

**RHODE ISLAND
CONVENTION CENTER
AUTHORITY
(A COMPONENT UNIT
OF THE STATE OF
RHODE ISLAND)**

**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
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Independent Auditors' Report

To the Board of Commissioners
Rhode Island Convention Center Authority
Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island Convention Center Authority, a component unit of the State of Rhode Island, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Rhode Island Convention Center Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Convention Center Authority as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Authority is dependent upon annual appropriations of lease revenue by the General Assembly of the State of Rhode Island to fund debt service on its outstanding bonds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rhode Island Convention Center Authority's basic financial statements. The accompanying supplementary information on pages 32 through 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020 on our consideration of the Rhode Island Convention Center Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rhode Island Convention Center Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rhode Island Convention Center Authority's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
September 24, 2020

**RHODE ISLAND CONVENTION CENTER AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

As management of the Rhode Island Convention Center Authority (Authority), a Component Unit of the State of Rhode Island (State), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2020 (FY20) and June 30, 2019 (FY19). The Authority's financial statements, accompanying notes and supplementary information should be read in conjunction with the following discussion.

Introduction

The Authority was created in 1987 by the Rhode Island General Assembly as a public corporation, instrumentality, and agency of the State, having a distinct legal existence from the State and not constituting a department of State government. The Authority was created for the purpose of constructing, managing, and operating a facility to house conventions, trade shows, exhibitions, displays, meetings, banquets, and other events, as well as facilities related thereto such as parking lots and garages, connection walkways, hotels, and office buildings, including any retail facilities that are incidental to and located within any of the foregoing, and to acquire land. The Authority has managed its facilities through third-party management contracts since inception. The powers of the Authority are vested in a Board of Commissioners (Board) having eleven members. The Governor of the State has the power to appoint eight members. The Mayor of the City of Providence has the power to appoint two members and the City Council of the City of Providence has the power to appoint one member. The Chairperson, Vice Chairperson, Secretary, and Treasurer are elected by the members of the Board.

On December 2, 1993, the Rhode Island Convention Center (the Convention Center or RICC) and related garage facilities officially opened. The Authority is authorized to lease the Convention Center and the related facilities to the State and to issue its bonds and notes for any of its corporate purposes. The Authority manages the Convention Center and the related facilities pursuant to the terms of a sublease agreement, dated November 1, 1991, as amended, by and between the State, as sublessor, and the Authority, as sublessee (the Sublease). The venue attracts a wide range of local, regional, national, and even international events and generates significant economic impact for the City of Providence (City) and the State.

In 2005, the Authority's enabling legislation was amended to clarify that the Authority could also own, operate, and finance a "civic center." In December 2005, the Authority issued federally taxable bonds to finance the acquisition of the Dunkin' Donuts Center (DDC) from the City. The DDC is home to the Providence College men's basketball team (the Friars) and the American Hockey League Providence Bruins, the Boston Bruins' highest-level minor league team. The DDC is also the venue for touring family shows, concerts, and other special events. Seating at the DDC is 12,500 for basketball, 11,000 for ice hockey, and 14,500 for center stage events. The Authority completed significant renovations to the DDC in June 2010.

The Authority leases the DDC to the State in an arrangement similar to that for the Convention Center. Rental payments from the DDC lease are applied to payments of bonds initially issued for the acquisition and renovation of the DDC. The DDC is a significant participant in and leader of the overall downtown Providence redevelopment. The renovated DDC represents a tangible and visible demonstration of government commitment to revitalizing the capital city and is a vital economic engine, with many positive and quantifiable multiplier effects on the local and regional economies.

The Providence / Warwick Convention & Visitors Bureau markets Rhode Island to local, regional, national, and international audiences. The Convention Center's marketing partners, including area hotels and restaurants, highlight the renovations / expansions of the DDC to attract larger conventions and meetings.

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In July 2008, the Authority assumed the management of the Veterans Memorial Auditorium, rebranded as The Vets, from the Veterans Memorial Auditorium Foundation, with the approval of the State's Department of Administration (DOA). The Vets is one of the oldest arts venues in Rhode Island and is on the National Register of Historic Places. Operation of The Vets is shared by the DOA and third-party management companies.

In March 2018, the Authority issued the Garrahy Parking Garage Lease Revenue Bonds, 2018 Series A (federally taxable) (2018 Series A Bonds) to provide funds (i) to finance the acquisition, construction, equipping, and improvement of the parking facility adjacent to the Garrahy Courthouse in Providence, Rhode Island (Clifford Street Garage), (ii) to pay the costs of issuance of the 2018 Series A Bonds, and (iii) to pay capitalized interest on the 2018 Series A Bonds. The parking facility officially opened in March 2020.

On January 30, 2020, the World Health Organization declared the spread of a novel strain of coronavirus (COVID-19) to constitute a "Public Health Emergency of International Concern." The spread of COVID-19 has caused significant disruption to the hospitality industry and to the Authority's operations, which have been closed since mid-March 2020. In response, the Authority's third-party management companies have made significant reductions in labor force, including those under collective bargaining agreements. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. In April 2020, the Authority entered into a six month special use license agreement with the State to convert the Convention Center into an alternate care facility for up to 600 low acuity COVID-19 patients or as step-down from hospital care, as needed. In June 2020, the Authority secured additional financial assistance from the State to host the Governor's COVID-19 press conferences at The Vets and to display the State's COVID-19 messaging via the DDC's marquee. At this time, the extent to which COVID-19 may impact the Authority's financial position or results of operations cannot be reasonably estimated.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements.

The Authority engages only in business-related functions, financed in whole or part by assessments to external stakeholders for goods and services. Consequently, the Authority's financial statements include the statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements. These financial statements are intended to provide the reader with a broad overview of the Authority's financial status, similar to private-sector entities.

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

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

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The Authority is dependent upon annual State appropriations of lease revenue by the General Assembly of the State to fund debt service on its outstanding bonds and capital improvements from the State's Rhode Island Capital Plan Fund (RICAP). The Authority's annual appropriations, exclusive of working capital advances, consist of the following:

	<u>2020</u>	<u>2019</u>
Debt service	\$ 24,338,069	\$ 20,197,231
Capital improvements from RICAP	<u>8,329,400</u>	<u>8,792,485</u>
	<u>\$ 32,667,469</u>	<u>\$ 28,989,716</u>

2020 Financial Highlights

Total liabilities exceeded total assets and deferred outflows of resources by \$39,136,398 (net deficit position) at June 30, 2020. Net position totaling (\$8,241,683) is unrestricted. Net position totaling \$871,466 is restricted to be utilized principally for renewal and replacement of capital assets and operating expenditures as reflected in the Authority's bond documentation. The Authority's net deficit position invested in capital assets, net of related debt, totaling (\$31,766,181), is attributable to the Authority's capital assets, related long-term outstanding debt, and associated depreciation.

Operating loss for FY20, exclusive of \$12,584,594 in depreciation expense, totaled \$3,605,213, an increase of \$2,944,671 when compared to FY19.

Net deficit position decreased by \$8,526,721 during FY20.

Overall events hosted by the Authority's operating facilities were as follows:

	<u>2020</u>	<u>2019</u>
Convention Center	156	249
DDC	84	126
The Vets	<u>56</u>	<u>127</u>
	<u>296</u>	<u>502</u>

The Authority's FY20 net nonoperating revenues also include \$1,503,676 and \$75,524 pertaining to the special use license agreement and other financial assistance, respectively, with the State.

2019 Financial Highlights

Total liabilities exceeded total assets and deferred outflows of resources by \$47,663,120 (net deficit position) at June 30, 2019. Net position totaling (\$7,515,207) is unrestricted. Net position totaling \$2,429,543 is restricted to be utilized principally for renewal and replacement of capital assets and operating expenditures as reflected in the Authority's bond documentation. The Authority's net deficit position invested in capital assets, net of related debt, totaling (\$42,577,456), is attributable to the DDC acquisition and renovation, related long-term outstanding debt, and associated depreciation of the Authority's capital assets.

