawsuit for negligence. The Corporation is unable to determine the likely outcome and potential liability due as a result of the lawsuit as of June 30, 2012. As a result no liability has been recorded in the financial statements.

***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, 2012 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, 2012, the balance outstanding is \$696,557.

***Capital Improvements***

At June 30, 2012, QDC was obligated for the completion of certain construction contracts under commitments totaling approximately \$7,237,608, which are expected to be funded from the receipt of Federal Grant proceeds of \$5,391,764, the receipt of State Bond proceeds of \$651,488, and cash and cash equivalents of \$1,194,356.

At June 30, 2012, the Airport Corporation was obligated for completion of certain airport improvements under commitments of approximately \$3,485,000 which are expected to be funded from current available resources and future operations. As of June 30, 2012, the Airport Corporation was also obligated for the completion of certain projects related to the InterLink of approximately \$7,270,000.

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 was approximately \$988,000,000.

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.

On November 2, 2010 a loan in the amount of \$75 million was provided to 38 Studios LLC (38 Studios) under the Job Creation Guarantee Program (JCGP) as follows:

Capital Reserve Account held by trustee	\$12,750,000
Capitalized Interest Account held by trustee	10,600,000
Amount available for the 38 Studios Project and bond issuance costs	<u>51,650,000</u>
Total	<u>\$75,000,000</u>

Under this program, the State used its "moral obligation" authority to guarantee debt service payments to the bondholders.

This is a conduit debt transaction, and RIEDC is not obligated, in any manner, for the repayment of this loan. Accordingly, this loan is not reported as a liability in the accompanying financial statements.

On June 7, 2012, 38 Studios filed for bankruptcy under Chapter 7 in Delaware listing \$151 million in liabilities and \$21.7 million in assets. On August 8, 2012 a federal judge allowed the assets to be liquidated through the state court in Rhode Island. As of June 30, 2012, the Capitalized Interest Account was estimated to be \$2.65 million, the Capital Reserve Account was estimated to be \$12.75 million, and all project funds have been completely expended. Funds are available from the Capitalized Interest Account and the Capitalized Reserve Account to pay the debt service payments due to the bondholders in November of 2012 and May of 2013. The amount, if any, that may be realized from the liquidation of assets to be used to pay debt service is not presently determinable.

In accordance with the enabling legislation and an agreement between the Economic Development Corporation, the trustee, and 38 Studios, should amounts in the Capital Reserve Fund fall below minimum requirements, the Economic Development Corporation has agreed to present the Governor with a certificate stating the amounts required to restore any shortfall and the Governor is required to include such amounts in a budget request for appropriation to the General Assembly. The General Assembly may, but is not required to, appropriate such amounts.

The total aggregate principal amount outstanding under all conduit debt obligations at June 30, 2012 was approximately \$1,063,000,000.

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2013 .....	\$ 7,049,849
2014 .....	7,034,622
2015 .....	7,008,291
2016 .....	6,326,965
2017 .....	6,234,467
Thereafter.....	<u>163,949,596</u>
Total .....	<u>\$197,603,790</u>

The above amounts do not include contingent rentals since QDC is unable to estimate the amount of contingent rentals for future periods. The cost of property held for lease consists primarily of land approximating \$13,300,000.

Minimum future contractual rental payments to be received by the Airport Corporation under non-cancelable operating leases as of June 30, 2012 are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2013 .....	\$ 3,527,283
2014 .....	3,029,847
2015 .....	3,022,643
2016 .....	3,071,392
2017 .....	3,204,480
2018 – 2021 .....	<u>7,838,645</u>
Total .....	<u>\$23,694,290</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, 2012**

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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 \$49,702 as of June 30, 2012, and are included in accounts receivable 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, 2012, were approximately \$135,305,000. 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 July 1, 2011 the CFC is \$5.50. 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)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**13. CONTRACTUAL SERVICES**

Contractual services by service category for RIEDC, QDC and SBLF for the year ended June 30, 2012 are as follows:

