

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2010**

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

**YEAR ENDED JUNE 30, 2010**  
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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION, (the Corporation) a component unit of the State of Rhode Island and Providence Plantations (State), as of June 30, 2010, 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 \$685,990,522 as of June 30, 2010, and total operating revenues of \$51,655,142 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION as of June 30, 2010, 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.

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.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2010, 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.

The Management's Discussion and Analysis on pages 3-6 and schedule of funding progress on page 44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The Combined Statement of Net Assets on pages 45-46, the Combined Statement of Revenues, Expenses, and Changes in Net Assets on pages 47 and the Combined Schedule of Long-Term Debt on page 48 are not a required part of the basic financial statements but is supplementary information required by the State of Rhode Island. These statements and schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Providence, Rhode Island  
September 30, 2010

## **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, 2010. 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 \$1,686,989 (net assets). Net assets totaling \$1,527,992 are unrestricted and may be used to meet the Corporation's general operating requirements.
- Net assets increased by \$291,034 for the year. The income before capital contributions and transfers increased \$217,908 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. No guarantees were issued for the year ending June 30, 2010.

### **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.

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 2010 fiscal year may result in fluctuations to cash flow in future periods.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Overview of the Financial Statements (Continued)

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 2009 and 2010, is as follows:

#### STATEMENT OF NET ASSETS

	<u>2010</u>	<u>2009</u>	<u>% of Change</u>
Capital assets, net.....	\$158,897	\$ 348,537	-54.4
Current and other assets.....	47,848,636	52,722,546	-9.2
<b>Total assets</b> .....	<u>48,007,533</u>	<u>53,071,083</u>	<u>-9.5</u>
Long-term liabilities .....	38,131,805	39,068,352	-2.4
Other liabilities.....	8,162,296	12,606,777	-35.1
<b>Total liabilities</b> .....	<u>46,294,101</u>	<u>51,675,129</u>	<u>-10.4</u>
<b>Net assets:</b>			
Invested in capital assets.....	158,997	348,537	-54.4
Unrestricted.....	<u>1,554,435</u>	<u>1,047,417</u>	48.4
<b>TOTAL NET ASSETS</b> .....	<u>\$ 1,713,432</u>	<u>\$1,395,954</u>	<u>22.7</u>

The changes in assets and liabilities between fiscal 2009 and 2010 result principally from:

- 1) The transfer of capital assets to component unit Quonset Development Corporation
- 2) The transactions associated with the State's retirement of unused historic tax credit obligations on the Masonic Hotel (See accompanying financial statements – Footnote 3 and 6)
- 3) The scheduled repayment of debt associated with bonds issued by the Corporation on behalf of FMR Corporation (Fidelity) for its facility in Smithfield and Fleet National Bank for its facility in Lincoln (Footnote 6)

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## Financial Analysis of the Corporation

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

	<u>2010</u>	<u>2009</u>	<u>% of Change</u>
<b>Operating revenues, charges for services:</b>			
Rentals and fees.....	\$ 19,784	\$ 19,630	0.8%
Interest on loans.....	7,181	8,000	-10.2%
Renewable Energy Fund..	3,400,666	1,725,832	97.0%
Other Income.....	-	153,171	-100.0%
<b>Subtotal.....</b>	<b>3,427,631</b>	<b>1,906,633</b>	<b>79.8%</b>
<b>Nonoperating revenues</b>			
State appropriation.....	21,191,956	22,954,498	-7.7%
Investment and other revenue.....	5,190,757	3,199,230	62.3%
Grant income.....	1,982,414	971,791	104.0%
<b>Subtotal.....</b>	<b>28,365,127</b>	<b>27,125,519</b>	<b>4.6%</b>
<b>TOTAL REVENUES .....</b>	<b>31,792,758</b>	<b>29,032,152</b>	<b>9.5%</b>
<b>Operating expenses:</b>			
Personnel services.....	2,962,868	3,106,893	-4.6%
Contractual services.....	3,608,248	2,367,797	52.4%
Grants.....	525,491	328,021	60.2%
Provision for Loan Losses.....	4,750,000	4,745,000	0.1%
Depreciation and Amort.....	9,540	7,950	20.0%
Other operating expense.....	1,307,589	1,461,062	-10.5%
<b>Subtotal.....</b>	<b>13,163,736</b>	<b>12,016,723</b>	<b>9.5%</b>
<b>Nonoperating expenses:</b>			
Interest expense.....	3,092,299	3,396,905	-9.0%
Public investment payments and job credits....	6,092,526	6,114,276	-0.4%
Grant expense.....	2,053,109	971,791	111.3%
Other non-operating expense.....	7,209,721	6,595,441	9.3%
<b>Subtotal.....</b>	<b>18,447,655</b>	<b>17,078,413</b>	<b>8.0%</b>
<b>TOTAL EXPENSES .....</b>	<b>31,611,391</b>	<b>29,095,136</b>	<b>8.6%</b>
Income(Loss) before capital contributions and transfers....	181,367	(62,984)	388.0%
Transfers.....	136,111	(69,158)	296.8%
Change in net assets.....	<b>\$ 317,478</b>	<b>\$ (132,142)</b>	<b>340.3%</b>

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

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

The SBLFC was originally created through a grant to the Corporation by the Economic Development Administration of the U.S. Department of Commerce to capitalize a loan fund to assist small business grow in Rhode Island. SBLFC provides financing, typically as a junior lender, to eligible applicants who are unable to obtain conventional financing. SBLFC also acts as a participant lender with other financial institutions in certain circumstances. Given the fact that SBLFC is generally involved with non-conventional financings, the risk profile of the portfolio is somewhat higher than a normal bank loan portfolio and the consequent loan loss experience also tends to run higher. Since inception, the SBLFC has originated a total of 552 loans with a face value of \$44.4 million.

### **Rhode Island Economic Policy Council**

The Rhode Island Economic Policy Council (EPC) was founded in March 1995 by Executive order of the Governor of the State of Rhode Island, for the purpose of focusing the State's economic development efforts on game-changing initiatives. In March 2008, the Governor ceased operations of the Council's administrative staff and eliminated state funding for the EPC. The Corporation was requested to close out the administrative operations for the EPC. The EPC has been included as a component unit because of the nature and significance of its relationship with the Corporation. As of June 30, 2010 there are no remaining assets and all liabilities have been satisfied.

For specific information on the Corporation's subsidiaries, Rhode Island Airport Corporation and Quonset Development Corporation, reference should be made to their individual Management Discussion and Analysis narrative included with their separately-issued audit reports. The audited financial statements for all constituent units of the Corporation are also available at our website, [www.riedc.com](http://www.riedc.com).

### **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, 2010**

	Primary Reporting Entity	Component Units			
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 2,015,844	\$ 622,075	\$ 38,089,577	\$ 3,815,816	\$ -
Accounts receivable, less allowance for uncollectibles	39,841	503,239	7,967,946		
Investments				2,403,278	
Notes and loans receivable, less allowance for loan losses				30,367	
Interest receivable	70,064			(154,557)	
Interfund receivable (payable)	179,178	108,256	(132,877)		
Due from State agencies	83,061				
Due from State of Rhode Island		1,491,021			
Grants receivable		1,224,547			
Deposits and prepaid expenses	41,490	1,544,852	479,327		
Restricted:					
Cash and cash equivalents	5,470,263		20,824,233		
Investments			3,386,224		
Receivables	248,185		1,779,402		
Net investment in direct financing leases	1,355,274				
Deposits and prepaid expenses			5,480,796		
<b>Total current assets</b>	<b>9,503,200</b>	<b>5,493,990</b>	<b>76,984,628</b>	<b>6,094,904</b>	
<b>Noncurrent assets</b>					
Restricted:					
Cash and cash equivalents	4,618,150		72,216,808		
Investments	952,753				
Notes receivable	342,952				
Net investments in direct financing leases, less current portion	31,734,040				
Cash and cash equivalents held for capital acquisition		254,888			
Other receivables	696,441		149,494		
Due from State agencies		434,785			
Notes and loans receivable, less allowance for loan losses			5,615,816		
Deferred charges, less accumulated amortization of \$3,041,667	128,762	55,483,954	182,160,435	5,998,178	
Capital assets not being depreciated	30,235	64,452,420	348,863,341		
Capital assets being depreciated, net	38,504,333	120,626,047	609,005,894	5,998,178	
<b>Total noncurrent assets</b>	<b>48,007,533</b>	<b>126,120,037</b>	<b>685,990,522</b>	<b>12,093,082</b>	
<b>TOTAL ASSETS</b>					