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Operating loss for FY19, exclusive of \$11,040,305 in depreciation expense, totaled \$660,542, a decrease of \$159,431 when compared to FY18.

Net deficit position decreased by \$7,520,355 during FY19.

Overall events hosted by the Authority's operating facilities were as follows:

	<u>2019</u>	<u>2018</u>
Convention Center	249	270
DDC	126	125
The Vets	127	84
	<u>502</u>	<u>479</u>

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Condensed Comparative Information

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

	2020	2019	2018	Increase (decrease)	
				2020 v 2019	2019 v 2018
Net Position					
Current assets	\$ 5,788	\$ 26,415	\$ 48,028	\$ (20,627)	\$ (21,613)
Capital assets, net	169,274	157,767	134,095	11,507	23,672
Other noncurrent assets	210	246	291	(36)	(45)
Total assets	175,272	184,428	182,414	(9,156)	2,014
Deferred outflows of resources	5,365	6,561	7,757	(1,196)	(1,196)
Current liabilities	28,707	29,979	20,942	(1,272)	9,037
Noncurrent liabilities	191,067	208,673	224,413	(17,606)	(15,740)
Total liabilities	219,774	238,652	245,355	(18,878)	(6,703)
Net Deficit Position	\$ (39,137)	\$ (47,663)	\$ (55,184)	\$ 8,526	\$ 7,521
Changes in Net Position					
Operating revenues	\$ 21,316	\$ 30,142	\$ 30,503	\$ (8,826)	\$ (361)
Operating expenses	37,776	41,842	41,790	(4,066)	52
Operating loss	(16,460)	(11,700)	(11,287)	(4,760)	(413)
Nonoperating revenue (expenses), net	24,986	19,221	10,849	5,765	8,372
Change in Net Deficit Position	\$ 8,526	\$ 7,521	\$ (438)	\$ 1,005	\$ 7,959
Components of Net Deficit Position					
Net investment in capital assets, net related debt	\$ (31,766)	\$ (42,577)	\$ (51,121)	10,811	8,544
Restricted	871	2,430	1,117	(1,559)	1,313
Unrestricted	(8,242)	(7,516)	(5,180)	(726)	(2,336)
Total Net Deficit Position	\$ (39,137)	\$ (47,663)	\$ (55,184)	\$ 8,526	\$ 7,521

2020 Financial Analysis

Total assets of the Authority decreased by \$9,155,395 as of June 30, 2020 compared to June 30, 2019. Current assets decreased in 2019 by \$20,626,062 in comparison to 2019, which is principally due to cash disbursed for capital improvements and a decrease in cash on hand related to advanced ticket sales. Net capital assets increased by \$11,506,487, which is primarily attributable to capital improvements pertaining to the project involving the parking facility adjacent to the Garrahy Courthouse, the RICC, and the DDC, offset by depreciation and a loss on disposal. Noncurrent assets, other than capital assets, decreased by \$35,820, which is principally due to amortization of prepaid bond insurance.

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Deferred outflows of resources decreased by \$1,196,522 as of June 30, 2020 due to amortization of net deferred charges on bond refundings.

During FY20, the Authority's long-term debt decreased by \$15,377,919 due to scheduled principal payments of \$14,570,000 on outstanding bonds payable and amortization of bond premiums.

Total liabilities of the Authority at June 30, 2020, exclusive of bonds payable, decreased by \$3,500,750 due to decreases in unearned advances, accrued retainage costs, and accrued payroll, offset by increases in trade payables.

2020 Operating Activity

Operating revenues of the Authority decreased by \$8,825,388 compared to 2019, which is attributable to the closure of all facilities since mid-March 2020 due to the COVID-19 pandemic.

Total operating expenses, exclusive of \$12,854,594 in depreciation expense, decreased by \$5,880,707, which is attributable to the closure of all facilities since mid-March 2020 due to the COVID-19 pandemic.

As a result of the above, the operating loss to the Authority, exclusive of \$12,854,594 in depreciation expense, was \$3,605,213 in 2020 compared to \$660,542 in 2019.

2019 Financial Analysis

Total assets of the Authority increased by \$2,013,113 as of June 30, 2019 compared to June 30, 2018. Current assets decreased in 2019 by \$21,613,917 in comparison to 2018, which is principally due to cash disbursed for capital improvements pertaining to the project involving the parking facility adjacent to the Garrahy Courthouse, offset by cash receipts pertaining to advanced ticket sales for events held at the DDC in July 2019. Net capital assets increased by \$23,672,111, which is primarily attributable to capital improvements pertaining to the project involving the parking facility adjacent to the Garrahy Courthouse, the RICC, and the DDC, offset by depreciation. Noncurrent assets, other than capital assets, decreased by \$45,081, which is principally due to amortization of prepaid bond insurance.

Deferred outflows of resources decreased by \$1,195,277 as of June 30, 2019 due to amortization of net deferred charges on bond refundings.

During FY19, the Authority's long-term debt decreased by \$11,790,204 due to scheduled principal payments of \$10,785,000 on outstanding bonds payable and amortization of bond premiums.

Total liabilities of the Authority at June 30, 2019, exclusive of bonds payable, increased by \$5,087,685 due to increases in accrued construction and retainage costs associated with the project involving the parking facility adjacent to the Garrahy Courthouse and capital improvements at the RICC and DDC, advanced ticket sales for events held at the DDC in July 2019, and increases in accrued payroll due to the timing of year-end events.

2019 Operating Activity

Operating revenues of the Authority decreased by \$361,753 compared to 2018, which is attributable to increases at The Vets and the DDC, offset by decreases at the Convention Center.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

Total operating expenses, exclusive of \$11,040,305 in depreciation expense, decreased by \$521,184 due to decreases in event production, payroll at the DDC, food and beverage, bad debt, and utilities expenses, offset by increases in show expenses and contracted labor at The Vets and repair and maintenance expenses. The reduction in utilities expenses is attributable to net metering credits allocated to the Authority under the terms of arrangements with wind energy facilities.

As a result of the above, the operating loss to the Authority, exclusive of \$11,040,305 in depreciation expense, was \$660,542 in 2019 compared to \$819,973 in 2018.

Requests for Information

This financial report is designed as a general overview of the Authority's financial picture for external and internal stakeholders. Questions concerning any of the information provided in this report or public requests for information should be addressed to the Rhode Island Convention Center Authority, One LaSalle Square, Providence, RI 02903.

RHODE ISLAND CONVENTION CENTER AUTHORITY
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STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,292,294	\$ 6,142,667
Cash and cash equivalents, restricted	1,840,387	18,275,043
Accounts receivable, less allowance for doubtful accounts of \$101,111 and \$68,675 in 2020 and 2019, respectively	519,679	1,306,570
Due from State	712,692	157,413
Prepaid expenses and other assets	423,315	532,736
Total current assets	<u>5,788,367</u>	<u>26,414,429</u>
Noncurrent assets:		
Capital assets not being depreciated	51,739,407	78,440,623
Capital assets being depreciated, net	117,534,523	79,326,818
Prepaid expenses and other assets	210,443	246,263
Total noncurrent assets	<u>169,484,373</u>	<u>158,013,704</u>
Total assets	<u>175,272,740</u>	<u>184,428,133</u>
Deferred Outflows of Resources:		
Deferred charge on refunding	<u>5,364,814</u>	<u>6,561,366</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	8,167,065	8,631,764
Unearned advances	2,649,535	5,549,871
Unearned special use license rent, State	660,000	
Retainage payable	535,745	1,227,634
Current portion of bonds payable	16,695,000	14,570,000
Total current liabilities	<u>28,707,345</u>	<u>29,979,269</u>
Noncurrent liabilities:		
Unearned advances, less current portion	387,764	491,587
Bonds payable, less current portion	190,678,844	208,181,763
Total noncurrent liabilities	<u>191,066,608</u>	<u>208,673,350</u>
Total liabilities	<u>219,773,953</u>	<u>238,652,619</u>
Net (Deficit) Position:		
Net investment in capital assets	(31,766,457)	(42,577,456)
Restricted by bond indentures	871,744	2,429,543
Unrestricted	<u>(8,241,686)</u>	<u>(7,515,207)</u>
Total Net Deficit Position	<u>\$ (39,136,399)</u>	<u>\$ (47,663,120)</u>

