

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

**FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
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JUNE 30, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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 9 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 29 through 35 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 26, 2019 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 26, 2019

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018**

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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, 2019 (FY19) and June 30, 2018 (FY18). 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, (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 anticipated completion date of the construction project is January 2020.

**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.

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>2019</u>	<u>2018</u>
Debt service	\$ 20,197,231	\$ 19,363,912
Capital improvements from RICAP	<u>8,792,485</u>	<u>2,317,937</u>
	<u>\$ 28,989,716</u>	<u>\$ 21,681,849</u>

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**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.

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>

**2018 Financial Highlights**

Total liabilities exceeded total assets and deferred outflows of resources by \$55,183,475 (net deficit position) at June 30, 2018. Net position totaling (\$5,179,285) is unrestricted. Net position totaling \$1,116,826 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 (\$51,121,016), is attributable to the DDC acquisition and renovation, related long-term outstanding debt, and associated depreciation of the Authority’s capital assets.

Operating loss for FY18, exclusive of \$10,466,329 in depreciation expense, totaled \$819,973, a decrease of \$642,766 when compared to FY17.

Net deficit position increased by \$437,283 during FY18.

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

	<u>2018</u>	<u>2017</u>
Convention Center	270	246
DDC	125	136
The Vets	84	80
	<u>479</u>	<u>462</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):

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Increase (decrease)</u>	
				<u>2019 v 2018</u>	<u>2018 v 2017</u>
<b>Net Position</b>					
Current assets	\$ 26,415	\$ 48,028	\$ 6,784	\$ (21,613)	\$ 41,244
Capital assets, net	157,767	134,095	137,302	23,672	(3,207)
Other noncurrent assets	<u>246</u>	<u>291</u>	<u>630</u>	<u>(45)</u>	<u>(339)</u>
Total assets	<u>184,428</u>	<u>182,414</u>	<u>144,716</u>	<u>2,014</u>	<u>37,698</u>
Deferred outflows of resources	<u>6,561</u>	<u>7,757</u>	<u>4,366</u>	<u>(1,196)</u>	<u>3,391</u>
Current liabilities	29,979	20,942	18,465	9,037	2,477
Noncurrent liabilities	<u>208,673</u>	<u>224,413</u>	<u>185,363</u>	<u>(15,740)</u>	<u>39,050</u>
Total liabilities	<u>238,652</u>	<u>245,355</u>	<u>203,828</u>	<u>(6,703)</u>	<u>41,527</u>
Net Deficit Position	\$ <u>(47,663)</u>	\$ <u>(55,184)</u>	\$ <u>(54,746)</u>	\$ <u>7,521</u>	\$ <u>(438)</u>
<b>Changes in Net Position</b>					
Operating revenues	\$ 30,142	\$ 30,503	\$ 28,949	\$ (361)	\$ 1,554
Operating expenses	<u>41,842</u>	<u>41,790</u>	<u>40,892</u>	<u>52</u>	<u>898</u>
Operating loss	(11,700)	(11,287)	(11,943)	(413)	656
Nonoperating revenue (expenses), net	<u>19,221</u>	<u>10,849</u>	<u>14,069</u>	<u>8,372</u>	<u>(3,220)</u>
Change in Net Deficit Position	\$ <u>7,521</u>	\$ <u>(438)</u>	\$ <u>2,126</u>	\$ <u>7,959</u>	\$ <u>(2,564)</u>
<b>Components of Net Deficit Position</b>					
Net investment in capital assets, net related debt	\$ (42,577)	\$ (51,121)	\$ (54,104)	\$ 8,544	\$ 2,983
Restricted	2,430	1,117	826	1,313	291
Unrestricted	<u>(7,516)</u>	<u>(5,180)</u>	<u>(1,468)</u>	<u>(2,336)</u>	<u>(3,712)</u>
Total Net Deficit Position	\$ <u>(47,663)</u>	\$ <u>(55,184)</u>	\$ <u>(54,746)</u>	\$ <u>7,521</u>	\$ <u>(438)</u>

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**2018 Financial Analysis**

Total assets of the Authority increased by \$1,148,113 as of June 30, 2019 compared to June 30, 2018. Current assets decreased in 2017 by \$21,793,920 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 \$22,987,114, 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 \$4,222,685 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.

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.