SEE NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Primary Reporting Entity	Component Units				
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	Rhode Island Economic Policy Council
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ 247,469	\$ 86,329	\$ 2,222,432	\$ 680	\$ -	
Accrued expenses and other	406,969	1,482,312	3,587,719	16,944	-	
Deferred revenue	5,284,777	75,724	68,435	-	-	
Current portion of notes, bonds and leases payable			594,675			
Liability for claims, judgments and other settlements payable from restricted assets	2,223,081		838,172			
<b>Total current liabilities</b>	<b>8,162,296</b>	<b>1,644,365</b>	<b>41,746,653</b>	<b>17,624</b>	<b>-</b>	
<b>Noncurrent liabilities</b>						
Liabilities payable from restricted cash and cash equivalents	2,986,878					
Net pension obligation	770,956					
Other post-employment benefit liability	16,560	1,101,072	59,345			
Bonds and leases payable, less current portion	34,319,011		317,192,815			
Other long-term obligations, less current portion			8,260,000			
Due to primary government	38,400	321,148				
Deferred revenue	38,131,805	1,422,220	325,512,160			
<b>Total noncurrent liabilities</b>	<b>46,294,101</b>	<b>3,066,585</b>	<b>374,570,246</b>	<b>17,624</b>	<b>-</b>	
<b>TOTAL LIABILITIES</b>						
Commitments and contingencies (note 9)						
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	158,997	119,936,374	230,415,366			
Restricted			50,164,939			
Unrestricted	1,554,435	3,117,078	30,839,971	12,075,458		
<b>TOTAL NET ASSETS</b>	<b>\$ 1,713,432</b>	<b>\$ 123,053,452</b>	<b>\$ 311,420,276</b>	<b>\$ 12,075,458</b>	<b>\$ -</b>	

(CONCLUDED)

SEE NOTES TO FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2010**

	Primary Reporting Entity	Component Units				
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	Rhode Island Economic Policy Council
<b>Operating revenues</b>						
Charges for services						
Rentals and fees						
Utility and service	\$ 19,784	\$ 5,746,607	\$ 26,038,173			
Landing fees		1,758,688				
Parking			13,664,005			
Interest on loans	7,181		11,952,964			
Renewable energy fund				\$ 716,541		
Other income	3,400,666					
						72,701
<b>Total operating revenues</b>	<b>3,427,631</b>	<b>7,505,295</b>	<b>51,655,142</b>	<b>789,242</b>		
<b>Operating expenses</b>						
Personnel services	2,962,868	2,283,497	19,073,412	316,241		
Contractual services	3,608,248	593,123		52,934		
Airport operating expenses						
Utility services		1,464,882	11,873,587			
Rhode Island Economic Policy Council operating expenses						\$ 1,036
Grants	525,491					
Other expenses	1,307,589	1,123,902		20,168		3,904
Provision for loan losses and uncollectibles	4,750,000			507,634		
Depreciation and amortization	9,540	2,012,077	19,192,984			0
	13,163,736	7,477,481	50,139,983	896,977		4,940
<b>Total operating expenses</b>	<b>(9,736,105)</b>	<b>27,814</b>	<b>1,515,159</b>	<b>(107,735)</b>		<b>(4,940)</b>
<b>Operating income (loss)</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, 2010**

	Primary Reporting Entity	Component Units				
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	Rhode Island Economic Policy Council
<b>Nonoperating revenues (expenses)</b>						
Appropriations from State	\$ 21,191,956	\$	(213,016)			\$
Gain (loss) on sale of properties	5,190,757		23,708	329,684	638	4
Investment and other revenue	(3,092,299)			(15,051,500)		
Interest expense				13,051,355		
Passenger and customer facility charges	1,982,414			10,656,187	172,471	
Grant income				(45,000)		
Claims, judgements and other settlements	(2,053,109)			(8,734,124)	(309,166)	
Grant expenses	(6,092,526)					
Public investment payments and job credits	(7,209,721)					
Other	9,917,472		(189,308)	109,959		
<b>Total nonoperating revenues, net</b>				316,561	(136,057)	4
<b>Income (loss) before capital contributions and transfers</b>	181,367		(161,494)	1,831,720	(243,792)	(4,936)
<b>Capital contributions</b>						
State bond proceeds		2,304,099				
Other		1,658,240		13,716,510		
<b>Total capital contribution</b>		3,962,339		13,716,510		
<b>Transfers:</b>						
Transfer (to) from Rhode Island Economic Development Corporation	(30,000)	30,000			0	
Transfer from (to) other State agencies	166,111				(125,000)	
<b>Total transfers</b>	136,111	30,000			(125,000)	
<b>Change in net assets</b>	317,478	3,830,845		15,548,230	(368,792)	(4,936)
<b>Total net assets, beginning of year</b>	1,395,954	119,222,607		295,872,046	12,444,250	4,936
<b>Total net assets, end of year</b>	\$ 1,713,432	\$ 123,053,452	\$	\$ 311,420,276	\$ 12,075,458	\$

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, 2010**

	Primary Reporting Entity	Component Units				
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	Rhode Island Economic Policy Council
<b>Cash flows from operating activities</b>						
Receipts from customers/borrowers	\$ 3,427,631	\$ 7,481,578	\$ 51,437,766	\$ 812,090		
Payments to suppliers	(5,561,218)	(3,336,917)	(12,943,254)	(76,010)		
Payments to employees	(2,980,691)	(3,317,584)	(19,044,286)	(392,402)	\$ (4,940)	
<b>Net cash provided by (used in) operating activities</b>	<b>(5,114,278)</b>	<b>827,077</b>	<b>19,450,226</b>	<b>343,678</b>	<b>(4,940)</b>	
<b>Cash flows from noncapital financing activities</b>						
State of Rhode Island appropriation received	21,406,804					
Grants received	1,907,222		8,366,646	172,471		
Grant expenditures	(8,285,642)		(8,586,126)	(309,166)		
Advances from State agencies		356,952				
Transfers	488,517	(150,000)		(125,000)		
<b>Net cash provided by noncapital financing activities</b>	<b>15,516,901</b>	<b>206,952</b>	<b>(219,480)</b>	<b>(261,695)</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, 2010**

	Primary Reporting Entity	Component Units			
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	Rhode Island Economic Policy Council
<b>Cash flows from capital and related financing activities</b>					
Proceeds from sale of property	\$	\$	\$		
Bond proceeds, State and capital contributions and grant revenues, net		556,350	68,600		
Interest paid, long-term obligations	(3,092,299)	2,058,288	48,571,312		
Acquisition and construction of capital assets	-	(6,993,582)	(14,848,545)		
Proceeds from long-term obligations	-		(89,144,452)		
Collection of passenger facility charges			5,025,453		
Collection of customer facility charges			8,349,399		
Extinguishment of long-term debt	(6,115,259)		4,660,297		
Restricted liabilities	751,485		(10,661,561)		
Other			109,959		
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(8,456,073)</b>	<b>(4,378,944)</b>	<b>(47,869,538)</b>		
<b>Cash flows from investing activities</b>					
Proceeds from sale and maturity of investments			22,390,918		
Purchases of investments	(9,030)				
Interest income	5,190,794	23,708	342,984	638	4
Loan originations and principal collections, net				(8,225)	
(Increase) decrease in notes receivable	38,000	18,209			
Principal payments made on note receivable and capital leases	(5,996,176)				
<b>Net cash provided by (used in) investing activities</b>	<b>(776,412)</b>	<b>41,917</b>	<b>22,733,902</b>	<b>(7,587)</b>	<b>4</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, 2010**

	Component Units					
	Primary Reporting Entity	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	Rhode Island Economic Policy Council
<b>Net increase (decrease) in cash and cash equivalents</b>		1,170,138	(3,302,998)	(5,904,890)	74,396	(4,936)
<b>Cash and cash equivalents, beginning of year</b>		10,935,119	4,179,961	137,045,508	3,741,420	4,936
<b>Cash and cash equivalents, end of year</b>		\$ 12,105,257	\$ 876,963	\$ 131,140,618	\$ 3,815,816	\$ -
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
Operating income (loss)		\$ (9,736,105)	\$ 27,814	\$ 1,515,159	\$ (107,735)	\$ (4,940)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization		9,540	2,012,077	19,192,984	507,634	-
Provision for loan losses		4,750,000				
Changes in:						
Notes and accounts receivable						
Deposits and prepaid expenses		(7,218)	(144,285)	(195,760)	22,848	-
Due to/from state agencies			(713,036)	(2,069,471)		-
Accounts payable, accrued expenses and deferred revenue			(264,157)	1,007,314	(82,544)	-
Net pension obligation		(88,780)	(91,336)		3,475	-
<b>Net cash provided by (used in) operating activities</b>		\$ (5,114,278)	\$ 827,077	\$ 19,450,226	\$ 343,678	\$ (4,940)
<b>Reconciliation of cash and cash equivalents to the statements of net assets:</b>						
Current unrestricted assets		\$ 2,015,844	\$ 622,075	\$ 38,099,577	\$ 3,815,816	\$ -
Current restricted assets		5,470,263	254,888	20,824,233		
Noncurrent assets		4,619,150		72,216,808		
Noncurrent restricted assets		\$ 12,105,257	\$ 876,963	\$ 131,140,618	\$ 3,815,816	\$ -
<b>Supplemental disclosure of cash flow information</b>						
Noncash capital and related financing activities:						
Capital assets acquired through accounts payable			\$	24,995,546		
Capital contribution recognized through accounts receivable				1,873,011		
Reduction of unamortized bond issuance costs and unamortized original premiums and discounts				393,340		

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, 2010**

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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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(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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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

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.