SERVICE CATEGORY	PRIMARY REPORTING ENTITY			COMPONENT UNITS		
	<u>Economic Development Corporation</u>	<u>Renewable Energy Fund</u>	<u>TOTAL</u>	<u>Quonset Development Corporation</u>	<u>Small Business Loan Fund Corporation</u>	<u>I-195 Redevelopment District Commission</u>
Information Technology	\$ 176,116		\$ 176,116	\$ 75,874	\$ 188	
Legal	314,614	\$ 54,449	369,063	198,778	100,090	
Engineering			-	27,139		
Public Relations	252,932		252,932	120,896		
RI Export Assistance Center	100,000		100,000			
Tourism/Americas Cup	49,525		49,525			
Other	246	2,044	2,290	91,079	12,037	\$ 165,854
	<u>\$ 893,433</u>	<u>\$ 56,493</u>	<u>\$ 949,926</u>	<u>\$ 513,766</u>	<u>\$ 112,315</u>	<u>\$ 165,854</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 \$5,977,808 for fiscal year 2012. 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>2012</u>
Facility revenues	\$ 7,636,442
Operating and maintenance expense	<u>(1,123,089)</u>
<b>InterLink net income</b>	<b>6,513,353</b>
Depreciation and amortization expense	<u>(4,357,423)</u>
<b>Net income after depreciation and amortization</b>	<b>2,155,930</b>
Interest expense	(4,399,988)
Interest income	<u>9,959</u>
<b>Net income InterLink Facility</b>	<b><u>\$ (2,234,099)</u></b>

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**15. SUBSEQUENT EVENT**

Subsequent to June 30, 2012, the Office of Energy Resources (OER) requested the return of \$2,500,000. The OER had a program monitoring visit from the Department of Energy (DOE) in November 2011 and has received the monitoring report. One of the DOE's major concern was the Revolving Loan Fund under the Rhode Island Economic Development Corporation's Management. Over the course of the last several months the OER has requested a Period Performance Modification to September 30, 2013. DOE has approved this request and it was decided to return the Revolving Loan Funds back to OER. The funds were paid to the Rhode Island Economic Development Corporation on September 30, 2010 for the Capitalization of the RI Business Energy Efficiency Revolving Fund. These funds were returned to the OER in July of 2012, and are reported in deferred revenue.

Subsequent to June 30, 2012, the Quonset Development Corporation has entered into loan agreements to borrow \$7,500,000 to support the Davisville Dredging project.

Subsequent to June 30, 2012, the Quonset Development Corporation has entered into a contractual agreement of \$1,200,000 for captial projects in progress.

(CONCLUDED)

***SUPPLEMENTARY INFORMATION***

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

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

**Schedule of funding progress**

**JUNE 30, 2012**

**Required supplementary information**

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

<u>Actuarial Valuation 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>
7/1/2010	\$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%
7/1/2012	\$14,895,987	\$14,943,184	(\$47,197)	99.68%	\$3,026,453	-1.56%

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, 2012**

**Supplementary information**

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$	54,532,345
Accounts receivable		7,654,387
Receivables allowance		(684,174)
Restricted:		
Cash and cash equivalents		34,650,832
Due from State of Rhode Island		4,959,370
Investments		12,413,358
Other assets		3,783,251
Due from primary government		1,604,634
Due from other government		2,925,765
Other assets		2,102,143
<b>Total current assets</b>		<b>123,941,911</b>

**Noncurrent assets**

Receivables		20,930,909
Receivables allowance		(14,000,000)
Due from other component units		696,557
Restricted assets		
Cash and cash equivalents		44,045,007
Investments		9,822,086
Other assets		29,268,467
Capital assets - nondepreciable		124,556,815
Capital assets - depreciable (net)		557,374,779
Other assets, net of amortization		4,829,772
<b>Total noncurrent assets</b>		<b>777,524,392</b>

**TOTAL ASSETS**

**901,466,303**

**LIABILITIES**

**Current liabilities:**

Accounts payable		18,346,209
Deferred revenue		14,535,930
Other liabilities		9,187,771
Current portion of long-term debt		13,321,276
<b>Total current liabilities</b>		<b>55,391,186</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, 2012**

***Supplementary information***

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**LIABILITIES (CONTINUED)**

***Noncurrent liabilities***

Deferred revenue	1,204,989
Bonds payable	320,923,748
Loans payable	40,058,775
Notes payable	1,819,637
Due to primary government	5,225,000
Net pension obligations	1,648,233
Other liabilities	3,095,676
<b><i>Total noncurrent liabilities</i></b>	<b><u>373,976,058</u></b>