**2018 Financial Analysis**

Total assets of the Authority increased by \$37,699,411 as of June 30, 2018 compared to June 30, 2017. Current assets increased in 2017 by \$41,244,654 in comparison to 2017, which is principally due to proceeds from the 2018 Series A Bonds on deposit at June 30, 2018. Net capital assets decreased by \$3,206,596, which is primarily attributable to depreciation offset by capital improvements pertaining to the project involving the parking facility adjacent to the Garrahy Courthouse, the RICC, and the DDC. Noncurrent assets, other than capital assets, decreased by \$338,647, which is principally due to full amortization of the prepaid financial guaranty insurance policy that was terminated with the advance refunding of the associated Revenue Refunding Bonds, 2009 Series A (2009 Series A Bonds).

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Deferred outflows of resources increased by \$3,390,382 as of June 30, 2018 due to the FY18 deferred charge that resulted from the advance refunding of the 2009 Series A Bonds via the issuance of the Revenue Refunding Bonds, 2017 Series A (federally taxable) (2017 Series A Bonds), offset by the retirement of the deferred charge on refunding associated with the 2009 Series A Bonds and amortization of other net deferred charges on refundings.

The 2017 Series A Bonds were issued to provide funds (i) to refund on an advanced basis the 2009 Series A Bonds and (ii) to pay the costs of issuance of the 2017 Series A Bonds. The refunding resulted in a net present value savings of approximately \$5,700,000.

During FY18, the Authority's long-term debt increased by \$38,769,900 due to the FY18 issuances of the 2017 Series A Bonds and the 2018 Series A Bonds, retirement of the discount associated with the 2009 Series A Bonds, offset by the advance refunding of the 2009 Series A Bonds, scheduled principal payments of \$9,765,000 on outstanding bonds payable, and the net amortization of other bond premiums and discounts.

Total liabilities of the Authority at June 30, 2018, exclusive of bonds payable, increased by \$2,757,176 due to increases in accrued construction costs associated with the project involving the parking facility adjacent to the Garrahy Courthouse, accrued interest, and other advances.

**2018 Operating Activity**

Operating revenues of the Authority increased by \$1,554,259 compared to 2017, which is attributable to increases at the Convention Center offset by decreases at the DDC.

Total operating expenses, exclusive of \$10,466,329 in depreciation expense, increased by \$903,966 due to increases in utilities, event production and food and beverage, and bad debt expenses offset by decreases in repair and maintenance expenses.

As a result of the above, the operating loss to the Authority, exclusive of \$10,466,329 in depreciation expense, was \$819,979 in 2018 compared to \$1,462,739 in 2017.