The accompanying notes are an integral part of the financial statements

**RHODE ISLAND CONVENTION CENTER AUTHORITY
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Charges for services	\$ 21,157,768	\$ 29,964,873
Other	158,761	177,034
Total operating revenues	<u>21,316,529</u>	<u>30,141,907</u>
Operating Expenses:		
Personnel services	13,569,450	16,939,781
Contractual services	3,322,234	4,494,247
Utilities	1,840,693	2,255,496
Repairs and maintenance	745,729	849,883
Other supplies and expenses	5,443,635	6,263,042
Depreciation	12,854,594	11,040,305
Total operating expenses	<u>37,776,335</u>	<u>41,842,754</u>
Operating Loss	<u>(16,459,806)</u>	<u>(11,700,847)</u>
Nonoperating Revenues (Expense):		
State appropriations (inclusive of net RICAP appropriations of \$8,329,400 and \$8,792,485 in 2020 and 2019, respectively)	32,667,469	28,989,716
Interest and investment revenue	61,753	85,721
Interest expense and related financing costs	(8,767,137)	(9,854,235)
Loss on disposal of equipment	(554,758)	
Special use license revenue, State	2,283,106	
Special use license expense	(779,430)	
Other financial assistance	153,034	
Grant expense	(77,510)	
Net nonoperating revenues	<u>24,986,527</u>	<u>19,221,202</u>
Change in Net Deficit Position	8,526,721	7,520,355
Net Deficit Position at Beginning of Year	<u>(47,663,120)</u>	<u>(55,183,475)</u>
Net Deficit Position at End of Year	<u>\$ (39,136,399)</u>	<u>\$ (47,663,120)</u>

The accompanying notes are an integral part of the financial statements

RHODE ISLAND CONVENTION CENTER AUTHORITY
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Received from customers	\$ 19,099,261	\$ 31,897,111
Payments to suppliers for goods and services	(10,729,505)	(13,248,976)
Payments to employees	(14,334,275)	(16,686,263)
Special use license receipts, State	2,805,546	
Special use license payments	(779,430)	
Net cash provided by (used in) operating activities	<u>(3,938,403)</u>	<u>1,961,872</u>
Cash Provided by Noncapital Financing Activities:		
Transfer from State	32,381,784	28,832,303
Other financial assistance, State	21,000	
Grant payments	(77,510)	
Net cash provided by noncapital and related financing activities	<u>32,325,274</u>	<u>28,832,303</u>
Cash Flows from Capital and Related Financing Activities:		
Payment for:		
Capital assets	(25,705,831)	(31,793,109)
Bonds payable, principal	(14,570,000)	(10,785,000)
Interest paid on bonds payable, net of related financing costs	(8,457,822)	(10,099,210)
Net cash used in capital and related financing activities	<u>(48,733,653)</u>	<u>(52,677,319)</u>
Cash Flows from Investing Activities:		
Interest on investments	<u>61,753</u>	<u>85,721</u>
Net Change in Cash and Cash Equivalents	(20,285,029)	(21,797,423)
Cash and Cash Equivalents at Beginning of Year	<u>24,417,710</u>	<u>46,215,133</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,132,681</u>	<u>\$ 24,417,710</u>

(Continued on next page)

**RHODE ISLAND CONVENTION CENTER AUTHORITY
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STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Loss to Net Cash		
Provided by (Used in) Operating Activities:		
Operating loss	\$ (16,459,806)	\$ (11,700,847)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	12,854,594	11,040,305
Provision for losses on accounts receivable	401,455	(12,526)
(Increase) decrease in operating assets:		
Accounts receivable	385,436	83,140
Prepaid expenses and other assets	145,241	(51,626)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(287,280)	918,836
Unearned advances	(3,004,159)	1,684,590
Special use license receipts, State	2,805,546	
Special use license payments	<u>(779,430)</u>	
Net Cash Provided by (Used in) Operating Activities	<u>\$ (3,938,403)</u>	<u>\$ 1,961,872</u>

The accompanying notes are an integral part of the financial statements

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
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1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Rhode Island Convention Center Authority (Authority) is a public corporation and instrumentality created by the General Assembly of the State of Rhode Island and Providence Plantations (State) in 1987. The Authority was created to facilitate the construction and development of a convention center, parking garages and related facilities in a city or town within the State. It is a component unit of the State for financial reporting purposes and, as such, the financial statements of the Authority will be included in the State's comprehensive annual financial report.

In 2005, the Rhode Island House and Senate approved the issuance of bonds to finance the acquisition of the Dunkin' Donuts Center-Providence (DDC). The legislation authorized the Authority to issue \$92,500,000 in revenue bonds to finance the acquisition from the City of Providence (City) of the real property and improvements constituting the DDC; the renovation, equipping, improvement and redevelopment of the facility; and the costs of issuing and insuring the bonds.

In July 2008, the Authority entered into a lease with the State's Department of Administration (DOA) and commenced operations of the Veterans Memorial Auditorium (The Vets). Operation of The Vets is shared by the DOA and two facilities-management groups: Professional Facilities Management Inc. of Providence (PFM), and SMG. PFM manages the marketing, bookings and box office; SMG assists with the physical plant, mechanical operations and security with volunteer support provided by Johnson & Wales University students. The DOA is responsible for utilities, snow removal and other ancillary operational support.

In March 2018, the Authority issued the Garrahy Parking Garage Lease Revenue Bonds, 2018 Series A (federally taxable) (2018 Series A Bonds) to finance the acquisition, construction, equipping, and improvement of the parking facility adjacent to the Garrahy Courthouse in Providence, Rhode Island (Clifford Street Garage), the costs of issuing, and the costs of capitalizing the interest on the bonds.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

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

The Authority uses the economic resources measurement focus and accrual basis of accounting.

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

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Revenue Recognition

Revenues are recognized on the accrual basis of accounting. Charges for services consist primarily of the following event-related revenue:

RICC	Rental income, concessions and catering income and parking income.
DDC	Rental income, ticket sales, luxury suite income and concession income.
The Vets	Rental income, ticket sales, concession sales and parking income.
Clifford Street Garage	Parking income.

Cash and Cash Equivalents

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

Cash and Cash Equivalents, Restricted

Unexpended proceeds from the sale of revenue bonds and cash reserves whose use is specified or limited by bond resolutions, enabling legislation, laws or third parties are reported as restricted cash and cash equivalents in the accompanying statements of net position and are classified as either current or noncurrent based on the maturity date of the underlying securities.

Investments

Money market investments having a remaining maturity of one year or less at the time of purchase are reported on the statements of net position at their amortized cost. All other investments are reported at fair value.

The Authority's enabling statute authorizes the Authority to invest in obligations of, or guaranteed by, the United States, or in certificates of deposit or time deposits secured by direct obligations of, or guaranteed by, the United States. The statute also authorizes the Authority to invest proceeds from the sale of any bonds in such obligations, securities and other investments as provided in the resolutions under which such bonds were authorized, principally commercial repurchase agreements.

Capital Assets and Depreciation

Capital assets are stated at cost. Cost includes direct and indirect project costs, as well as capitalized interest through the date of completion of each component of the Authority's property. The Authority defines capital assets as assets with an initial individual cost of more than \$5,000 or repairs in excess of 10% of the asset's original cost and an initial estimated useful life in excess of one year.

Land and easements consist of land and an intangible asset. Land is recorded at cost and it is not depreciated. The intangible asset consists of a perpetual easement agreement and is recorded at fair value and it is not amortized. In accordance with GASB Statement No. 51, intangible assets with indefinite useful lives are not subject to amortization. Equipment consists of facility furniture, fixtures and equipment. Ordinary maintenance, repairs and replacements are charged directly to operations as incurred.