**TOTAL LIABILITIES**

**429,367,244**

**NET ASSETS**

Invested in capital assets, net of related debt	354,989,019
Restricted, other	54,216,042
Unrestricted	62,893,998
<b>TOTAL NET ASSETS</b>	<b><u>\$ 472,099,059</u></b>

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, 2012**

**Supplementary information**

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<b>Operating revenues</b>	
Charges for services	\$ 60,287,090
Interest income on loans	633,091
Other operating income	<u>3,251,749</u>
<b>Total operating revenues</b>	<u>64,171,930</u>
<b>Operating expenses</b>	
Personnel services	22,755,174
Supplies, materials and services	14,468,412
Grants, scholarships and contract programs	1,059,474
Depreciation, depletion and amortization	22,381,380
Other operating expenses	<u>5,219,860</u>
<b>Total operating expenses</b>	<u>65,884,300</u>
<b>Operating loss</b>	(1,712,370)
<b>Nonoperating revenues (expenses)</b>	
Interest revenues	2,970,247
Grants	5,706,868
Payments from primary government	16,191,789
Interest expense	(15,792,400)
Other non-operating revenues (expenses)	<u>(10,696,101)</u>
<b>Total nonoperating revenues</b>	<u>(1,619,597)</u>
<b>Income before capital contributions and transfers</b>	<u>(3,331,967)</u>
<b>Capital contributions</b>	<u>26,703,770</u>
<b>Transfers</b>	<u>257,255</u>
<b>Change in net assets</b>	23,629,058
<b>Total net assets, beginning of year</b>	<u>448,470,001</u>
<b>Total net assets, end of year</b>	<u>\$ 472,099,059</u>

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, 2012**

**Supplementary Information**  
**BONDS**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
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	15,810,035	14,333,537
2018-2022	94,205,904	57,361,358
2023-2027	88,683,360	32,500,875
2028-2032	49,695,000	13,173,506
2033-2037	25,780,000	4,245,113
2038-2042	4,090,000	420,050
<b>Total</b>	<b>\$ 333,374,054</b>	<b>\$ 186,743,684</b>

**NOTES PAYABLE**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 556,258	\$ 145,277
2014	503,921	119,404
2015	505,213	92,096
2016	161,384	69,617
2017	97,765	60,408
2018-2022	551,354	136,055
<b>Total</b>	<b>\$ 2,375,895</b>	<b>\$ 622,857</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, 2012

**Supplementary Information**

**Rhode Island Economic Development Corporation**  
**Quonset 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	\$ 16,709,732		\$ (1,123,745)	\$ 15,585,987	\$ 1,222,383	\$ 14,363,604
FMR Rhode Island, Series 2002	8,954,359		(311,292)	8,643,067	334,238	8,308,829
Bank of America, Series 1997	8,655,000		(295,000)	8,360,000	315,000	8,045,000
<b>Total Bonds payable:</b>	<b>34,319,091</b>		<b>(1,730,037)</b>	<b>32,589,054</b>	<b>1,871,621</b>	<b>30,717,433</b>
<b>Other liabilities</b>						
Notes Payable	1,322,240	\$ 1,116,133	(412,690)	2,025,683	458,836	1,566,847
Compensated absences	218,233	182,120	(242,849)	157,504	157,504	
Deferred revenue	8,765,270	6,975,649		15,740,919	14,535,930	1,204,989
Included in other liabilities:						
Items not listed above	11,002,972	2,771,204		13,774,176	9,030,267	4,743,909
<b>Total other liabilities</b>	<b>21,308,715</b>	<b>11,045,106</b>	<b>(655,539)</b>	<b>31,698,282</b>	<b>24,182,537</b>	<b>7,515,745</b>
<b>Total long-term debt</b>	<b>\$ 55,627,806</b>	<b>\$ 11,045,106</b>	<b>\$ (2,385,576)</b>	<b>\$ 64,287,336</b>	<b>\$ 26,054,158</b>	<b>\$ 38,233,178</b>