**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**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 6,142,667	\$ 3,529,329
Cash and cash equivalents, restricted	18,275,043	42,685,804
Accounts receivable, less allowance for doubtful accounts of \$68,675 and \$265,162 in 2019 and 2018, respectively	1,306,570	1,377,184
Due from State	157,413	
Prepaid expenses and other assets	532,736	436,029
Total current assets	<u>26,414,429</u>	<u>48,028,346</u>
Noncurrent assets:		
Capital assets not being depreciated	78,440,623	52,318,835
Capital assets being depreciated, net	79,326,818	81,776,495
Prepaid expenses and other assets	246,263	291,344
Total noncurrent assets	<u>158,013,704</u>	<u>134,386,674</u>
Total assets	<u>184,428,133</u>	<u>182,415,020</u>
Deferred Outflows of Resources:		
Deferred charge on refunding	<u>6,561,366</u>	<u>7,756,643</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	8,631,764	6,396,416
Unearned advances	5,549,871	3,760,714
Retainage payable	1,227,634	
Current portion of bonds payable	14,570,000	10,785,000
Total current liabilities	<u>29,979,269</u>	<u>20,942,130</u>
Noncurrent liabilities:		
Unearned advances, less current portion	491,587	596,154
Retainage payable		59,887
Bonds payable, less current portion	208,181,763	223,756,967
Total noncurrent liabilities	<u>208,673,350</u>	<u>224,413,008</u>
Total liabilities	<u>238,652,619</u>	<u>245,355,138</u>
Net (Deficit) Position:		
Net investment in capital assets	(42,577,456)	(51,121,016)
Restricted by bond indentures	2,429,543	1,116,826
Unrestricted	<u>(7,515,207)</u>	<u>(5,179,285)</u>
Total Net Deficit Position	<u>\$ (47,663,120)</u>	<u>\$ (55,183,475)</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Charges for services	\$ 29,964,873	\$ 30,167,550
Other	177,034	336,110
Total operating revenues	<u>30,141,907</u>	<u>30,503,660</u>
Operating Expenses:		
Personnel services	16,939,781	17,195,437
Contractual services	4,494,247	4,171,356
Utilities	2,255,496	2,611,650
Repairs and maintenance	849,883	733,165
Other supplies and expenses	6,263,042	6,612,025
Depreciation	11,040,305	10,466,329
Total operating expenses	<u>41,842,754</u>	<u>41,789,962</u>
Operating Loss	<u>(11,700,847)</u>	<u>(11,286,302)</u>
Nonoperating Revenues (Expense):		
State appropriations (inclusive of net RICAP appropriations of \$8,792,485 and \$2,317,937 in 2019 and 2018, respectively)	28,989,716	21,681,849
Interest and investment revenue	85,721	61,209
Interest expense and related financing costs	<u>(9,854,235)</u>	<u>(10,894,039)</u>
Net nonoperating revenues	<u>19,221,202</u>	<u>10,849,019</u>
Change in Net Deficit Position	7,520,355	(437,283)
Net Deficit Position at Beginning of Year	<u>(55,183,475)</u>	<u>(54,746,192)</u>
Net Deficit Position at End of Year	<u>\$ (47,663,120)</u>	<u>\$ (55,183,475)</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Received from customers	\$ 31,897,111	\$ 30,990,808
Payments to suppliers for goods and services	(13,248,976)	(14,046,118)
Payments to employees	<u>(16,686,263)</u>	<u>(16,963,206)</u>
Net cash provided by (used in) operating activities	<u>1,961,872</u>	<u>(18,516)</u>
Cash Provided by Noncapital Financing Activities:		
Transfer from State	<u>28,832,303</u>	<u>21,738,149</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from:		
Bonds issuance		113,720,000
Payment for:		
Capital assets	(31,793,109)	(5,253,236)
Refunded bond escrow agent		(68,294,980)
Bonds payable, principal	(10,785,000)	(9,765,000)
Interest paid on bonds payable, net of related financing costs	<u>(10,099,210)</u>	<u>(10,814,446)</u>
Net cash provided by (used in) capital and related financing activities	<u>(52,677,319)</u>	<u>19,592,338</u>
Cash Flows from Investing Activities:		
Interest on investments	<u>85,721</u>	<u>61,209</u>
Net Change in Cash and Cash Equivalents	(21,797,423)	41,373,180
Cash and Cash Equivalents at Beginning of Year	<u>46,215,133</u>	<u>4,841,953</u>
Cash and Cash Equivalents at End of Year	<u>\$ 24,417,710</u>	<u>\$ 46,215,133</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)  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Loss to Net Cash		
Provided by (Used in) Operating Activities:		
Operating loss	\$ (11,700,847)	\$ (11,286,302)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Loss on disposition of capital asset		11,906
Depreciation	11,040,305	10,466,329
Provision for losses on accounts receivable	(12,526)	245,402
(Increase) decrease in operating assets:		
Accounts receivable	83,140	(225,490)
Prepaid expenses and other assets	(51,626)	390,961
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	918,836	(88,558)
Unearned advances	1,684,590	467,236
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,961,872</u>	<u>\$ (18,516)</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)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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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, 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.

**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.



**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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**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.

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

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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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, 2019 and 2018.

**Deferred Outflows**

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.

**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.

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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**2. CASH AND CASH EQUIVALENTS**

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

	<u>2019</u>	<u>2018</u>
Deposits	\$ 21,891,063	\$ 41,886,409
Cash equivalents	<u>2,526,647</u>	<u>4,328,724</u>
	<u>\$ 24,417,710</u>	<u>\$ 46,215,133</u>

Restricted cash and cash equivalents consist of the following:

	<u>2019</u>	<u>2018</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)	\$ 1,058,200	\$ 245,512
DDC	663,909	520,580
Parking facility adjacent to Garrahy Courthouse	92,990	91,069
Operating Reserve Fund (Note 5) - operating and maintenance expenses	22,401	20,398
General Revenue Fund - general operating expenses	559,852	209,257
2006 Series A Revenue Fund - operating expenses of the DDC	1,187	820
2018 Series A Construction Fund - parking facility adjacent to Garrahy Courthouse	15,751,834	40,478,832
2018 Series A Capitalized Interest Account	<u>755</u>	<u>999,077</u>
Total mandated by bond indentures	18,151,128	42,565,545
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>123,915</u>	<u>120,259</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 18,275,043</u>	<u>\$ 42,685,804</u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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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>2019</u>	<u>2018</u>
BlackRock Federal Fund Institutional Shares	\$ 99,184	\$ 3,211,898
Fidelity Institutional Money Market Government Portfolio - Class I & III	<u>2,427,463</u>	<u>1,116,826</u>
	<u>\$ 2,526,647</u>	<u>\$ 4,328,724</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 32 days and 23 days as of June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, 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, 2019 and 2018, the funds were rated AAA-mf by Moody’s Investors Services (Moody’s) and AAAM by Standard & Poor’s (S&P).