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The Authority provides for depreciation using the straight-line method over the following estimated useful lives of the assets with one-half year of depreciation taken in the fiscal year the asset is placed in service and that of disposal.

<u>Assets</u>	<u>Years</u>
Land	-
Easements	-
Construction in progress	-
Building and facilities	25-30
Equipment	5-15

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

Deferred Outflows of Resources

The Authority reports a deferred charge on bond refunding in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Unearned Advances

Unearned advances arise when resources are received by the Authority before it has a legal claim to them. In subsequent periods, when the Authority has legal claim to the resources, revenue is recognized.

Bonds Payable

Included in revenue bonds payable are balances for bond discounts and premiums. These balances are amortized using the interest method, meaning amortization is based on interest payments over the terms of the series.

Special Use License Revenue and Expense

Rental and service income and personnel and supplies expenses associated with the State’s use of the RICC as an alternate care facility under the terms of a special use license agreement are reported as nonoperating revenue and expense in the accompanying statements of revenues, expenses and changes in net position (see Note 11).

Financial assistance approved by the State and related service expenses associated with COVID-19 response activities to host the Governor's press conferences at The Vets and to display the State's messaging via the DDC's marquee are reported as nonoperating revenue and expense in the accompanying statements of revenues, expenses and changes in net position (see Note 11).

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Net Position

The Authority's net position has been segregated into the following three components:

Net Investment in Capital Assets

Represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any.

Restricted

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

Unrestricted

A residual category for the balance of net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through September 24, 2020, the date the financial statements are available to be issued.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, including restricted amounts, consist of the following:

	<u>2020</u>	<u>2019</u>
Deposits	\$ 2,973,495	\$ 21,891,063
Cash equivalents	<u>1,159,186</u>	<u>2,526,647</u>
	<u>\$ 4,132,681</u>	<u>\$ 24,417,710</u>

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Restricted cash and cash equivalents consist of the following:

	<u>2020</u>	<u>2019</u>
Accounts mandated by bond indentures and required uses:		
Renewal and Replacement Account - capital costs and costs of maintaining, repairing, replacing, renovating and improving each facility:		
Rhode Island Convention Center (RICC)	\$ 701	\$ 1,058,200
DDC	738	663,909
Clifford Street Garage	285,584	92,990
Operating Reserve Fund (Note 5) - operating and maintenance expenses	25,700	22,401
General Revenue Fund - general operating expenses	720,365	559,852
2006 Series A Revenue Fund - operating expenses of the DDC	1,283	1,187
2018 Series A Construction Fund - Clifford Street Garage	682,524	15,751,834
2018 Series A Capitalized Interest Account	<u>766</u>	<u>755</u>
Total mandated by bond indentures	1,717,661	18,151,128
Arts Conservation and Maintenance Fund - conservation and maintenance of public works of art in conjunction with the Rhode Island State Council on the Arts and General Rebate Account	<u>122,726</u>	<u>123,915</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 1,840,387</u>	<u>\$ 18,275,043</u>

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. Carrying amounts of the Authority's cash equivalents, held by the Bank of New York Mellon Trust Company, N.A. (Bank of New York), consist of the following:

	<u>2020</u>	<u>2019</u>
BlackRock Federal Fund Institutional Shares	\$ 287,916	\$ 99,184
Fidelity Institutional Money Market Government Portfolio - Class I & III	<u>871,270</u>	<u>2,427,463</u>
	<u>\$ 1,159,186</u>	<u>\$ 2,526,647</u>

BlackRock Federal Fund Institutional Shares is designed to maintain a stable share price of \$1.00, and maintains a dollar weighted average maturity of 40 days and 32 days as of June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, approximately 99% of the securities in which the funds are invested are backed by the full faith and credit of the United States Government; the remainder is neither insured nor guaranteed by the United States Government. As of June 30, 2020 and 2019, the funds were rated AAA-mf by Moody's Investors Services (Moody's) and AAAm by Standard & Poor's (S&P).

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Fidelity Institutional Money Market Government Portfolio Class I and Class III are designed to maintain a stable share price of \$1.00, and maintains a dollar weighted average maturity of 43 days as of June 30, 2020. At June 30, 2020 and 2019, approximately 99% of the securities in which the funds are invested are backed by the full faith and credit of the United States Government; the remainder is neither insured nor guaranteed by the United States Government. As of June 30, 2020 and 2019, the funds were rated AAA-mf by Moody's and AAAm by S&P.

These investments are used as temporary cash management investments. The fair value of these money market funds reflects the net asset value reported by the fund administrator, which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments, are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the money market mutual funds.

Deposits

Under the "Rhode Island Collateralization of Public Deposits Act," depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. These deposits were not required to be collateralized based on the criteria set forth in the Rhode Island Collateralization of Public Deposits Act.

The Authority's bank balances, excluding money market accounts were as follows:

	<u>2020</u>	<u>2019</u>
Bank balance	\$ 3,352,320	\$ 22,017,803
Bank balance insured by federal depository insurance	<u>1,203,911</u>	<u>16,413,698</u>
Uninsured balance	2,148,409	5,604,105
Collateralized - collateral held by third-party custodian in the Authority's name	<u>2,148,409</u>	<u>5,604,105</u>
Uninsured and Uncollateralized	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value interest rates.

Although it has no established policy, the Authority manages its exposure to declines in fair values by limiting the term of liquid investments to less than 60 days.

Managed investments are subject to interest rate risk. The risk associated with investments maturing beyond 60 days is mitigated by continuous evaluation of the portfolio's performance. The Authority receives monthly investment performance reports from its investment advisor and reviews the reports to determine if market conditions reflect the investment performance policies of the Authority.

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Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment and is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities. Although it has no established policy, the Authority manages its exposure to credit risk by monitoring the ratings assigned to such securities, as applicable.

Concentration of Credit Risk

The Authority has no policy limiting an investment in any one issuer that is in excess of 5% of the Authority's total investments; however, the Authority continually evaluates alternative investment options to diversify its portfolio and maximize interest income.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Authority's deposits and investments may not be returned. The Authority does not have a deposit or investment policy for custodial credit risk. The Authority manages the custodial credit risk of its cash and cash equivalents through analysis and review of the custodians' or counterparties' credit worthiness.

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4. UNEARNED ADVANCES

Unearned advances consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Current unearned advances:		
Advanced ticket sales	\$ 611,247	\$ 3,324,653
Deposits	1,442,661	1,447,649
Other unearned fees	595,627	777,569
Total current portion	<u>2,649,535</u>	<u>5,549,871</u>
Long-term unearned advances:		
Other unearned fees	<u>387,764</u>	<u>491,587</u>
Total	<u>\$ 3,037,299</u>	<u>\$ 6,041,458</u>

Advanced ticket sales consist of revenue collected prior to an event, including sales collected by the venues and through other outlets. Deposits include other fees collected by the venues for event and rental deposits and facility fees. Other unearned fees include unearned revenue relating to naming rights, sponsorship fees and luxury box agreements.

5. BONDS PAYABLE

The Authority's bond indebtedness at June 30, 2020 and 2019 is as follows:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Original Issue</u>	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2019</u>
Bonds Payable:						
Revenue Bonds:						
2006 Series A	06/08/06	05/15/35	5.38% - 6.06%	\$ 92,500,000	\$ 66,850,000	\$ 69,560,000
2018 Series A	03/06/18	05/15/42	2.24% - 4.12%	45,000,000	43,205,000	44,480,000
Refunding Revenue Bonds:						
2013 Series A	04/04/13	05/15/20	2.00% - 5.00%	37,335,000		7,560,000
2015 Series A	04/01/05	05/15/23	2.00% - 5.00%	31,900,000	30,080,000	30,490,000
2017 Series A	11/21/17	05/15/27	2.28% - 3.26%	68,720,000	<u>66,105,000</u>	<u>68,720,000</u>
Total Bonds Payable					<u>\$ 206,240,000</u>	<u>\$ 220,810,000</u>

The Authority is limited to the issuance of bonds or notes in an aggregate principal amount of \$305,000,000. At June 30, 2020 and 2019, outstanding bond and note indebtedness totals \$206,240,000 and \$220,810,000, respectively.