Rhode Island Economic Policy Council (RIEPC) – The Rhode Island Economic Policy council was founded in March 1995 by Executive Order of the Governor of the State of Rhode Island, for the purpose of focusing the State's economic development efforts on game-changing initiatives. In May 2008, the Governor ceased operations of the Council's administrative staff and eliminated state funding for the RIEPC. The Corporation was requested to close out the administrative operations for the RIEPC. The RIEPC has been included as a component unit of RIEDC because of the nature and significance of its relationship with the Corporation.

The RIEPC does not prepare separate financial statements.

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

***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.

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

***Use of Estimates***

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

***Cash and Cash Equivalents***

The Corporation considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. For the purpose of reporting cash flows, cash and cash equivalents include repurchase agreements which are highly liquid, with maturity dates of three months or less at the time of purchase.

***Accounts Receivable and Concentrations***

Accounts receivable are reported at gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The Corporation does not require collateral or other forms of security from its customers. At June 30, 2010, approximately 56% of QDC's accounts receivable is due from five customers and approximately 11% of the Airport Corporation's accounts receivable is due from one customer.

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(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

***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.

***Recently issued standards***

The Corporation has implemented GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Corporation's fiscal year ending June 30, 2010 and GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the Corporation's fiscal year ending June 30, 2010.

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. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Corporation's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, effect for the fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies, effective for the Corporation's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus, effective for the Corporation's fiscal year ending June 30, 2011.

The 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.

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 and/or when notes or loans are 90 days or more in arrears. 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.

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

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, \$2,500 and \$500 incurred by QDC, RIEDC, the Airport Corporation and RIEPC, 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, 2010, the Airport Corporation capitalized \$1,817,721 of interest expense, net of interest income of \$33,259.

***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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

***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 2029 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, 2010, revenue from three customers comprises approximately 64% of rental revenue and revenue from one customer comprises approximately 28% 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.

***Passenger and Customer Facility Charges***

Passenger and customer facility charges are recorded by the Airport Corporation as nonoperating revenues when earned based upon enplaned passengers and daily car rentals reported by signature agencies, respectively.

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

***Landing Fees***

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

***Parking***

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

***Net Assets***

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

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

Restricted – those that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law.

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

**2. DEPOSITS AND INVESTMENTS**

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

***Deposits***

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

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.

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(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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, 2010 as follows:

	<u>RIEDC</u>	<u>QDC</u>	<u>Airport Corporation</u>	<u>SBLF</u>
Uninsured, uncollateralized.....	\$12,912,801	\$358,986		\$3,815,816
Insured .....	250,000	250,000	\$250,000	
Collateralized with securities held by bank trust departments.....			73,794,071	
Collateralized with securities held by bank trust departments not in Corporation's name.....	9,902	570,409		
<b>Total</b> .....	<u>\$13,172,703</u>	<u>\$1,179,395</u>	<u>\$74,044,071</u>	<u>\$3,815,816</u>

**Investments**

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

At June 30, 2010, investments by remaining maturity are as follows:

	<u>1 Year or Less</u>	<u>&gt;1 to 5 Years</u>
RIEDC, U.S. Government Obligation .....	\$ 952,753	
<b>Airport Corporation:</b>		
Money market funds.....	\$ 72,216,808	
U.S. Treasury Notes.....	\$ 3,386,224	

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, 2010, the Airport Corporation's investments, excluding U.S. Government obligations, were held in money market funds and investment grade corporate debentures rated AAA and AA by S & P and Aaa and Aa by Moody's.

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, 2010, there are no investments in a single issuer that represents 5% or more of RIEDC's or a respective component unit's investments.

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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, 2010, RIEDC and its component units did not have any investments that were subject to custodial credit risk.

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

At June 30, 2010, 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		\$ 216,283		
Utilities and service		188,253		
Trade			\$ 4,319,599	
Federal government and other grants			3,130,589	
Due from primary government			15,888	
Other	\$ 39,841	116,105		
Loans, secured principally through junior liens, by:				
Real estate mortgages				\$ 6,299,304
Property and equipment		246,224		2,403,369
Unsecured loans (Note 6)	14,000,000	188,561		469,659
Gross receivable	14,039,841	955,426	7,466,076	9,172,332
Less allowance for:				
Uncollectibles		17,402	248,636	
Loan losses	14,000,000			770,876
Net unrestricted receivables	39,841	938,024	7,217,440	8,401,456
Restricted for capital expenditures, principally passenger facility and customer facility charges			1,779,402	
Federal grants and other grants	217,980			
Other restricted receivables, principally unsecured notes receivables	373,157			
Total receivables, net	\$ 630,978	\$ 938,024	\$ 8,996,842	\$ 8,401,456

An analysis of the SBLF's allowance for loan losses for the year ended June 30, 2010 is as follows:

Balance, beginning of year .....	\$1,194,470
Provision for loan losses .....	507,634
Loans charged off .....	(931,228)
Balance, end of year .....	<u>\$770,876</u>

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

The SBLF had the following outstanding loan and grant commitments at June 30, 2010:

Commitments to originate loans/grants .....	\$1,690,000
Unadvanced portions of construction and commercial loans ..	\$356,923

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, 2010, RIEDC's note receivable is summarized as follows:

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

**4. RESTRICTED ASSETS**

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

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**5 CAPITAL ASSETS**

Capital asset activity for RIEDC for the year ended June 30, 2010 is as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 308,762	\$ -	\$ (180,000)	\$ 128,762
Equipment not placed into service	-	-	-	-
Total Capital assets not being depreciated	308,762	-	(180,000)	128,762
Capital assets being depreciated				
Equipment	47,725	-	-	47,725
Less accumulated depreciation	(7,950)	(9,540)	-	(17,490)
Total capital assets being depreciated, net	39,775	(9,540)	-	30,235
Total capital assets, net	\$ 348,537	\$ (9,540)	\$ (180,000)	\$ 158,997

Capital asset activity for QDC for the year ended June 30, 2010 is as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 48,130,014	\$ 216,300	\$ (774,382)	\$ 47,571,932
Construction in progress	3,426,177	6,521,531	(2,035,686)	7,912,022
Total capital assets not being depreciated	51,556,191	6,737,831	(2,810,068)	55,483,954
Capital assets being depreciated				
Land improvements	19,987,448	1,976,790	-	21,964,238
Buildings and improvements	40,797,466	883,902	-	41,681,368
Furniture and equipment	7,978,147	230,589	-	8,208,736
Total capital assets being depreciated	68,763,061	3,091,281	-	71,854,342
Less accumulated depreciation	(5,389,843)	(2,012,079)	-	(7,401,922)
Total capital assets being depreciated, net	63,373,218	1,079,202	-	64,452,420
Total capital assets, net	\$ 114,929,409	\$ 7,817,033	\$ (2,810,068)	\$ 119,936,374

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
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JUNE 30, 2010**

**5 CAPITAL ASSETS (Continued):**

Capital asset activity for the Airport Corporation for the year ended June 30, 2010, is as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 32,260,943	\$ 5,512,412	\$ -	\$ 37,773,355
Construction in progress	77,406,309	82,746,151	(15,765,380)	144,387,080
Total capital assets not being depreciated	109,667,252	88,258,563	(15,765,380)	182,160,435
Capital assets being depreciated				
Assets leased from the State	30,608,849	-	-	30,608,849
Leasehold improvements	470,684,799	14,670,637	-	485,355,436
Machinery and equipment	26,510,012	1,069,981	(487,889)	27,092,104
Vehicles	1,885,729	24,762	(73,585)	1,836,906
Total capital assets being depreciated	529,689,389	15,765,380	(561,474)	544,893,295
Less accumulated depreciation	(177,182,060)	(19,403,618)	555,724	(196,029,954)
Total capital assets being depreciated, net	352,507,329	(3,638,238)	(5,750)	348,863,341
Total capital assets, net	\$ 462,174,581	\$ 84,620,325	\$ (15,771,130)	\$ 531,023,776

Accumulated amortization on assets under capital lease for the Airport Corporation amounts to \$5,461,570 at June 30, 2010.

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**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, 2010 was approximately \$17,245,000.

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, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011 .....	\$1,355,274	\$2,774,825
2012 .....	1,730,037	2,660,671
2013 .....	1,871,621	2,516,257
2014 .....	2,019,566	2,363,960
2015 .....	2,188,058	2,199,403
2016 – 2020 .....	13,917,858	8,018,001
2021 – 2025 .....	9,124,773	2,889,851
2026 – 2027 .....	<u>3,467,098</u>	<u>327,789</u>
	35,674,285	<u>\$23,750,757</u>
Less: current portion of long-term debt .....	1,355,274 (1)	
Net long-term portion of bonds payable .....	<u>\$34,319,011</u>	

RIEDC has entered into direct financing leases with Fleet National Bank 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, 2010, job rent credits issued by RIEDC totaled \$2,532,526.