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 26 days as of June 30, 2019. At June 30, 2019 and 2018, 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, 2019 and 2018, 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 one hundred percent 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 one hundred percent 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.

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

	<u>2019</u>	<u>2018</u>
Bank balance	\$ 22,017,803	\$ 42,100,334
Bank balance insured by federal depository insurance	<u>16,413,698</u>	<u>39,095,876</u>
Uninsured balance	5,604,105	3,004,458
Collateralized - collateral held by third-party custodian in the Authority's name	<u>5,604,105</u>	<u>3,004,458</u>
Uninsured and Uncollateralized	<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.

**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.

**RHODE ISLAND CONVENTION CENTER AUTHORITY**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**3. CAPITAL ASSETS**

	2019			Balance June 30, 2019
	Balance, July 1, 2018	Increases	Decreases	
Capital assets not being depreciated:				
Land and easements	\$ 46,808,078	\$	\$	\$ 46,808,078
Construction in progress	<u>5,510,757</u>	<u>27,789,244</u>	<u>(1,667,456)</u>	<u>31,632,545</u>
Total capital assets not being depreciated	<u>52,318,835</u>	<u>27,789,244</u>	<u>(1,667,456)</u>	<u>78,440,623</u>
Capital assets being depreciated:				
Buildings and facilities	231,001,337			231,001,337
Equipment	<u>32,180,870</u>	<u>8,590,628</u>	<u>(314,264)</u>	<u>40,457,234</u>
Total capital assets being depreciated	<u>263,182,207</u>	<u>8,590,628</u>	<u>(314,264)</u>	<u>271,458,571</u>
Less accumulated depreciation for:				
Buildings and facilities	(155,067,650)	(8,173,663)		(163,241,313)
Equipment	<u>(26,338,062)</u>	<u>(2,866,642)</u>	<u>314,264</u>	<u>(28,890,440)</u>
Total accumulated depreciation	<u>(181,405,712)</u>	<u>(11,040,305)</u>	<u>314,264</u>	<u>(192,131,753)</u>
Total capital assets being depreciated, net	<u>81,776,495</u>	<u>(2,449,677)</u>	<u>-</u>	<u>79,326,818</u>
Capital Assets, Net	<u>\$ 134,095,330</u>	<u>\$ 25,339,567</u>	<u>\$ (1,667,456)</u>	<u>\$ 157,767,441</u>

  

	2018			Balance June 30, 2018
	Balance, July 1, 2017	Increases	Decreases	
Capital assets not being depreciated:				
Land and easements	\$ 46,808,078	\$	\$	\$ 46,808,078
Construction in progress	<u>839,583</u>	<u>4,795,071</u>	<u>(123,897)</u>	<u>5,510,757</u>
Total capital assets not being depreciated	<u>47,647,661</u>	<u>4,795,071</u>	<u>(123,897)</u>	<u>52,318,835</u>
Capital assets being depreciated:				
Buildings and facilities	231,001,337			231,001,337
Equipment	<u>30,527,782</u>	<u>2,600,465</u>	<u>(947,377)</u>	<u>32,180,870</u>
Total capital assets being depreciated	<u>261,529,119</u>	<u>2,600,465</u>	<u>(947,377)</u>	<u>263,182,207</u>
Less accumulated depreciation for:				
Buildings and facilities	(146,893,986)	(8,173,664)		(155,067,650)
Equipment	<u>(24,980,868)</u>	<u>(2,292,665)</u>	<u>935,471</u>	<u>(26,338,062)</u>
Total accumulated depreciation	<u>(171,874,854)</u>	<u>(10,466,329)</u>	<u>935,471</u>	<u>(181,405,712)</u>
Total capital assets being depreciated, net	<u>89,654,265</u>	<u>(7,865,864)</u>	<u>(11,906)</u>	<u>81,776,495</u>
Capital Assets, Net	<u>\$ 137,301,926</u>	<u>\$ (3,070,793)</u>	<u>\$ (135,803)</u>	<u>\$ 134,095,330</u>

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Substantially all capital assets at both June 30, 2019 and 2018 are pledged as collateral for the revenue bonds (see Note 5).