In November 2017, the 2009 Series A Bonds outstanding in the amount of \$64,800,000 were advance refunded via the Authority's issuance of Revenue Refunding Bonds, 2017 Series A (federally taxable) (2017 Series A Bonds).

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Concurrent with the issuance of the 2009 Series A Bonds, a financial guaranty insurance policy was issued by Assured Guaranty Corp. (AGC). The policy provided maximum coverage for principal and interest payments on the 2009 Series A Bonds of \$127,472,366. Coverage under the policy terminated with the advance refunding of the 2009 Series A Bonds.

Simultaneous with the issuance of the 2009 Series A and Series B Bonds (2009 Series Bonds), a Debt Service Reserve Fund Facility (the Facility) was issued by Assured Guaranty Municipal Corp. (AGM), formerly Financial Security Assurance, Inc. (FSA) to meet the Debt Service Reserve Fund requirement. The Facility provides maximum coverage of \$16,230,945. Coverage under the Facility expires at the earlier of May 15, 2027 or the date upon which the bonds issued under 1991 General Revenue Bond Resolution (i.e., 2013 Series A, 2015 Series A and 2017 Series A) are no longer outstanding. In June 2020, AGM was rated by Moody's as A2. In June 2020, AGM was rated by S&P as AA.

During November 2017, the Authority issued its 2017 Series A Bonds in an aggregate amount of \$68,720,000 for the purpose of refunding the Authority's outstanding 2009 Series A and to pay costs of issuance. The net proceeds of \$68,294,980 (after payment of \$425,020 in underwriter's fees and other issuance costs) were deposited in an irrevocable trust fund under an escrow agreement dated December 20, 2017 between the Escrow Agent and the Authority. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by, the United States of America. All investment income on and the maturing principal of the escrow securities held in the escrow deposit fund will be irrevocably deposited by the Authority for payment of the refunded bonds. The Authority refunded the above bonds to reduce total debt service payments over the next ten years by \$6,863,365 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$5,740,469. The refunded bonds are considered defeased. On May 15, 2019, the defeased debt was fully redeemed.

In March 2018, the Authority issued the Garrahy Parking Garage Lease Revenue Bonds, 2018 Series A (federally taxable) (2018 Series A Bonds), in an aggregate amount of \$45,000,000 for the purpose of (i) financing the acquisition, construction, equipping and improvement of the Clifford Street Garage, (ii) paying the costs of issuance, and (iii) paying capitalized interest on the 2018 Series A Bonds. The bonds mature between 2019 and 2042.

All outstanding indebtedness is subject to optional and mandatory redemption provisions. Mandatory redemption is required for certain bonds over various years through 2027 at the principal amount of the bonds. Certain bonds may be redeemed early, at the option of the Authority, at amounts ranging from 100% to 102% of the principal balance.

Outstanding indebtedness is collateralized by all rents receivable (if any) under a lease and agreement between the Authority and the State covering all property purchased by the Authority for the site (see Note 7), all other revenues and receipts from the project, a mortgage on constructed facilities, land financed by proceeds of the bonds, and amounts held in various accounts into which bond proceeds were deposited. In addition, outstanding indebtedness is insured under certain financial guaranty insurance policies.

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Rhode Island Capital Plan Fund (RICAP)

As an operational alternative, the Authority and the DOA entered into two agreements that provide for total proposed appropriations from RICAP of \$7,150,000 for the purpose of addressing the renewal and replacement requirement included in the 2006 Series A Bonds (DDC) and \$18,500,000 for the purpose of funding renovations and repairs to the RICC.

Under the agreement for the DDC, the proposed appropriations from RICAP to the Authority were \$1,500,000 in FY20 and are \$1,500,000 in FY21, \$1,850,000 in FY22, \$1,300,000 in FY23 and \$1,000,000 in FY24.

Under the agreement for the RICC, the proposed appropriations from RICAP to the Authority were \$5,500,000 in FY20 and are \$2,000,000 in FY21, \$3,500,000 in FY22 and FY23, and \$4,000,000 in FY24.

Under the agreements with both the DDC and the RICC, amounts are subject to annual appropriations by the Rhode Island General Assembly and any unexpended funds from one fiscal year will be carried over to the subsequent fiscal year.

For the fiscal year ended June 30, 2020, the Authority was appropriated RICAP funds totaling \$2,181,986 and \$6,147,414 for the DDC and RICC, respectively. For the fiscal year ended June 30, 2019, the Authority was appropriated RICAP funds totaling \$2,451,808 and \$6,246,947 for the DDC and RICC, respectively. For the fiscal year ended June 30, 2019, the Authority was also appropriated RICAP funds totaling \$93,730 for the purpose of addressing the renewal and replacement requirement included in the 2018 Series A Bonds. These funding allocations are included in nonoperating revenues in the accompanying 2020 and 2019 statements of revenues, expenses and changes in net position.

At June 30, 2020, aggregate scheduled principal and interest payments due on the Authority's bonds through maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 16,695,000	\$ 9,229,297
2022	17,465,000	8,453,323
2023	16,160,000	7,626,915
2024	18,950,000	6,954,324
2025	19,625,000	6,269,954
2026-2030	60,310,000	21,241,045
2031-2035	39,060,000	10,599,964
2036-2040	12,295,000	2,836,636
2041-2043	<u>5,680,000</u>	<u>367,996</u>
	206,240,000	\$ <u><u>73,579,454</u></u>
Bond premium	<u>1,133,844</u>	
Bonds Payable	<u>\$ <u><u>207,373,844</u></u></u>	

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Changes in bonds payable during the years ended June 30, 2020 and 2019 were as follows:

	2020				
	<u>Balance, July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 220,810,000	\$	\$ (14,570,000)	\$ 206,240,000	\$ 16,695,000
Bond premium	<u>1,941,763</u>	<u></u>	<u>(807,919)</u>	<u>1,133,844</u>	<u></u>
Total	<u>\$ 222,751,763</u>	<u>\$ -</u>	<u>\$ (15,377,919)</u>	<u>\$ 207,373,844</u>	<u>\$ 16,695,000</u>
	2019				
	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 231,595,000	\$	\$ (10,785,000)	\$ 220,810,000	\$ 14,570,000
Bond premium	<u>2,946,967</u>	<u></u>	<u>(1,005,204)</u>	<u>1,941,763</u>	<u></u>
Total	<u>\$ 234,541,967</u>	<u>\$ -</u>	<u>\$ (11,790,204)</u>	<u>\$ 222,751,763</u>	<u>\$ 14,570,000</u>

Surety Bonds

The Authority maintains an agreement with AMBAC Indemnity Corporation (AMBAC) under which AMBAC provides the Authority with surety bond coverage to meet Debt Service Reserve Fund requirements for the RICC. The surety bond provides a maximum coverage of \$15,200,000. Coverage under the surety bond expires on May 15, 2023.

The Authority maintains additional agreements with AMBAC for the RICC under which AMBAC provides the Authority with separate surety bond coverages to meet Debt Service Reserve Fund and Operating Reserve Fund requirements, respectively. The surety bond relating to the Debt Service Reserve Fund requirements replaced mandated investments and provides a maximum coverage of approximately \$8,755,000. The surety bond relating to the Operating Reserve Fund requirements also replaced mandated investments and provides a maximum coverage of approximately \$3,895,000. Coverage under both surety bonds expires on May 15, 2027.

The Debt Service and Operating Reserve Fund Facilities are required to have a credit rating in one of the three highest categories by Moody's and S&P. As of June 30, 2020 and 2019, AMBAC's credit rating did not meet the aforementioned requirement.