(1) Cash and investments on hand related to, and collections on, net investment in direct financing leases are restricted to pay the bonds issued to finance such direct financing lease transactions. The current portion of amounts payable from restricted assets of \$2,223,081 includes \$1,355,274 of current portion of long-term debt and \$867,787 of other current liabilities payable from restricted assets.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
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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.

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(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Airport Corporation Long-term Debt**

**Revenue Bonds payable (1):**

Description	Date of Maturity	Interest Rate	Principal 2010
1994 Series A bonds	7/1/2014	5.25% to 7%	\$ 5,225,000
1998 Series A and B bonds	7/1/2028	4.2% to 5.25%	32,060,000
2000 Series A and B bonds	7/1/2028	5.51% to 6.5%	2,745,000
2003 Series A bonds	7/1/2015	3.5% to 5%	17,470,000
2004 Series A bonds	7/1/2024	2% to 5%	49,070,000
2005 Series A, B and C bonds	7/1/2030	3% to 5%	113,460,000
2006 First lien special facility bonds	7/1/2036	4% to 5%	48,765,000
2008 Series A, B and C bonds	7/1/2038	3.5% to 5.25%	<u>50,880,000</u>

**Total principal outstanding** 319,675,000.00

Add: unamortized bond premium, net.....	<u>137,995</u>
Revenue bonds payable, less unamortized discount, net.....	319,812,995
State of Rhode Island payable (2) .....	8,260,000
Obligations under capital leases (3) .....	882,455
TIFIA loan .....	5,108,685
Note payable (4) .....	<u>533,355</u>
Total .....	334,597,490
Less: current portion .....	<u>9,144,675</u>
<b>TOTAL</b> .....	<b><u>\$325,452,815</u></b>

As of June 30, 2010, \$38,735,000 of outstanding refunding bonds, including prior year refundings, are considered defeased.

(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 Intermodal Facility.

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

- (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, 2010, the amounts owed were approximately \$8,260,000.
- (3) The Airport Corporation has financed the acquisition of certain equipment through lease-purchase agreements. The agreements provide for monthly, quarterly, or semi-annual lease payments which range from \$114,000 to \$244,000. The interest rates associated with these agreements range from 3.67% to 4.11%.
- (4) The Airport Corporation has financed the acquisition of a parcel of land with seller-provided financing. The note requires monthly payments of principal and interest of \$9,176, including interest at 4.15% through November 2015. As of June 30, 2010 the amount owed was approximately \$533,000.

Aggregate scheduled principal and interest payments due on the Airport Corporation's long-term debt at June 30, 2010, excluding obligations under capital leases, and secured TIFIA loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
All except capital leases:		
2011 .....	\$ 8,639,675	\$ 15,803,665
2012 .....	11,903,468	15,258,256
2013 .....	12,492,422	14,677,199
2014 .....	13,267,790	13,896,104
2015 .....	13,480,000	13,433,432
2016 – 2020 .....	74,430,000	56,792,830
2021 – 2025 .....	86,330,000	36,339,892
2026 – 2030 .....	64,455,000	17,660,963
2031 – 2035 .....	28,155,000	6,730,202
2036 - 2040 .....	15,315,000	1,219,438
Total .....	<u>\$328,468,355</u>	<u>\$191,811,981</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>
2011 .....	\$ 534,576
2012 .....	324,396
2013 .....	64,700
Total .....	923,672
Less: amount representing interest .....	41,217
Present value of minimum lease payments .....	<u>\$882,455</u>

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

Changes in long-term debt, net of unamortized bond premium, for the year ended June 30, 2010 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due within One year</u>
<b>RIEDC</b>					
Revenue bonds .....	\$36,887,833	\$ -	\$(1,213,548)	\$35,674,285	\$1,355,274
Note payable .....	5,030,000		(5,030,000)	0	0
<b>Total long-term liabilities</b> .....	<b>\$ 41,917,833</b>	<b>\$ -</b>	<b>\$ (6,243,548)</b>	<b>\$ 35,674,285</b>	<b>\$ 1,355,274</b>
<b>Airport Corporation:</b>					
Revenue bonds .....	\$ 327,821,383	\$ -	\$ (8,008,388)	\$ 319,812,995	\$8,550,000
State of Rhode Island payable .....	10,110,200		(1,850,200)	8,260,000	
Note payable .....	619,391		(86,036)	533,355	89,675
TIFIA loan.....	83,232	5,025,453		5,108,685	
Obligations under capital leases .....	1,542,780		(660,325)	882,455	505,000
<b>Total long-term liabilities</b> .....	<b>\$340,176,986</b>	<b>\$ 5,025,453</b>	<b>\$(10,604,949)</b>	<b>\$334,597,490</b>	<b>\$9,144,675</b>

In June, 2006, the Airport Corporation, RIEDC and the Rhode Island Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42,000,000 with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998. The purpose of the Agreement is to reimburse RIEDC and RIDOT and to provide funding to the Airport Corporation for a portion of eligible project costs related to the Intermodal Facility Project. 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 2011. Upon completion of the project, the Airport Corporation will begin making monthly payments of principal and interest, with interest at a rate of 5.26%. Payments will be made on behalf of the RIEDC (the borrower per the Agreement) and it is anticipated that repayments will commence in fiscal year 2011 with a final maturity of January 2042. Such repayments are payable solely from the net revenues derived from the Intermodal Facility. As of June 30, 2010, the Airport Corporation had approximately \$5,109,000 in borrowings under this agreement.

**7. STATE APPROPRIATIONS AND BOND PROCEEDS**

During the year ended June 30, 2010, RIEDC, QDC and RIEPC received the following appropriations and bond proceeds from the State:

Budget .....	\$ 4,566,052
Legislative .....	852,320
Slater .....	2,000,000
Public Investment Payment (Note 10) .....	3,560,000
Job rent credits (Note 6) .....	2,532,526
RI Airport Impact Aid .....	1,010,496
Masonic Temple .....	5,206,778
Science and Technology Advisory Council .....	1,500,000
State general obligation bond proceeds, construction .....	2,304,099
<b>Total received</b> .....	<b>23,532,271</b>
Less: deferred at June 30, 2010 .....	(239,250)
Add: deferred at June 30, 2009 .....	203,034
<b>State Appropriations and Bond Proceeds</b> .....	<b>\$23,496,055</b>

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

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, 2010 and net pension obligation were as follows:

Annual required contribution.....	\$ 448,819
Interest on net pension obligation.....	133,389
Adjustment to annual required contribution.....	<u>(242,324)</u>
Annual pension cost.....	339,884
Contributions made.....	<u>(520,000)</u>
Decrease in net pension obligation.....	(180,116)
Net pension obligation, beginning of year.....	<u>2,052,144</u>
Net pension obligation, end of year.....	<u><b>\$1,872,028</b></u>

The net pension obligation at June 30, 2010 and the annual pension cost for the year ended June 30, 2010 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, 2009 actuarial valuation using the aggregate actuarial cost method. This method does not identify and separately amortize unfunded actuarial liabilities. The actuarial assumptions included a 6.5% investment rate of return and projected salary increases of 3% per year. The actuarial value of assets was determined using the market value of investments.

Three-year trend information

Fiscal year Ended June 30,	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
2010	\$339,884	\$520,000	153.0%	\$1,872,028
2009	\$508,029	\$700,000	137.8%	\$2,052,144
2008	\$443,038	\$595,000	134.3%	\$2,244,115

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**8. PENSION PLANS (Continued)**

***RIEDC Pension Plan***

***Funding Progress***

As of the latest actuarial valuation date (July 1, 2010), actuarial value of assets in the RIEDC plan was \$13,112,512 and actuarial accrued liability was \$12,668,379 for a total actuarial asset of \$444,163. Annual covered payroll was \$3,494,327. The actuarial asset is 13.0% of covered payroll. Since the aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using an entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the plan.

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

***Other Plans***

Employees of the Corporation hired on or after 1/01/06 participate in the Rhode Island Economic Development Corporation Retirement and Savings Plan (401a) (a discretionary contribution plan). The plan provides for the Corporation to make discretionary matching and/or additional contributions as approved by the Board of Directors. For fiscal year ended June 30, 2010 the Corporation contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the Rhode Island Economic Development Corporation Deferred Compensation Plan (457). The contributions for fiscal year ended June 30, 2010 were \$89,162.

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

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

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

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

All employees who transferred from the State's payroll to the Airport Corporation's on July 1, 1993 participate in the Employees' Retirement System of the State of Rhode Island (the Plan). The Plan is a cost-sharing, multiple-employer, public employee retirement system administered by the State. The number of Airport Corporation employees covered by the Plan throughout the year averaged sixteen. The Airport Corporation's total payroll was approximately \$13,073,000, of which \$982,000 was covered under the Plan.

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

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

**(CONTINUED)**

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**8. PENSION PLANS (Continued)**

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

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

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

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

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

***Funding Policy***

Rhode Island general laws and the General Assembly set the contribution rates for participating State employees at 8.75% of salary. The Plan's Retirement Board sets the contribution rate for participating employers. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The Airport Corporation was required to contribute for all full-time employees 20.78% for the fiscal year 2010.