**Rhode Island Airport Corporation**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
<b>Bonds payable</b>						
Original issue discounts	\$ 309,710,000		\$ (8,925,000)	\$ 300,785,000	\$ 10,830,000	\$ 289,955,000
Original issue premiums	(189,568)		11,151	(178,417)		(178,417)
Deferred amount on refunding	7,536,030		(616,671)	6,919,359		6,919,359
	(7,151,807)		662,180	(6,489,627)		(6,489,627)
<b>Bonds payable:</b>	<b>309,904,655</b>		<b>(8,868,340)</b>	<b>301,036,315</b>	<b>10,830,000</b>	<b>290,206,315</b>
Due to Primary Government	6,790,000		(1,565,000)	5,225,000		5,225,000
Notes Payable	443,680		(93,468)	350,212	97,422	252,790
Obligations under capital leases	377,673		(314,276)	63,397	63,397	-
Net OPEB obligation						
Included in other liabilities:						
Items not listed above	23,837,950	16,220,825		40,058,775		40,058,775
<b>Other liabilities:</b>	<b>31,449,303</b>	<b>16,220,825</b>	<b>(1,972,744)</b>	<b>45,697,384</b>	<b>160,819</b>	<b>45,536,565</b>
	<b>\$ 341,353,958</b>	<b>\$ 16,220,825</b>	<b>\$ (10,841,084)</b>	<b>\$ 346,733,699</b>	<b>\$ 10,990,819</b>	<b>\$ 335,742,880</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, 2012, and our report thereon dated October 22, 2012, 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.

*Braver PC*

Providence, Rhode Island  
October 22, 2012

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

**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
5/10/2012	Adam Quinlan	\$ 787	NADO EDFS Conference in Burlington, VT
6/21/2012	Alisson Walsh	430	Vermont Broadband Conference in Burlington, VT
11/10/2011	Christine Smith	569	SSTI Conference in Columbus, OH
9/1/2011	Christopher Cannata	147	Oklahoma Univ. Economic Devel. Course in Meriden, CT
2/16/2012	Jayne Panarello	1,046	RSAA Conference in New Orleans, LA
3/31/2012	Jayne Panarello	824	Discover New England Meeting in Boston, MA
5/2/2012	Jayne Panarello	2,167	Pow Wow Conference in Los Angeles, CA
8/25/2011	John Riendeau	163	Oklahoma Univ. Economic Devel. Course in Meriden, CT
9/1/2011	John Riendeau	167	Israel Economic Mission to New York, NY
11/3/2011	John Riendeau	439	NEDA Annual Conference in Burlington, VT
5/8/2012	John Riendeau	1,905	CoreNet Global Summit in San Diego, CA
12/1/2011	Judy Chong	1,092	America's Cup Fact Finding Trip to San Diego, CA
12/7/2011	Julian Dash	1,550	Quebec Government/Hydro-Quebec Visit to Montreal, Canada
12/15/2011	Katrina White	1,304	National Tour Association in Las Vegas, NV
1/31/2012	Katrina White	1,651	ABA Marketplace 2011 in Grapevine, TX
2/16/2012	Katrina White	1,361	Education Travel Conference in Orlando, FL
12/22/2011	Keith Stokes	1,430	America's Cup Fact Finding Trip to San Diego, CA
12/22/2011	Keith Stokes	186	Pittsburgh Medical Center Tour in Pittsburgh, PA
3/15/2012	Keith Stokes	443	America's Cup Meeting in New York City, NY
9/8/2011	Mark Brodeur	1,395	ESTO Conference in Salt Lake City, UT
11/10/2011	Mark Brodeur	339	NY Media Appointments in New York City, NY
11/10/2011	Mark Brodeur	1,268	Travel Marketing Outlook Forum in Ft. Worth, TX
12/15/2011	Mark Brodeur	377	New York Media Trip to New York City, NY
3/8/2012	Mark Brodeur	388	New York Media Trip to New York City, NY
5/2/2012	Mark Brodeur	753	Discover New England Meeting in Boston, MA
8/23/2012	Mark Brodeur	465	Mommy Bloggers Conf. in New York City, NY
12/1/2011	Paul Harden	1,554	America's Cup Fact Finding Trip to San Diego, CA
9/1/2011	Sean Esten	1,068	NADO Fin. Services Training Conference in Washington, DC
10/19/2011	Sean Esten	2,758	NADO Fin. Services Training Conference in Miami, FL
5/2/2012	Sean Esten	1,473	NADO EDFS Conference in Burlington, VT
3/29/2012	Shane White	1,248	NSGIC Conference in Annapolis, MD
6/7/2012	Stuart Freiman	1,769	NTIA/SHLB Conference in Arlington, VA
8/23/2012	Stuart Freiman	1,071	National Governor's Assoc. Forum in Leesburg, VA
		<u>\$ 33,587</u>	