Debt Compliance

The Authority is required by the Internal Revenue Service, as well as its various bond resolutions, to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Authority must comply with various restrictions on investment earnings from bond proceeds. The Authority is in compliance with all tax code provisions and bond covenants with exception of certain maintenance of funds requirements as explained below.

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Maintenance of Funds

During the years ended June 30, 2020 and 2019, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC pursuant to the indentures.

During the years ended June 30, 2020 and 2019, the Authority satisfied the Debt Service Reserve requirement of the restrictive covenants for the RICC pursuant to the indenture due to the surety bond the Authority acquired from AGM.

During the years ended June 30, 2020 and 2019, the Authority funded the Renewal and Replacement requirement of the restrictive covenants for the DDC due to RICAP funds appropriated from the State.

During the year ended June 30, 2020, the Authority funded the Renewal and Replacement requirement included in the 2018 Series A Bonds. The FY19 Renewal and Replacement requirement included in the 2018 Series A Bonds was funded in August 2019 from amounts appropriated to the Authority by the State.

6. OTHER COMMITMENTS AND RELATED PARTY TRANSACTIONS

Collective Bargaining Agreements

At June 30, 2020, SMG, the management company that operates the RICC and DDC, has several collective bargaining agreements, which expire at various dates through September 2021, covering approximately 84% of SMG's labor force. Collective bargaining agreements that have expired and are expiring prior to June 30, 2021 cover approximately 20% and 18%, respectively, of SMG's labor force (see Note 11).

SMG contributes to several union-sponsored multi-employer defined benefit pension plans under the terms of collective bargaining agreements that cover its union-represented employees. The risks of participating in these multi-employer plans differ from single-employer plans. The potential risks include, but are not limited to, the use of SMG's contributions to provide benefits to employees of other participating employers, SMG becoming obligated for other participating employers' unfunded obligations, and, upon SMG's withdrawal from a plan, SMG being required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. SMG has no intention of withdrawing from the plans.

Contributions are payable monthly and are determined on the basis of the number of hours worked by the respective employees. The union pension plans do not account for plan assets and liabilities separately for participating employers. Accordingly, information regarding the plans' assets, liabilities and pension benefit obligations applicable to SMG is not available.

The Authority's legal counsel has determined that it is possible that the Authority could be responsible for funding the unfunded pension obligations attributable to SMG's labor force, past and present, who are beneficiaries of the union-sponsored multi-employer defined benefit plans to which SMG contributes, although the weight of the case law on this question would favor the Authority's position that it is not responsible for these obligations if it were to seek to avoid paying any actual withdrawal liability claim.

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

RICC and DDC Management Agreements

The Authority has a management agreement with SMG which was amended effectively July 1, 2019, the terms of which expire on June 30, 2022, under which SMG provides various services relating to the operations of the RICC, its parking facilities, the DDC and the Clifford Street Garage. The management agreement contains various provisions for an extension to June 30, 2023, 2024, 2025 or 2026 if certain financial targets are reached pertaining to annual and cumulative results during the years ended June 30, 2020, 2021 or 2022. Based on the terms of the management agreement, the Authority funds payroll and related costs of SMG's labor force, which have been included in personnel services on the statements of revenues, expenses and changes in net position. For the years ended June 30, 2020 and 2019, SMG personnel services totaled \$13,023,476 and \$15,867,122, respectively.

The Authority pays SMG an annual base management fee of \$200,000 for the RICC and its parking garages and \$50,000 for the DDC. Management fees are imbedded in the operating budgets of both entities and are requested in a monthly funding format.

In addition to the base management fees, the Authority pays incentive compensation consisting of both quantitative and qualitative components. The quantitative component for the RICC is based upon certain food and beverage and parking revenue benchmarks. The quantitative component for the DDC is conditional upon the DDC achieving an annual deficit reduction or break-even results.

The qualitative portion of the incentive fee cannot exceed \$60,000 and \$40,000 annually for the RICC and DDC, respectively.

The base management fees incurred for the years ended June 30, 2020 and 2019 totaled \$250,000 and \$520,104, respectively. The Authority advances funds to SMG to pay operating expenses of the RICC and the DDC.

Under the terms of the management agreement, SMG is committed to advance \$750,000 in two equal installments to the Authority for operation and maintenance of the RICC, its parking garages and the DDC. The first installment was advanced in October 2011 and the second was due July 2017. The Authority's repayment of SMG's advances is forgiven ratably during the term of the agreement. Upon termination of the management agreement, any unforgiven balance shall be paid by the Authority to SMG within 30 days of expiration.

The Vets Management Agreement

The Authority has a management agreement with PFM, which expires on June 30, 2021, relating to the operations of The Vets. The agreement with PFM provides for annual payments of \$125,000 for management services and \$125,000 for centralized operating service, which are adjusted bi-annually by the "Consumer Price Index for all Urban Consumers, U.S. City Average All Items" (CPI), to a maximum of three percentage points (CPI Adjustment). The agreement also provides for a quantitative incentive fee equal to 25% of net income from self-presented shows, as defined in the agreement.

Providence/Warwick Convention & Visitors Bureau (CVB)

Pursuant to an agreement between the Authority and the CVB, which expires on June 30, 2022, the CVB provides marketing and other services to the Authority; annual fees for these services were \$630,000 for the years ended June 30, 2020 and 2019.

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Net Metering Credit Sales Agreement

The Authority has entered into a net metering credit sales agreement with a renewable energy solutions provider under which the Authority has agreed to purchase 100% of the net metering credits generated by a wind energy facility up to a maximum of 8,300,000 kilowatt hours (kWh) per year (the NMC Target). The renewable energy solutions provider shall request that the Authority's electric distribution company allocate the monthly net metering credits purchased by the Authority to the Authority's account with the electric distribution company. Each month, the Authority shall pay the renewable energy solutions provider an amount equal to 69% of the net metering credits purchased.

The obligations of the renewable energy solutions provider and the Authority are contingent upon i) sufficient energy generation by the wind energy facility, which is leased to the renewable energy solutions provider and subleased to the Authority, and ii) the electric distribution company's acceptance and allocation of the net metering credits to the Authority's account with the electric distribution company. The net metering credit sales agreement expires in FY44 and provides conditions and options for both parties under which the NMC Target may be reduced.

7. LEASE REVENUE FROM STATE

The Authority maintains a Lease and Agreement, dated November 1, 1991 and amended July 1, 1993 (the Agreement), with the State. The Agreement establishes provisions for the Authority, as lessor, to lease the RICC and related facilities (including the land on which the sites are located) to the State. The State has the option to purchase the leased property at any time during the lease term for the sum of all obligations of the Authority then outstanding plus one dollar (\$1). The lease term extends until such time as all outstanding indebtedness (see Note 5) is paid in full.

Minimum annual lease payments from the State are equal to the debt service costs of the Authority. In the event of an operating deficit (excluding depreciation), annual lease payments may be increased by the amount of the deficit. The obligation of the State to pay such rentals is subject to and dependent upon annual appropriations of such payments being made by the Rhode Island General Assembly for such purpose. Those appropriations are made in connection with the State's annual budgetary process and are therefore dependent upon the State's general financial resources and factors affecting such resources. The Authority was appropriated \$24,338,069 and \$20,197,231 for the years ended June 30, 2020 and 2019, respectively, from the State, exclusive of working capital advances and represents the anticipated gross debt service for the RICC and DDC.

The Authority's ability to continue operations is dependent upon receipt of the annual State appropriation of lease revenue.

The Authority has entered into a sublease agreement with the State, for a term equal to the term of the above Lease and Agreement, whereby the Authority subleases the RICC and related facilities from the State for one dollar (\$1) per year.

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

8. COMMITMENT AND CONTINGENCIES

Through June 30, 2020, the Authority's remaining commitment under contracts entered into with vendors associated with the construction projects totaled approximately \$1,300,000.