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>
2010.....	\$212,176	100%
2009.....	\$276,372	100%
2008.....	\$282,891	100%

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

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**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**8. PENSION PLANS (Continued)**

**Money Purchase Pension Plan**

Employees hired by the Airport Corporation on or after July 1, 1993 are eligible to participate in the Money Purchase Pension Plan and Trust, a defined contribution plan administered by the Airport Corporation. The number of Airport Corporation employees covered by this Plan throughout the year averaged 167. The Airport Corporation's total payroll was approximately \$13,073,000, of which \$10,633,000 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, 2010 were \$637,980 by the employer and \$657,018 by the employees. The Board of Director's of the Airport Corporation has the authority to establish and/or amend the plan's provisions and the plan's contribution rates.

**9. POSTEMPLOYMENT HEALTHCARE PLAN**

**Plan Description**

The Rhode Island Economic Development Corporation and the Airport Corporation participate in a State administered defined benefit post-employment healthcare plan known as the Rhode Island Retiree Health Care Benefit Plan (RIRHCBP). The RIRHCBP is an agent multiple employer plan.

The RIRHCBP is reported in an internal service fund of the State using the accrual basis of accounting. The fund reports all employer and retiree (plan member) contributions to the plan. Contributions are recognized when made. Benefits (health care claims) and refunds are recognized when due and payable in accordance with the terms of the plan. A liability for incurred but not reported claims is determined based on past claims payment trends and is included in the financial statements. Working premium rates are determined by the State each fiscal year after consultation with an employee benefits consultant and are designed to fund current claims incurred during the fiscal year as well as the costs of administering the plan. For the year ended June 30, 2010, the Plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to RIRHCBP members. The RIRHCBP does not issue a stand-alone financial report. Pursuant to legislation enacted by the General Assembly, the State will establish a trust in fiscal year 2011 to accumulate assets and pay benefits and other costs associated with the RIRHCBP. In addition, effective in fiscal year 2011, all participating employers will be required to fully fund the actuarially determined annual required contribution.

**Funding Policy**

RIGL Sections 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the RIRHCBP. The contribution requirements of the plan members, the State and other participating employers are established and may be amended by the General Assembly.

For anyone who retires on or before September 30, 2008, or on or before June 30, 2009 for employees of the Rhode Island Airport Corporation, the State provides two types of subsidies for health care benefits. The Tier I subsidy applies to non-Medicare eligible plans and provides that the State will pay the portion of the cost of post-retirement health care for the retiree and any dependents above the active group rate. The retiree pays the active monthly rate and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition to Tier I benefits, the State pays a portion of the cost of post-retirement health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and service of the retiree, which is referred to the Tier II benefit.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)**

**Funding Policy (Continued)**

The retirees' fiscal 2010 contributions for those who retired on or before September 30, 2008, or on or before June 30, 2009 for employees of the Rhode Island Airport Corporation, are as follows:

<b>Retiree Age</b>	<b>Years of Service</b>	<b>Amount of Cost Paid By Retiree</b>
<b>Below 60: (1)</b>	28-34	10%
	35+	0%
<b>Retiree Age from 60 to 65: (2)</b>	10-15	50%
	16-22	30%
	23-27	20%
	28+	0%
	28+	0%
<b>Retiree Age Greater than 65: (3)</b>	10-15	50%
	16-19	30%
	20-27	10%
	28+	0%
	28+	0%

- (1) The monthly premium rate is \$789.76 for the individual plan. The retiree's cost is then calculated based on a maximum of \$501.68 (the active plan rate).
- (2) The monthly premium rates are the same as indicated above for the Retiree Age Below 60 category.
- (3) The monthly premium rate for the Medicare Supplemental plan is \$218.54 for the individual plan, and the monthly premium for the Medicare HMO plan was \$115.00 for the first six months of fiscal year 2010 and \$142 thereafter. Retirees can choose between the two plans. The retiree's cost is then calculated based on their years-of-service subsidy above.

For anyone who retired on or after October 1, 2008, or on or after July 1, 2009 for the Rhode Island Airport Corporation, age 59 through 64, with a minimum of 20 years of service, the State will pay 80% of the actual cost of health care coverage. The State contributed \$631.81 per month for these retirees during fiscal 2010. For eligible retirees 65 or older, The State pays 80% of the cost of the Medicare supplement products as described in note (3) above.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)**

**Annual OPEB Cost**

The Rhode Island Economic Development Corporation and the Airport Corporation recognized an expense equal to the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, interest on the net OPEB obligation at the beginning of the fiscal year and the ARC adjustment. 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 ARC for fiscal year 2010 was determined based on an actuarial valuation performed as of June 30, 2007. For fiscal year 2010, the ARC, as a percentage of covered payroll for was 5.80% for EDC and 6.23% for RIAC. The number of EDC and RIAC employees covered by the plan throughout the year averaged three and nineteen, respectively, in 2009. Beginning with the actuarial valuation performed as of June 30, 2007, separate ARCs and unfunded actuarial accrued liabilities were determined for each participating component unit. EDC and RIAC actually contributed 5.62% of annual covered payroll for fiscal 2010. EDC's and RIAC's annual OPEB cost and the net OPEB obligation for fiscal 2010 were as follows:

	<u>Rhode Island Economic Development Corporation</u>	<u>Rhode Island Airport Corporation</u>
Annual required contribution (ARC)	\$ 11,662	\$ 75,870
Plus: Interest on net OPEB obligation at beginning of year	-	1,375
Less: Adjustment to ARC	-	1,300
<b>Annual OPEB cost</b>	<b>11,662</b>	<b>75,945</b>
Contributions made	4,620	55,185
Increase in OPEB obligation	7,042	20,760
Net obligation at beginning of year	9,518	38,585
<b>Net obligation at end of year</b>	<b>\$ 16,560</b>	<b>\$ 59,345</b>

RIEDC's and RIAC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 (first year of GASB 45 implementation) were as follows:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<b><i>Rhode Island Economic Development Corporation</i></b>			
2008	\$ 11,936	64%	\$ 4,170
2009	\$ 11,662	54%	\$ 9,518
2010	\$ 11,662	40%	\$ 16,560
<b><i>Airport Corporation</i></b>			
2008	\$ 80,059	65%	\$ 32,416
2009	\$ 76,820	92%	\$ 38,585
2010	\$ 75,946	57%	\$ 59,345

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)**

**Annual OPEB Cost (Continued)**

**Funded Status and Funding Progress**

The funded statuses of Rhode Island Economic Development Corporation's and the Airport Corporation's shares of the plan as of June 30, 2007, were as follows:

	Rhode Island Economic Development Corporation	Rhode Island Airport Corporation
Actuarial Accrued Liability (AAL)	\$ 192,455	\$ 1,291,388
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 192,455	\$ 1,291,388
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0%	0%
Annual Covered Payroll (Active Plan Members)	\$ 213,000	\$ 982,000
UAAL as a Percentage of Covered Payroll	90%	132%

Separate actuarial valuations were not performed to determine the actuarial liability for Rhode Island Economic Development Corporation or the Airport Corporation, participating employers. The total AAL for all general employees participating in RIRHCBP was apportioned to each participating entity based on their pro rata share of active covered employees to all active covered employees.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Annual Required Contribution for fiscal year 2010 was determined based on the June 30, 2007 valuation. The most recent actuarial valuation was performed as of June 30, 2007. The annual required contribution was determined using the individual entry age actuarial cost method. The unfunded actuarial liability (UAAL) is amortized over a period of 30 years using the level (principal and interest combined) percent of payroll contribution amortization method for each component unit employer. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL is being amortized over the remainder of a closed 30-year (or shorter) period.

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)**

***Actuarial Methods and Assumptions (Continued)***

Plan changes effective for employees retiring after October 1, 2008, or after July 1, 2009 for employees of the Rhode Island Airport Corporation, have been reflected in the actuarial valuation performed as of June 30, 2007.

The individual entry-age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 3.566% discount rate. The discount rate was calculated based upon the average rate of return during the 10 years ended June 30, 2008 for short term investments of the State's General Fund; an annual healthcare cost trend rate of 10% progressively declining to 4.5% after 8 years and a salary growth assumption of 9% in the first year of service to 4.5% in year 15 and beyond. Other assumptions including those relating to rates of termination, rates of retirement, percent married, and retiree health care election rates were based on the experience study for the Employees' Retirement System of Rhode Island as well as anticipated experience changes in conjunction with the adopted retirement plan changes recently enacted through legislation.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

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(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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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, 2010, 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.

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(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

***Litigation (Continued)***

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

In connection with these matters, the Airport Corporation has recorded estimated liabilities for claims, judgments and other settlements totaling \$838,000 as of June 30, 2010, in the accompanying statements of net assets.