SEE INDEPENDENT AUDITOR'S REPORT

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

**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

Quonset Development Corporation

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
6/30/2012	Airport Allocation	\$ (182)	
8/17/2011	American Association of Ports	1,400	2011 AAPA Convention
11/21/2011	Antonio Ambrosio	700	NEARC Conference
6/5/2012	Atlantic State	130	2012 Membership renewal - water
6/5/2012	Atlantic State	195	2012 Membership renewal - other
4/24/2012	Brian Smith	2	Security Audit - Newport Bridge Toll
2/16/2012	Connect - NE Trade and Transportation Expo	569	NE Trade & Transport registration
4/5/2012	Connect - NE Trade and Transportation Expo	938	NE Trade & Transport Conference
7/27/2011	Daves Market	43	Main Street Mtg
9/1/2011	Daves Market	14	MARAD Lunch
8/18/2011	Evan Matthews	498	Airfare Seattle WA - AAPA Annual Meeting
8/29/2011	Evan Matthews	948	Hotel Seattle WA - AAPA Annual Meeting
10/5/2011	Evan Matthews	295	Connect NE Cargo Symposium - conference cost
11/2/2011	Evan Matthews	363	NAPA Traffic Board - NY, NY air/parking
11/7/2011	Evan Matthews	213	Airfare - Washington DC
11/25/2011	Evan Matthews	203	Airfare - Washington DC
12/5/2011	Evan Matthews	479	Connect Meeting - DC
12/8/2011	Evan Matthews	187	Connect Meeting - DC
1/17/2012	Evan Matthews	346	US Airway - DC Conference
1/27/2012	Evan Matthews	181	Eimskip Dinner Mtg
2/1/2012	Evan Matthews	392	Eimskip Meetings / MTSNAC Mtg
2/10/2012	Evan Matthews	316	Hotel - Conect Meeting - Newport
3/29/2012	Evan Matthews	110	Boston Seafood Show / Eimskip Site Visit
5/8/2012	Evan Matthews	140	Connect Event, URI Supply Chain Event
6/1/2012	Evan Matthews	352	North American Port Authority Conference,
6/27/2012	Evan Matthews	90	NAPA Mtg - New Bedford, MA / Eimskip Mtg
5/2/2012	Grow Smart	40	Conference Registration
3/22/2012	Katherine Trapani	25	New England Railroad Club Expo Registration fee
3/29/2012	Katherine Trapani	19	Rail Forum and Expo, Worcester MA
4/23/2012	Katherine Trapani	354	Airfare - Maritime Conf DC
4/23/2012	Katherine Trapani	575	Registration and Tour fees Maritime Conf DC
5/1/2012	Katherine Trapani	235	Washington DC
5/18/2012	Katherine Trapani	113	Marine Hwy Conf Linthicum, MD and Grow Smart RI
10/5/2011	NE Chapter of International Erosion	20	Workshop Registration
5/23/2012	NE Water Envir. Association	300	Meeting Registration
10/18/2011	NK Chamber of Commerce	250	Corporate Sponsorship
4/10/2012	NK Chamber of Commerce	50	Annual Meeting
9/7/2011	Norine Courtemanche	4	Petty Cash - Meeting Office Inspector General Audit
4/10/2012	Norine Courtemanche	8	Petty Cash - Pier - Newport Bridge fare for USCG Mtg
5/8/2012	Norine Courtemanche	4	Petty Cash - Maintenance Dept - Newport Bridge fare for America's Cup
5/30/2012	Norine Courtemanche	10	Petty Cash - Steve King RI Convention Center parking
4/18/2012	North American Rail Shippers Association	195	Conference
11/4/2011	North Atlantic Ports Association	200	Semi - Annual Meeting Reg fee
9/21/2011	Northeast ARC Users Group	275	Conference Registration
8/17/2012	Pickles	150	Salazar Luncheon
9/1/2011	Pickles	112	ER Plan Meeting Luncheon
6/4/2012	Pickles	181	Connect Event Luncheon
4/16/2012	Propeller Club	35	Meeting Registration
4/16/2012	Propeller Club	35	Meeting Registration
8/8/2012	Providence Engineering Society	45	Providence Society of Engineers annual meeting
11/18/2011	Pryor Resources	99	Training
2/1/2012	Pryor Resources	299	Training
2/22/2012	Seafreeze	1,174	Reimburse Iceland Trip
6/20/2012	Steven King	50	Lunch - Washington Trust Mtg - Bond Issue
7/29/2011	URI Cooperative Extension	170	Training - Onsite Wastewater
5/16/2012	URI Transportation Center	100	Annual Breakfast x 4
		<u>\$ 14,049</u>	