On April 4, 2020, the Authority entered into a lease agreement to store equipment. The leases expire on April 3, 2021, with a monthly base rent of \$10,668. Rent expense was \$32,003 for the year ended June 30, 2020. At June 30, 2020, minimum future rental payments under the operating lease are \$96,009.

The Authority is involved in various claims and legal actions arising in the ordinary course of business and construction projects. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Authority's financial position or results of operations.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, errors and omissions, property casualty and liability, and workers' compensation claims for which the Authority carries commercial insurance. Management believes the Authority has access to sufficient funds for potential claims, if any, that are subject to deductibles or are in excess of stated coverage maximums. The Authority is not aware of any potential claims. During the past five years, claims settled have not exceeded the Authority's coverage, and there have been no significant reductions in insurance coverage. Accordingly, the Authority has not recorded a reserve for potential claims.

10. RETIREMENT PLANS

The Authority sponsors two retirement plans: a defined contribution 401(a) plan and a deferred compensation 457(b) plan. The retirement plans allow for employee and discretionary employer contributions and cover substantially all full-time employees who meet the eligibility requirements. In both 2020 and 2019, the Authority contributed \$32,540 and \$29,139 to the 457(b) and 401(a) plans, respectively.

11. CORONAVIRUS

On January 30, 2020, the World Health Organization declared the spread of a novel strain of coronavirus (COVID-19) to constitute a "Public Health Emergency of International Concern," and on March 9, 2020, Gina Raimondo (Rhode Island Governor) declared a State of Emergency. As a result of the spread of COVID-19, economic uncertainties have arisen which have resulted in significant disruption to the hospitality industry and to the Authority's operations, which have been closed since mid-March 2020. In response, SMG and PFM have made significant reductions in labor force, including those under collective bargaining agreements (see Note 6). While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration.

In April 2020, the Authority entered into a six-month special use license agreement with the State of Rhode Island to convert the Convention Center into an alternate care facility for up to 600 low-acuity COVID-19 patients or as a step-down from hospital care, as needed.

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

In June 2020, the Authority secured additional financial assistance from the State to host the Governor's COVID-19 press conferences at The Vets and to display the State's COVID-19 messaging via the DDC's marquee.

At this time, the extent to which COVID-19 may impact the Authority's financial position or results of operations cannot be reasonably estimated.

The Authority's FY20 nonoperating revenues include \$2,283,106 and \$153,034 pertaining to the special use license agreement and other financial assistance, respectively, with the State.

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>	<u>Amount</u>
<u>Rhode Island Convention Center (RICC)</u>			
Travel			
Lawrence Lepore	Irving TX - SMG GM Meeting - Hotel, Transportation, Change Airfare Charge (weather)	\$ 1,167	
Lawrence Lepore	New York, NY - Agent Meetings-Transportation	400	
Lawrence Lepore	Philadelphia, PA - Airfare, Transportation	938	
Amanda Wilmouth	Irving, TX - SMG GM Meeting - Airfare, Hotel, Taxi, Change Airfare Charge (weather)	1,850	
John McGinn	Las Vegas, NV - IMEX Conference - Airfare	430	
John McGinn	Las Vegas, NV - IMEX Conference - Hotel, Taxi, checked bags, Parking	1,824	
John McGinn	IAEE Expo Expo - Las Vegas, NV - J McGinn, A Oliva - Airfare	1,402	
John McGinn	IAEE Expo Expo - Las Vegas, NV - Hotel, Taxi, Parking, Checked Bags	722	
Arleen Oliva	ASAE Annual Meeting & Tradeshow, Columbus, OH - Hotel, Taxi, Airfare, Mileage, Parking	1,436	
Arleen Oliva	Cleveland, OH -Nursing Organization Alliance/Tradeshow Hotel, Taxi, Parking, Mileage, Airfare	808	
Arleen Oliva	IAEE Expo, Expo - Las Vegas, NV - Hotel, Taxi, Parking, Mileage - IAEE Expo Expo	491	
Arleen Oliva	Washington, DC - CSPI Annual Conference - Hotel, Taxi, Parking, Mileage, Airfare	1,170	
Melissa Avedisian	Anaheim, CA - TEAMS Conference - Hotel, Taxi, Airfare	1,575	
Rebecca Ponder	Charleston, SC - K'Next Training - Hotel, Taxi, Mileage	603	
Rebecca Ponder	Charleston, SC - K'Next Training - Airfare	449	
Rebecca Ponder	Nashville, TN, VenueOps Training - Hotel, Taxi, Mileage	923	
Rebecca Ponder	Nashville, TN, VenueOps Training - Airfare	343	
Rebecca Ponder	Boston, MA - MBTA Train, Hotel - MPI Monthly Meeting Paid for M Avedissian	698	
Chris Spolidoro	Irving, TX - SMG Operations Meeting - Flight, Change Airfare Charge (weather)	1,022	
Chris Spolidoro	Irving TX - SMG Operations Meeting - Hotel	526	
Jay Griffin	Charleston, SC - K'Next Training - Hotel, Taxi, Mileage, Airfare	1,118	
Travel Resource	Irving TX - SMG Operations Meeting - Airfare for L Lepore	472	
Various	Miscellaneous Amounts Under \$200	196	
	Total Travel		\$ 20,563
Meals and Entertainment			
Lawrence Lepore	Irving Tx -Regional Marketing Discussion - Bob's Chop House	300	
Lawrence Lepore	City of Providence Meeting Mare Rooftop	262	
Lawrence Lepore	RI Comic Con Client Meeting-Capriccios	474	
Lawrence Lepore	ASM Global - Luncheon	1,018	
John McGinn	Capital Convention Contractors - Capriccio - (Simulation Nursing) Client Meeting	314	
John McGinn	Meals - Las Vegas, NV - IMEX Conference	434	
John McGinn	Capital Convention Contractors - UUA - Hemenway's	245	
Melissa Avedisian	Meals - Teams Conference - Anaheim, CA	326	
Rachel Costa	Event Staff Yearly Team Recap Lunch	238	
Chris Spolidoro	Meals - SMG Operations Meeting - Irving, TX	199	
Harry Luongo	Comic Con - Security - Meals	240	
Jason Griffin	Meals - K'Next Training - Charleston, SC	210	
Various	Miscellaneous Amounts Under \$200	1,397	
	Total RICC Meals and Entertainment		5,657
	Total RICC Travel and Entertainment		26,220
<u>Dunkin' Donuts Center (DDC)</u>			
Travel			
Debra Polselli	New York, NY - Hotel - SMG Booking Meeting	544	
Debra Polselli	Nashville, TN - Airfare - IEBA Conference	395	
Debra Polselli	Nashville, TN - Hotel, Uber, Parking - IEBA	1,026	
Debra Polselli	Promoter Courtesy, AEG, Hotel Accommodations in PVD	225	
Cheryl Cohen	New York, NY - Hotel, Miles, Parking, Tolls, Taxi - SMG Booking Meeting	895	
Cheryl Cohen	Nashville, TN - Airfare - IEBA Conference	395	
Cheryl Cohen	Nashville, TN - Hotel, Taxi, Baggage - IEBA Conference	1,110	
Robert Lauro	Irving, TX - SMG Operations Meeting - Hotel, Taxi, Baggage	703	
Travel Resource	Irving TX - R Lauro - SMG Operations Meeting - Airfare	720	
Travel Resource	Irving, TX - SMG Operations Meeting - Flight, Change Airfare Charge (weather)	302	
Various	Miscellaneous Amounts Under \$200	42	
	Total DDC Travel		6,357

(Continued on next page)