***Risk Management***

RIEDC and the Airport Corporation are self-insured for unemployment compensation. No accrual has been made for claims expected to arise from services rendered on or before June 30, 2010 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, 2010, the balance outstanding is \$696,441.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Capital Improvements**

At June 30, 2010, QDC was obligated for the completion of certain construction contracts under commitments totaling approximately \$7,881,407. These commitments are expected to be funded from receipts of State bond proceeds and internal funding.

At June 30, 2010, the Airport Corporation was obligated for completion of certain airport improvements under commitments of approximately \$7,394,000 which are expected to be funded from current available resources and future operations. As of June 30, 2010, the Airport Corporation was also obligated for the completion of certain projects related to the Intermodal Facility of approximately \$59,328,000.

**11. CONDUIT DEBT OBLIGATIONS**

From time to time, RIEDC issues revenue bonds and notes to provide financial assistance to private-sector and public-sector entities for the acquisition and construction of industrial and commercial facilities. The bonds and notes are secured by the property financed and are payable solely from payments received on the underlying mortgage loans and lease agreements. Upon repayment of the bonds and notes, ownership of the acquired facilities transfers to the private-sector or public-sector entity serviced by the bond or note issuance. RIEDC is not obligated in any manner for repayment of the bonds and notes. Accordingly, the bonds and notes are not reported as liabilities in the accompanying financial statements

Under the terms of the various indentures and related loan and lease agreements, the private-sector and public-sector entities make loan and lease payments directly to the trustees of the related bond and note issues in the amounts equal to interest and principal payments due on the respective issues. Accordingly, the payments are not shown as receipts and disbursements of RIEDC. The aggregate principal amount outstanding under conduit debt obligations at June 30, 2010 was approximately \$1,147,000,000.

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.

**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, 2010 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2011 .....	\$ 6,155,628
2012 .....	6,112,103
2013 .....	6,126,823
2014 .....	6,148,500
2015 .....	5,934,172
Thereafter.....	<u>108,229,619</u>
Total .....	<u>\$138,706,845</u>

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

***Rentals Under Operating Leases (Continued)***

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

Minimum future contractual rental payments to be received by the Airport Corporation under non-cancelable operating leases as of June 30, 2010 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2011 .....	\$ 3,489,749
2012 .....	3,549,307
2013 .....	3,432,145
2014 .....	2,942,041
2015 .....	2,911,589
2016 – 2020 .....	13,817,169
Total .....	<u>\$30,142,000</u>

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

***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 QDC from the Airport Corporation totaled \$132,877 as of June 30, 2010.

***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, 2010, were approximately \$119,074,000.

(CONTINUED)

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**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 January 1, 2009 the CFC is \$4.50 in line with the plan of finance for the Intermodal Facility. 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.

**13. CONTRACTUAL SERVICES**

Contractual services by service category for RIEDC, QDC and SBLF for the year ended June 30, 2010 are as follows:

<u>SERVICE CATEGORY</u>	<u>PRIMARY REPORTING ENTITY</u>			<u>COMPONENT UNITS</u>	
	<u>Economic</u>	<u>Renewable</u>	<u>TOTAL</u>	<u>Quonset</u>	<u>Small Business</u>
	<u>Development</u> <u>Corporation</u>	<u>Energy Fund</u>		<u>Development</u> <u>Corporation</u>	<u>Loan Fund</u> <u>Corporation</u>
Information Technology					
Legal	\$ 173,024		\$ 173,024	\$ 88,843	5,493
Engineering	294,108	\$ 164,373	458,481	252,543	\$ 38,041
Executive Director Search Costs	76,002		76,002	90,942	
Public Relations	184,708		184,708		
RI Export Assistance Center	183,635		183,635	97,181	
Tourism/America's Cup	53,985		53,985		
Special Area Management Plan (SAMP)		2,341,866	2,341,866		
Other	70,058	66,489	136,547	63,615	9,400
	<u>\$ 1,035,520</u>	<u>\$ 2,572,728</u>	<u>\$ 3,608,248</u>	<u>\$ 593,124</u>	<u>\$ 52,934</u>

**14. SUBSEQUENT EVENT**

On July 26, 2010 the RIEDC Board of Directors approved a resolution authorizing the issuance and sale of up to \$75 million of Job Guaranty Program taxable revenue bonds. As of the report date no guaranty has yet been provided.

(CONCLUDED)

***SUPPLEMENTARY INFORMATION***

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

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

**Schedule of funding progress**

**JUNE 30, 2010**

**Required supplementary information**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as a percentage Of Covered Payroll ((a-b)/c)
7/1/2008	\$13,028,186	\$13,677,506	(\$649,320)	95.25%	\$4,225,458	-15.37%
7/1/2009	\$11,859,194	\$12,752,117	(\$892,923)	93.00%	\$3,570,995	-25.00%
7/1/2010	\$13,112,512	\$12,668,379	\$444,133	103.51%	\$3,494,327	12.71%

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

***Rhode Island Airport Corporation's schedule of funding progress for the Rhode Island Retiree Health Care Benefit Plan is as follows:***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as a percentage Of Covered Payroll ((a-b)/c)
6/30/2007	\$ -	\$ 1,291,388	\$(1,291,388)	0%	\$ 982,000	-131.51%

Prior to the valuation performed at June 30, 2007, separate actuarial valuations were not performed to determine the actuarial accrued liability for RIAC a participating employer

***Rhode Island Economic Development Corporation's schedule of funding progress for the Rhode Island Retiree Health Care Benefit Plan is as follows:***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as a percentage Of Covered Payroll ((a-b)/c)
6/30/2007	\$ -	\$ 192,455	\$(192,455)	0%	\$ 213,000	-90.35%

Prior to the valuation performed at June 30, 2007, separate actuarial valuations were not performed to determine the actuarial accrued liability for RIEDC, a participating employer

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, 2010**

**Supplementary information**

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$	44,553,312
Accounts receivable		11,116,845
Receivables allowance		(1,002,110)
Restricted:		
Cash and cash equivalents		26,294,496
Investments		3,386,224
Other assets		8,863,657
Due from primary government		1,491,021
Due from other government		1,307,608
Other assets		2,065,669
<b>Total current assets</b>		<u>98,076,722</u>

**Noncurrent assets**

Receivables		20,582,457
Receivables allowance		(14,000,000)
Due from other component units		696,441
Restricted assets		
Cash and cash equivalents		77,090,846
Investments		952,753
Other assets		32,076,992
Capital assets - nondepreciable		237,773,151
Capital assets - depreciable (net)		413,345,996
Other assets, net of amortization		5,615,816
<b>Total noncurrent assets</b>		<u>774,134,452</u>

**TOTAL ASSETS**

872,211,174

**LIABILITIES**

**Current liabilities:**

Accounts payable		45,171,370
Deferred revenue		5,428,936
Other liabilities		6,332,116
Current portion of long-term debt		1,949,949
<b>Total current liabilities</b>		<u>58,882,371</u>

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, 2010**

**Supplementary information**

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**LIABILITIES (CONTINUED)**

***Noncurrent liabilities***

Deferred revenue	359,548
Loans payable	350,629,371
Due to primary government	8,260,000
Obligations under capital leases	882,455
Other liabilities	4,934,811
<b><i>Total noncurrent liabilities</i></b>	<b><u>365,066,185</u></b>

***TOTAL LIABILITIES***

**423,948,556**

**NET ASSETS**

Invested in capital assets, net of related debt	350,510,737
Restricted, other	50,164,939
Unrestricted	47,586,942
<b><i>TOTAL NET ASSETS</i></b>	<b><u>\$ 448,262,618</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, 2010**

***Supplementary information***

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***Operating revenues***

Charges for services	\$ 59,180,221
Interest income on loans	723,722
Other operating income	3,473,367
	<hr/>

***Total operating revenues*** 

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63,377,310

***Operating expenses***

Personnel services	24,636,018
Supplies, materials and services	17,593,810
Grants, scholarships and contract programs	525,491
Depreciation, depletion and amortization	21,214,601
Other operating expenses	7,713,197
	<hr/>

***Total operating expenses*** 

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71,683,117

***Operating loss*** (8,305,807)

***Nonoperating revenues (expenses)***

Interest revenues	5,544,791
Grants	12,811,072
Payments from primary government	21,191,956
Gain on sale of property	(213,016)
Interest expense	(18,143,799)
Payments from other component units	41,111
Other non-operating revenues (expenses)	(11,282,332)
<b><i>Total nonoperating revenues</i></b>	<hr/> <u>9,949,783</u>

***Income before capital contributions and transfers*** 

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1,643,976

***Capital contributions*** 

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17,678,849

***Change in net assets*** 19,322,825

***Total net assets, beginning of year*** 

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428,939,793

***Total net assets, end of year*** 

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\$ 448,262,618

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, 2010**

**Supplementary Information**

**BONDS**

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 9,905,274	\$ 18,033,955
2012	12,070,037	17,470,360
2013	12,701,621	16,834,883
2014	13,384,566	15,992,109
2015	14,113,058	15,470,512
2016 - 2020	86,437,858	64,678,426
2021 - 2025	95,344,791	39,219,750
2026 - 2030	67,922,080	17,988,752
2031 - 2035	28,155,000	6,730,202
2036 - 2040	15,315,000	1,219,438
<b>Total</b>	<b>\$ 355,349,285</b>	<b>\$ 213,638,387</b>