SEE INDEPENDENT AUDITOR'S REPORT

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

**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

Rhode Island Airport Corporation

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
7/18/11 to 7/21/11	S Cahill	\$ 1,071	Transportation Security Clearinghouse Workshop & AAAE Access Control Conference
8/13/11 to 8/17/11	A Silveira	947	NEC AAAE 53rd Annual Conference
8/13/11 to 8/17/11	S Traficante	1,134	NEC AAAE 53rd Annual Conference
8/13/11 to 8/17/11	L Luciano	385	NEC AAAE 53rd Annual Conference
8/13/11 to 8/17/11	K Dillon	825	NEC AAAE 53rd Annual Conference
8/22/11 to 8/23/11	P Goldstein	525	Airline Visit
8/22/11 to 8/23/11	K Dillon	716	Airline Visit
8/24/11 to 8/27/11	R Lafond	673	Police Canine Training
8/25/11	Various	1,602	Airline Visit
8/28/11 to 8/30/11	K Dillon	444	2011 International Aviation Summit
9/17/11 to 9/19/11	K Dillon	1,034	2011 National Airports Conference
9/26/11 to 9/30/11	L Messier	1,097	ALEAN Fall Conference
9/27/11 to 9/30/11	R Simoes	371	Crouse Hinds Airfield School
9/27/11	Various	655	Aviation Expo
10/11/11 to 10/12/11	K Dillon	1,223	Airline Visit
10/11/11 to 10/12/11	P Goldstein	650	Airline Visit
10/11/11 to 10/13/11	D Betters	986	NBAA National Conference
10/11/11 to 10/13/11	P King	582	NBAA National Conference
10/11/11 to 10/13/11	P Walsh	582	NBAA National Conference
10/11/11 to 10/13/11	D Smith	670	NBAA National Conference
10/24/11 to 10/27/11	A Clark	777	5th Annual Air Scene Workshop
11/29/11 to 11/30/11	K Dillon	733	Diversion Forum
1/16/12	K Dillon	343	Airline Visit
1/16/12	T Pimental	335	Airline Visit
1/26/12	Various	750	Greater Providence Chamber of Commerce Legislative Luncheon
2/4/12	Various	350	Rhode Island Aviation Hall of Fame Dinner
2/26/12 to 2/29/12	J Warcup	1,197	Bell Helicopter Training
2/28/12 to 3/2/12	A Shihadeh	1,021	ACC/AAAE Airport Planning Design & Construction Symposium
3/12/12 to 3/15/12	L Messier	1,261	ALEAN Spring Conference
3/4/12 to 3/7/12	P Goldstein	813	Network 2012 Conference
3/4/12 to 3/7/12	T Pimental	723	Network 2012 Conference
3/5/12 to 3/8/12	J Ottaviano	1,472	Omnicast Training
3/8/12 to 3/9/12	C Hall	330	VIP Protective Services
3/8/12 to 3/9/12	D Shinsky	330	VIP Protective Services
3/8/12 to 3/9/12	S Cahill	330	VIP Protective Services
3/8/12 to 3/9/12	M Mefford	329	VIP Protective Services
3/14/12	Various	484	Airline Visit
4/15/12 to 4/19/12	R Stella	749	Aviation Snow Symposium
4/15/12 to 6/24/12	R Rotondo	3,456	TSA Explosive Detection Canine Training
4/2/12 to 4/4/12	E Seabury	727	35th Annual Airports Conference
4/5/12	Various	1,000	Providence Business News CFO Awards Dinner
4/24/12 to 4/27/12	K Dillon	1,245	Airport Cities World Conference & Exhibition
4/25/12 to 4/28/12	P Frazier	1,980	Airport Cities World Conference & Exhibition
4/27/12	Various	479	Airport Emergency Plan Table Top Exercise
5/21/12 to 6/30/12	J Diniz	239	TSA Explosive Detection Canine Training
5/23/12 to 5/24/12	G Brolin	899	ACI-NA Airport Deicing Management Conference
5/31/12 to 6/1/12	D Lucas	231	Business Aviation Professionals of New England Conference & Tournament
5/31/12 to 6/1/12	P King	206	NBAA Regional Conference
5/31/12 to 6/1/12	S Landry	206	NBAA Regional Conference
5/31/12 to 6/1/12	D Lucas	349	NBAA Regional Conference
6/4/12 to 6/7/12	P Goldstein	641	ACI Conference & Jumpstart
6/4/12 to 6/7/12	T Pimental	1,408	ACI Conference & Jumpstart
6/5/12 to 6/8/12	J Ottaviano	999	Airport Law Enforcement Training
6/10/12 to 6/14/12	C Mitchell	1,184	ACE Operations Review Course
7/1/11 to 6/30/12	Various	2,969	Various Employee Trips to Block Island
7/1/11 to 6/30/12	Various	3,986	Employee Meetings and Functions
7/1/11 to 6/30/12	Various	4,332	Mileage, Parking, Tolls, & Gas Reimbursement
7/1/11 to 6/30/12	Various	2,440	Snow Meals
7/1/11 to 6/30/12	Various	1,857	Various Meeting Expenses
7/1/11 to 6/30/12	Various	3,626	Miscellaneous Amounts under \$200
		<u>\$ 62,958</u>	