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>	<u>Amount</u>
<u>Dunkin' Donuts Center (DDC)</u>			
Meals and Entertainment			
Debra Polselli	Nashville, TN - Meals - IEBA Conference	\$ 214	
Cheryl Cohen	Nashville, TN - Meals - IEBA Conference	210	
Cheryl Cohen	C Cohen, D Polselli- Capriccio -Future Booking/Recap re: Sophia Loren	372	
Robert Lauro	Irving, TX - Meals	200	
Various	Miscellaneous Amounts Under \$200	301	
	Total DDC Meals and Entertainment		\$ <u>1,297</u>
	Total DDC Travel and Entertainment		<u>7,654</u>
<u>Veterans Memorial Auditorium Arts and Cultural Center (VMA)</u>			
Michael Gravison	Cheesecake Factory-Staff Lunch	149	
Doreen Vitale	Panera Bread-Vets Foundation Lunch	179	
Dan Schwartz	RI Hospitality Assoc-Industry Dinner	170	
Michael Gravison	Cheesecake Factory- Staff Lunch	137	
Doreen Vitale	Panera Bread-Vets Foundation Lunch	124	
Various	Miscellaneous Amounts Under \$200	537	
	Total VMA Meals and Entertainment		<u>1,296</u>
	Total Travel and Entertainment		\$ <u><u>35,170</u></u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
JUNE 30, 2020**

Statement of Net Position

Attachment B

Assets:

Current assets:

Cash and cash equivalents	\$ 2,292,294
Investments	
Receivables, net	519,679
Restricted assets:	
Cash and cash equivalents	1,840,387
Investments	
Receivables, net	
Other assets	
Due from primary government	712,692
Due from other component units	
Due from other governments	
Inventories	
Other assets	<u>423,315</u>
 Total current assets	 <u>5,788,367</u>

Noncurrent assets:

Investments	
Receivables, net	
Due from other governments and agencies	
Restricted assets:	
Cash and cash equivalents	
Investments	
Receivables, net	
Other assets	
Due from other component units	
Net Pension Asset	
Net OPEB Asset	
Capital assets - nondepreciable	51,739,407
Capital assets - depreciable, net	117,534,523
Other assets, net of amortization	<u>210,443</u>
 Total noncurrent assets	 <u>169,484,373</u>
 Total assets	 <u>175,272,740</u>

Deferred Outflows of Resources:

Deferred loss on advance debt refunding	5,364,814
Deferred pension amounts	
Deferred OPEB amounts	
Other deferred outflows of resources	
 Total deferred outflows of resources	 <u>5,364,814</u>

(Continued on next page)

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT (CONTINUED)
JUNE 30, 2020**

Statement of Net Position (Continued)

Attachment B

Liabilities:

Current liabilities:

Cash overdraft	\$	
Accounts payable		8,167,065
Due to primary government		
Due to other component units		
Due to other governments		
Accrued expenses		
Compensated absences		
Unearned revenue		2,649,535
Unearned rent, primary government		660,000
Other current liabilities		535,745
Current portion of long-term debt		16,695,000
Total current liabilities		<u>28,707,345</u>

Noncurrent liabilities:

Due to primary government		
Due to other component units		
Due to other governments		
Net pension liability		
Net OPEB obligation		
Unearned revenue		387,764
Notes payable		
Loans payable		
Obligations under capital leases		
Compensated absences		
Bonds payable		190,678,844
Other liabilities		
Total noncurrent liabilities		<u>191,066,608</u>

Total liabilities

219,773,953

Deferred Inflows of Resources:

Deferred gains on refunding		
Deferred pension amounts		
Deferred OPEB amounts		
Other deferred inflows of resources		
Total deferred inflows of resources		<u>-</u>

Net Position:

Net investment in capital assets		(31,766,457)
Restricted for:		
Debt		
Other		871,744
Nonexpendable		
Capital projects		
Unrestricted		<u>(8,241,686)</u>

Total Net Position

\$ (39,136,399)

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Statement of Activities</u>	<u>Attachment C</u>
Expenses	\$ <u>47,955,170</u>
Program Revenues:	
Charges for services	21,157,768
Operating grants and contributions	
Capital grants and contributions	
Total program revenues	<u>21,157,768</u>
Net (expenses) revenues	<u>(26,797,402)</u>
General Revenues:	
Interest and investment earnings	61,753
Miscellaneous revenue	<u>2,594,901</u>
Total general revenues	<u>2,656,654</u>
Transfers from Primary Government Extraordinary items	<u>32,667,469</u>
Change in net position	8,526,721
Total Net Deficit Position - Beginning	<u>(47,663,120)</u>
Total Net Deficit Position - Ending	\$ <u><u>(39,136,399)</u></u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
JUNE 30, 2020**

Attachment D

**Schedule of Debt Service to Maturity
Long-Term Debt**

Bonds Payable

Fiscal Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2021	\$ 16,695,000	\$ 9,229,297
2022	17,465,000	8,453,323
2023	16,160,000	7,626,915
2024	18,950,000	6,954,324
2025	19,625,000	6,269,954
2026-2030	60,310,000	21,241,045
2031-2035	39,060,000	10,599,964
2036-2040	12,295,000	2,836,636
2041-2043	<u>5,680,000</u>	<u>367,996</u>
	\$ <u>206,240,000</u>	\$ <u>73,579,454</u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
FOR THE YEAR ENDED JUNE 30, 2020**

	Attachment E					
	Schedule of Changes in Long-Term Debt					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Bonds payable	\$ 220,810,000	\$	\$ (14,570,000)	\$ 206,240,000	\$ 16,695,000	\$ 189,545,000
Net unamortized premium	1,941,763		(807,919)	1,133,844		1,133,844
Bonds payable	<u>222,751,763</u>	-	<u>(15,377,919)</u>	<u>207,373,844</u>	<u>16,695,000</u>	<u>190,678,844</u>
Notes payable						
Notes payable - direct borrowings						
Loans payable						
Obligations under capital leases						
Net pension liability						
Net OPEB obligation						
Due to primary government						
Due to component units						
Due to other governments and agencies						
Unearned revenue	6,041,458		(3,004,159)	3,037,299	2,649,535	387,764
Unearned rent, primary government		660,000		660,000	660,000	
Compensated absences						
Arbitrage rebate						
Pollution remediation						
Funds held for others						
Retainage payable	<u>1,227,634</u>		<u>(691,889)</u>	<u>535,745</u>	<u>535,745</u>	
	<u>\$ 230,020,855</u>	<u>\$ 660,000</u>	<u>\$ (19,073,967)</u>	<u>\$ 211,606,888</u>	<u>\$ 20,540,280</u>	<u>\$ 191,066,608</u>

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Commissioners
Rhode Island Convention Center Authority
Providence, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Rhode Island Convention Center Authority, a component unit of the State of Rhode Island, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Rhode Island Convention Center Authority's basic financial statements, and have issued our report thereon dated September 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rhode Island Convention Center Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rhode Island Convention Center Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rhode Island Convention Center Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rhode Island Convention Center Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

The Rhode Island Convention Center Authority's Response to Findings

The Rhode Island Convention Center Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. The Rhode Island Convention Center Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rhode Island Convention Center Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rhode Island Convention Center Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
September 24, 2020

**RHODE ISLAND CONVENTION CENTER AUTHORITY
 (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
 SCHEDULE OF FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2020**

2020-001	Restrictive Covenants
Criteria	Bond indentures require that the Authority fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC.
Condition	During the year ended June 30, 2020, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC pursuant to the indentures.
Context	The Authority is currently in violation of certain debt indentures with respect to the Operating Reserve requirement.
Effect	As a result of this fund not being funded, the Authority is in noncompliance with certain bond indentures.
Cause	The Authority does not have sufficient cash flow to fund the Operating Reserve.
Recommendation	We recommend that the Authority fund the Operating Reserve.
Views of Responsible Officials and Planned Corrective Action	<p>Authority Response</p> <p>The Authority will fund the Operating Reserve provided there is sufficient cash flow.</p> <p>Given that the Authority continues to make timely and complete debt service payments, it would make little sense for the trustee to declare a default for reserve fund noncompliance. In fact, this has been the practical practice over several years as the Authority has failed to maintain adequate reserves due to insufficient State appropriations. If a default was declared, the Authority would have 90 days to cure and would seek a legislative appropriation to remedy the default. Of course, annual appropriations in excess of debt service requirements would assist in building reserves and reaching the requirements.</p>