SEE INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION**

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rhode Island Economic Development Corporation's (the Corporation), a component unit of the State of Rhode Island, basic financial statements. The supplemental schedules on Pages 50 through 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information included in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based upon our audit and the report of the other auditors as explained in our report on the basic financial statements on pages 1 – 2 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Braver PC*

Providence, Rhode Island  
September 30, 2010

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**SCHEDULE OF TRAVEL / PER DIEM**  
**YEAR ENDED JUNE 30, 2010**

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
7/13/2009	Christine Smith	350	Meeting with National Economic Council in Washington, DC
8/14/2009	Katharine Flynn	225	RI Food Dealers Assoc-Airfare for RI Business Day in Washington, DC
8/31/2009	Dorothy Reynolds	279	Airfare for Sen. Reed Business Day in Washington, DC
9/24/2009	Dorothy Reynolds	454	Sen. Reed Business Day in Washington, DC
9/24/2009	John Riendeau	317	Sen. Reed Business Day in Washington, DC
9/24/2009	Mark Brodeur	1,092	ESTO Conference in Lake Tahoe, NV
10/8/2009	Sherri Carrera	870	NEDA Fall Conference in Philadelphia, PA
10/15/2009	APTAC	625	Dorothy Reynolds Registration Fee for Fall APTAC Conference in Arlington, VA
10/15/2009	APTAC	625	Louis Francis Registration Fee for Fall APTAC Conference in Arlington, VA
10/15/2009	APTAC	525	Richard Ferro Registration Fee for Fall APTAC Conference in Arlington, VA
10/22/2009	Louis Francis	177	Airfare for Fall 09 APTAC Conference in Arlington, VA
10/29/2009	RLF Management Services, LLC	515	Airfare for Fall 09 APTAC Conference in Arlington, VA
10/31/2009	Mark Brodeur	997	Travel Outlook Forum in Little Rock, AR
11/6/2009	Maureen Mezei	841	Foreign Direct Investment Event in Toronto, Canada
11/12/2009	Dorothy Reynolds	1,407	Fall 09 APTAC Conference in Arlington, VA
11/19/2009	Louis Francis	1,234	Fall 09 APTAC Conference in Arlington, VA
11/19/2009	Mark Brodeur	2,692	World Travel Market in London, England
11/30/2009	Dorothy Reynolds	354	Dept. of Defense NE Regional Matchmaker in Tarrytown, NY
11/30/2009	Katrina White	1,197	National Tour Association Annual Marketplace in Reno, NV
11/30/2009	John Riendeau	50	Flight change charge for OEA BRAC Conference in Orlando, FL
11/30/2009	RLF Management Services, LLC	871	Matchmaker Conference in Tarrytown, NY
11/30/2009	RLF Management Services, LLC	863	Fall 09 APTAC Conference in Arlington, VA
11/30/2009	Fred Hashway, Jr.	221	AWEA Conference in Boston, MA
1/26/2010	Louis Francis	1,385	Contract Training in Washington, DC
2/12/2010	Katrina White	1,339	ABA Marketplace 2010 in National Harbor, MD
3/4/2010	Jayne Panarello	1,108	RSAA Conference in Orlando, FL
3/11/2010	Dorothy Reynolds	461	Airfare for Spring 2010 APTAC in San Antonio, TX
3/18/2010	Louis Francis	396	Airfare for Spring 2010 APTAC in San Antonio, TX
3/25/2010	Paul Harden	304	Wind Composites Conference in Portland, Maine
4/1/2010	Paul Harden	1,329	NAWB Conference in Washington, DC
4/1/2010	Sean Esten	955	EDA Conference in Philadelphia, PA
4/1/2010	Katharine Flynn	720	Jones Lang Conference in Orlando, FL
4/15/2010	Fred Hashway, Jr.	1,348	Washington Summit in Washington, DC
4/22/2010	Louis Francis	1,904	Spring 2010 APTAC Conference in San Antonio, TX
4/29/2010	Dorothy Reynolds	1,330	Spring 2010 APTAC Conference in San Antonio, TX
4/29/2010	John Riendeau	1,283	CoreNet Global Summit in New Orleans, LA
4/29/2010	James Walsh	347	NEVCA Conference in Portland, ME
5/6/2010	Sean Esten	272	NADO Conference in Cooperstown, NY
5/27/2010	Jayne Panarello	1,995	Pow Wow Conference in Orlando, FL
6/10/2010	Christine Smith	549	SSTI State Dialogue Forum in Washington, DC
6/14/2010	Jayne Panarello	111	Discover New England German Sales Mission in Germany
6/17/2010	Katrina White	256	James Beard Luncheon in New York, NY
6/23/2010	John Riendeau	385	MAST Americas Undersea Warfare Conf/Expo in Washington, DC
6/23/2010	Dorothy Reynolds	266	PTAC NE PM Meeting in Merrimack, NH
6/30/2010	Stuart Freiman	186	PEW Charitable Trust Conference in Washington, DC
6/30/2010	Mark Brodeur	84	Train Fare for James Beard Luncheon in New York, NY
6/30/2010	Julian Dash	202	Renewable Energy Finance Forum in New York, NY
6/30/2010	Julian Dash	617	RI Energy & Environmental Leaders Day in Washington, DC
Various	Mileage	41,748	
	<b>Total</b>	<b>\$ 77,662</b>	

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES**  
**YEAR ENDED JUNE 30, 2010**

Quonset Development Corporation

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
04/07/10	Brian P. Smith	\$ 43.00	Mileage
04/22/10	Brian Reynolds	\$ 56.75	Mileage
12/07/09	Doubletree Hotel Wahington, DC	\$ 464.00	Seminar
04/07/10	Evan Matthews	\$ 79.00	Mileage
03/25/10	Intercontinental Hotel - DC	\$ 342.36	AAPA Conference
03/09/10	Kevin M. Barry	\$ 87.85	Lunch w/Hexagon Metrology
03/26/10	Loews Hotels- Philadelphia,PA	\$ 352.52	EDA Conference
06/07/10	Marriott Hotels	\$ 278.88	Mystic Conference
05/05/10	Norine Courtemanche	\$ 55.76	Mileage
07/30/09	Norine Courtemanche	\$ 4.00	Mileage
04/21/10	Peachtree Hotel Atlanta, GA	\$ 795.80	Microsoft Convergence
09/09/09	Southwest Airline	\$ 216.20	Trip to DC Matthews/Trapani
03/10/10	Southwest Airline	\$ 209.40	AAPA Conference DC
09/09/09	Southwest Airline	\$ 216.20	Trip to DC Matthews/Trapani
05/14/10	Southwest Airlines	\$ 217.40	DC Meeting
10/26/09	Southwest Airlines	\$ 169.20	DC Ports Meeting
03/03/10	Steven King	\$ 64.09	Mileage
06/24/10	Steven King	\$ 33.00	Mileage
04/22/10	Trapani, Katherine	\$ 40.00	Restaurant 4/7/10 Site Visit EDA RI Rep
03/11/10	United Air Lines/Orbits	\$ 169.39	Trapani Philadelphia
03/08/10	Us Airways	\$ 379.80	Microsoft Convergence
		<u>\$ 4,274.60</u>	

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

*Schedule of Travel and Entertainment Expenses  
For the year ended June 30, 2010*