SEE INDEPENDENT AUDITOR'S REPORT

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

**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<u>Economic Development Corporation</u>	<u>Renewable Energy Fund</u>	<u>Job Creation Guaranty</u>	<u>ARRA Energy</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,417,055		\$ 942,727		\$ 2,359,782
Accounts receivable, less allowance for uncollectibles	53,453		3,750		57,203
Due from State of Rhode Island	885,000				885,000
Interfund receivable (payable)	132,494	\$ (51,190)	(81,304)		-
Due from State agencies	131,379				131,379
Due from other component units	468,201				468,201
Deposits and prepaid expenses	81,542				81,542
Restricted:					
Cash and cash equivalents	569,073	9,080,809		\$ 2,520,216	12,170,098
Receivables	190,080	48,016			238,096
Net investment in direct financing leases	1,871,621				1,871,621
<b>Total current assets</b>	<b>5,799,898</b>	<b>9,077,635</b>	<b>865,173</b>	<b>2,520,216</b>	<b>18,262,922</b>
<b>Noncurrent assets</b>					
Restricted:					
Cash and cash equivalents	4,730,227		1,072,606		5,802,833
Investments	950,476				950,476
Notes receivable		1,136,006			1,136,006
Net investments in direct financing leases, less current portion	28,132,461				28,132,461
Due from State agencies	696,557				696,557
Capital assets not being depreciated	128,762				128,762
Capital assets being depreciated, net	54,805				54,805
<b>Total noncurrent assets</b>	<b>34,693,288</b>	<b>1,136,006</b>	<b>1,072,606</b>	<b>-</b>	<b>36,901,900</b>
<b>TOTAL ASSETS</b>	<b>40,493,186</b>	<b>10,213,641</b>	<b>1,937,779</b>	<b>2,520,216</b>	<b>55,164,822</b>
<b><u>LIABILITIES</u></b>					
<b>Current liabilities:</b>					
Accounts payable	944,760				944,760
Accrued expenses and other	625,654		278,847		904,501
Payable from restricted assets	1,908,659	4,500			1,913,159
Deferred revenue	529,803	10,172,564	52,500	2,520,295	13,275,162
<b>Total current liabilities</b>	<b>4,008,876</b>	<b>10,177,064</b>	<b>331,347</b>	<b>2,520,295</b>	<b>17,037,582</b>
<b>Noncurrent liabilities</b>					
Liabilities payable from restricted cash and cash equivalents	3,095,676				3,095,676
Net pension obligation	688,430				688,430
Bonds and leases payable, less current portion	30,717,433				30,717,433
Deferred revenue	33,600		949,139		982,739
<b>Total noncurrent liabilities</b>	<b>34,535,139</b>		<b>949,139</b>		<b>35,484,278</b>
<b>TOTAL LIABILITIES</b>	<b>38,544,015</b>	<b>10,177,064</b>	<b>1,280,486</b>	<b>2,520,295</b>	<b>52,521,860</b>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	183,567				183,567
Unrestricted	1,765,604	36,577	657,293	(79)	2,459,395
<b>TOTAL NET ASSETS</b>	<b>\$ 1,949,171</b>	<b>\$ 36,577</b>	<b>\$ 657,293</b>	<b>\$ (79)</b>	<b>\$ 2,642,962</b>

SEE INDEPENDENT AUDITOR'S REPORT

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

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2012**

	<u>Economic Development Corporation</u>	<u>Renewable Energy Fund</u>	<u>Job Creation Guaranty</u>	<u>ARRA Energy</u>	<u>Total</u>
<b>Operating revenues</b>					
Charges for services					
Rentals and fees	\$ 12,000				\$ 12,000
Interest on loans		\$ 10,821			10,821
Other income	-	1,244,838	\$ 377,528	\$ 1,629,383	3,251,749
<b>Total operating revenues</b>	<u>12,000</u>	<u>1,255,659</u>	<u>377,528</u>	<u>1,629,383</u>	<u>3,274,570</u>
<b>Operating expenses</b>					
Personnel services	2,649,589	116,555	169,045	51,470	2,986,659
Contractual services	893,433	56,493			949,926
Grants		1,059,474			1,059,474
Other expenses	887,981	16,984	279,687	1,577,913	2,762,565
Depreciation and amortization	14,710				14,710
<b>Total operating expenses</b>	<u>4,445,713</u>	<u>1,249,506</u>	<u>448,732</u>	<u>1,629,383</u>	<u>7,773,334</u>
<b>Operating Income (loss)</b>	<u>(4,433,713)</u>	<u>6,153</u>	<u>(71,204)</u>	<u>-</u>	<u>(4,498,764)</u>
<b>Nonoperating revenues (expenses)</b>					
Appropriations from State	16,191,789				16,191,789
Investment and other revenue	2,899,115	1,891			2,901,006
Interest expense	(2,660,671)				(2,660,671)
Grant income	1,590,399				1,590,399
Grant expenses	(1,596,394)				(1,596,394)
Public investment payments and job credits	(6,388,776)				(6,388,776)
Other	(5,851,799)				(5,851,799)
<b>Total nonoperating revenues, net</b>	<u>4,183,663</u>	<u>1,891</u>		<u>-</u>	<u>4,185,554</u>
<b>Income (loss) before transfers</b>	<u>(250,050)</u>	<u>8,044</u>	<u>(71,204)</u>	<u>-</u>	<u>(313,210)</u>
<b>Transfers:</b>					
Transfer (to) from Rhode Island Economic Development Corporation	374,901				374,901
Transfer from other State agencies	257,255				257,255
<b>Total transfers</b>	<u>632,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>632,156</u>
<b>Change in net assets</b>	<u>382,106</u>	<u>8,044</u>	<u>(71,204)</u>	<u>-</u>	<u>318,946</u>
<b>Total net assets, beginning of year</b>	<u>1,567,065</u>	<u>28,533</u>	<u>728,497</u>	<u>(79)</u>	<u>2,324,016</u>
<b>Total net assets, end of year</b>	<u>\$ 1,949,171</u>	<u>\$ 36,577</u>	<u>\$ 657,293</u>	<u>\$ (79)</u>	<u>\$ 2,642,962</u>

SEE INDEPENDENT AUDITOR'S REPORT