Rhode Island Airport Corporation				
Employee	Purpose	Date	Place	
S McElroy	TSA Explosive Detection Team Training	7/1/09 to 8/1/09	San Antonio, TX	\$ 2,080
J. Ottaviano	National Explosives Detection Canine Team Program Review	7/27/09 to 7/31/09	Orlando, FL	624
S Traficante	51st Annual NEC/AAAE Conference	8/8/09 to 8/12/09	Baltimore, MD	1,315
K Dillon	51st Annual NEC/AAAE Conference	8/8/09 to 8/12/09	Baltimore, MD	1,151
B Pope	Alliance of Hazardous Materials Professionals 2009 Annual Conference	8/30/09 to 9/3/09	San Diego, CA	1,408
K Dillon	F. Russell Hoyt National Airports Conference	9/17/09 to 9/22/09	San Antonio, TX	1,139
K Dillon	Airline Visit	9/24/09 to 9/25/09	Dallas, TX	1,167
P Goldstein	Airline Visit	9/24/09 to 9/25/09	Dallas, TX	711
K Dillon	Airline Visit	9/30/09 to 10/1/09	Calgary, Canada	1,291
P Goldstein	Airline Visit	9/30/09 to 10/1/09	Calgary, Canada	1,007
S Weston	VMware Training	10/20/09 to 10/23/09	Burlington, MA	423
L Messier	AAAE Airport Security Coordinator (ASC) School	11/8/09 to 11/9/09	Atlanta, GA	569
S Traficante	Planning Committee for the Northeast Chapter 210 Conference	11/13/09 to 11/14/09	Burlington, VT	537
K Dillon	Airline Visit	11/20/2009	Chicago, IL	368
P Goldstein	Airline Visit	11/20/2009	Chicago, IL	273
Various	Providence Chamber Annual Dinner	11/23/2009	Providence, RI	1,250
K Dillon	Airline Visit	11/30/09 to 12/4/09	Dublin, Ireland	1,973
P Goldstein	Airline Visit	11/30/09 to 12/4/09	Dublin, Ireland	1,342
K Dillon	US DOT Meeting	1/22/2010	Washington, DC	347
A Shihadeh	ACC/AAAE Planning, Design, and Construction Symposium	2/23/10 to 2/26/10	Atlanta, GA	827
P Goldstein	Network 2010 Conference	3/6/10 to 3/10/10	Fort Lauderdale, FL	1,157
T Pimental	Network 2010 Conference	3/6/10 to 3/10/10	Fort Lauderdale, FL	850
K Dillon	FAA Meeting	3/25/10 to 3/26/10	Washington, DC	783
S Tibbetts	Landmark Aviation General Manager Conference	4/5/10 to 4/8/10	Houston, TX	753
P Cusick	Fire Academy	4/11/10 to 4/17/10	Columbia, SC	970
J LaFlamme	Fire Academy	4/11/10 to 4/17/10	Columbia, SC	580
B Schattle	PFC Workshop	4/12/10 to 4/15/10	Washington, DC	1,223
K Dillon	Meeting with Senator Reed	4/15/2010	Washington, DC	484
J Warcup	Bell Helicopter Training	4/25/10 to 4/28/10	Fort Worth, TX	981
Various	2010 Economic Outlook Luncheon	5/5/2010	Providence, RI	1,500
L Messier	2010 ALEAN Spring Conference	5/5/10 to 5/7/10	Louisville, KY	806
K Dillon	Airline Visit	5/6/10 to 5/7/10	Tempe, AZ	1,003
P Goldstein	Airline Visit	5/6/10 to 5/7/10	Tempe, AZ	846
K Dillon	82nd Annual AAEE Conference and Exposition	5/14/10 to 5/20/10	Dallas, TX	1,897
K McCann	Fire Academy	5/16/10 to 5/22/10	Columbia, SC	752
K Biron	Fire Academy	5/16/10 to 5/22/10	Columbia, SC	1,196
J Pavao	NATA Training	5/19/10 to 5/20/10	Windsor Locks, CT	297
R Harrop	TSA Explosive Detection Team Training	5/23/10 to 6/22/10	San Antonio, TX	1,951
D Lucas	NBAA New England Business Aviation Conference	6/2/10 to 6/3/10	Nashua, NH	333
P Goldstein	Jumpstart Conference	6/5/10 to 6/10/10	San Diego, CA	1,838
T Pimental	Jumpstart Conference	6/5/10 to 6/10/10	San Diego, CA	1,629
D Andrews	TSA Explosive Detection Team Training	6/6/10 to 6/12/10	San Antonio, TX	417
D Stubbs	Cisco Training	6/7/10 to 6/13/10	Atlanta, GA	251
K Dillon	Airline Visit	6/17/10 to 6/18/10	Dallas, TX	898
P Goldstein	Airline Visit	6/17/10 to 6/18/10	Dallas, TX	1,543
Various	Mileage, Parking, Tolls & Gas Reimbursement	7/1/09 to 6/30/10	Warwick, RI	1,418
Various	Snow Meals	7/1/09 to 6/30/10	Warwick, RI	4,000
Various	Various Meeting Expenses	7/1/09 to 6/30/10	Warwick, RI	4,206
Various	Various Employee Trips to Block Island, RI	7/1/09 to 6/30/10	Block Island, RI	1,735
Various	Miscellaneous Amounts under \$200	7/1/09 to 6/30/10	Warwick, RI	3,207
				<b>\$ 59,306</b>

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	<u>Economic Development Corporation</u>	<u>Renewable Energy Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2,015,844		\$ 2,015,844
Accounts receivable, less allowance for uncollectibles	39,841		39,841
Interest receivable	70,064		70,064
Interfund receivable (payable)	266,954	\$ (87,776)	179,178
Due from State agencies	83,061		83,061
Deposits and prepaid expenses	41,490		41,490
Restricted:			
Cash and cash equivalents	2,096,264	3,373,999	5,470,263
Receivables	217,980	30,205	248,185
Net investment in direct financing leases	1,355,274		1,355,274
<b>Total current assets</b>	<b>6,186,772</b>	<b>3,316,428</b>	<b>9,503,200</b>
<b>Noncurrent assets</b>			
Restricted:			
Cash and cash equivalents	4,619,150		4,619,150
Investments	952,753		952,753
Notes receivable		342,952	342,952
Net investments in direct financing leases, less current portion	31,734,040		31,734,040
Due from State agencies	696,441		696,441
Capital assets not being depreciated	128,762		128,762
Capital assets being depreciated, net	30,235		30,235
<b>Total noncurrent assets</b>	<b>38,161,381</b>	<b>342,952</b>	<b>38,504,333</b>
<b>TOTAL ASSETS</b>	<b>44,348,153</b>	<b>3,659,380</b>	<b>48,007,533</b>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Accounts payable	247,469		247,469
Accrued expenses and other	406,969		406,969
Payable from restricted assets	2,180,572	42,509	2,223,081
Deferred revenue	1,687,058	3,597,719	5,284,777
<b>Total current liabilities</b>	<b>4,522,068</b>	<b>3,640,228</b>	<b>8,162,296</b>
<b>Noncurrent liabilities</b>			
Liabilities payable from restricted cash and cash equivalents	2,986,878		2,986,878
Other post-employment benefit liability	16,560		16,560
Net pension obligation	770,956		770,956
Bonds and leases payable, less current portion	34,319,011		34,319,011
Deferred revenue	38,400		38,400
<b>Total noncurrent liabilities</b>	<b>38,131,805</b>	-	<b>38,131,805</b>
<b>TOTAL LIABILITIES</b>	<b>42,653,873</b>	<b>3,640,228</b>	<b>46,294,101</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	158,997		158,997
Unrestricted	1,535,283	19,152	1,554,435
<b>TOTAL NET ASSETS</b>	<b>\$ 1,694,280</b>	<b>\$ 19,152</b>	<b>\$ 1,713,432</b>

SEE INDEPENDENT AUDITOR'S REPORT

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Economic Development Corporation</u>	<u>Renewable Energy Fund</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services			
Rentals and fees	\$ 19,784		\$ 19,784
Interest on loans		\$ 7,181	7,181
Other income	0		3,400,666
<b>Total operating revenues</b>	<u>19,784</u>	<u>3,407,847</u>	<u>3,427,631</u>
<b>Operating expenses</b>			
Personnel services	2,781,889	180,979	2,962,868
Contractual services	1,035,520	2,572,728	3,608,248
Grants		525,491	525,491
Other expenses	1,186,122	121,467	1,307,589
Provision for loan losses and uncollectibles	4,750,000		4,750,000
Depreciation and amortization	9,540		9,540
<b>Total operating expenses</b>	<u>9,763,071</u>	<u>3,400,665</u>	<u>13,163,736</u>
<b>Operating income (loss)</b>	<u>(9,743,287)</u>	<u>7,182</u>	<u>(9,736,105)</u>
<b>Nonoperating revenues (expenses)</b>			
Appropriations from State	21,191,956		21,191,956
Investment and other revenue	5,189,878	879	5,190,757
Interest expense	(3,092,299)		(3,092,299)
Grant income	1,982,414		1,982,414
Grant expenses	(2,053,109)		(2,053,109)
Public investment payments and job credits	(6,092,526)		(6,092,526)
Other	(7,209,721)		(7,209,721)
<b>Total nonoperating revenues, net</b>	<u>9,916,593</u>	<u>879</u>	<u>9,917,472</u>
<b>Income (loss) before transfers</b>	<u>173,306</u>	<u>8,061</u>	<u>181,367</u>
<b>Transfers:</b>			
Transfer (to) from Rhode Island Economic Development Corporation	(30,000)		(30,000)
Transfer from other State agencies	166,111		166,111
<b>Total transfers</b>	<u>136,111</u>	<u>-</u>	<u>136,111</u>
<b>Change in net assets</b>	309,417	8,061	317,478
<b>Total net assets, beginning of year</b>	<u>1,384,863</u>	<u>11,091</u>	<u>1,395,954</u>
<b>Total net assets, end of year</b>	<u>\$ 1,694,280</u>	<u>\$ 19,152</u>	<u>\$ 1,713,432</u>

SEE INDEPENDENT AUDITOR'S REPORT

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

Board of Directors  
Rhode Island Economic Development Corporation  
Providence, RI

We have audited the financial statements of the Rhode Island Economic Development Corporation, a component unit of the State of Rhode Island, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Boston

Newton

Taunton

Concord

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Braver PC".

Providence, Rhode Island  
September 30, 2010