**4. UNEARNED ADVANCES**

Unearned advances consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Current unearned advances:		
Advanced ticket sales	\$ 3,324,653	\$ 1,188,379
Deposits	1,447,649	1,806,272
Other unearned fees	<u>777,569</u>	<u>766,063</u>
Total current portion	5,549,871	3,760,714
Long-term unearned advances:		
Other unearned fees	<u>491,587</u>	<u>596,154</u>
Total	<u>\$ 6,041,458</u>	<u>\$ 4,356,868</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, 2019 and 2018 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, 2019</u>	<u>Balance June 30, 2018</u>
Bonds Payable:						
Revenue Bonds:						
2006 Series A	06/08/06	05/15/35	5.38% - 6.06%	\$ 92,500,000	\$ 69,560,000	\$ 72,115,000
2018 Series A	03/06/18	05/15/42	2.24% - 4.12%	45,000,000	44,480,000	45,000,000
Refunding Revenue Bonds:						
2013 Series A	04/04/13	05/15/20	2.00% - 5.00%	37,335,000	7,560,000	14,870,000
2015 Series A	04/01/05	05/15/23	2.00% - 5.00%	31,900,000	30,490,000	30,890,000
2017 Series A	11/21/17	05/15/27	2.28% - 3.26%	68,720,000	<u>68,720,000</u>	<u>68,720,000</u>
Total Bonds Payable					<u>\$ 220,810,000</u>	<u>\$ 231,595,000</u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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The Authority is limited to the issuance of bonds or notes in an aggregate principal amount of \$305,000,000. At June 30, 2019 and 2018, outstanding bond and note indebtedness totals \$220,810,000 and \$231,595,000, 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).

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 2019, AGM was rated by Moody's as A2. In June 2019, 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. As of June 30, 2018, the amount of defeased debt outstanding but removed from the statement of net position was \$63,455,000 and the escrow balance was \$65,437,843. 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 parking facility adjacent to the Garrahy Courthouse, (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.



**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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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.

**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 are \$1,500,000 in FY20 and 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 are \$5,500,000 in FY20, \$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, 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 2019 and 2018 statements of revenues, expenses and changes in net position.

At June 30, 2019, 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>
2020	\$ 14,570,000	\$ 9,863,845
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
2025-2029	73,310,000	24,207,038
2030-2034	37,005,000	12,652,185
2035-2039	18,310,000	3,730,459
2040-2042	<u>8,345,000</u>	<u>725,913</u>
	220,810,000	<u>\$ 83,443,299</u>
Bond premium	<u>1,941,763</u>	
Bonds Payable	<u>\$ 222,751,763</u>	

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Changes in bonds payable during the years ended June 30, 2019 and 2018 were as follows:

	<b>2019</b>				
	<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>
	<b>2018</b>				
	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 192,440,000	\$ 113,720,000	\$ (74,565,000)	\$ 231,595,000	\$ 10,785,000
Bond premium	4,178,086	<u></u>	(1,231,119)	2,946,967	<u></u>
Bond discount	<u>(846,019)</u>	<u></u>	<u>846,019</u>	<u>-</u>	<u></u>
Total	<u>\$ 195,772,067</u>	<u>\$ 113,720,000</u>	<u>\$ (74,950,100)</u>	<u>\$ 234,541,967</u>	<u>\$ 10,785,000</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, 2019 and 2018, 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.

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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**Maintenance of Funds**

During the years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, the Authority funded the Renewal and Replacement requirement of the restrictive covenants for the DDC due to RICAP funds appropriated from the State.

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. The FY18 Renewal and Replacement requirement included in the 2018 Series A Bonds was funded in March 2018 from bond proceeds.

**6. OTHER COMMITMENTS AND RELATED PARTY TRANSACTIONS**

**Collective Bargaining Agreements**

At June 30, 2019, 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, 2020 cover approximately 2% and 18%, respectively, of SMG's labor force.

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, 2019 AND 2018**

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**RICC and DDC Management Agreements**

The Authority has a management agreement with SMG, the terms of which expire on June 30, 2025, under which SMG provides various services relating to the operations of the RICC, its parking facilities and the DDC. The Authority also has agreements with other vendors through June 30, 2025. 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, 2019 and 2018, SMG personnel services totaled \$15,867,122 and \$16,203,644, respectively. Negotiations between the Authority and SMG to restructure the term of the management agreement are in progress.

The Authority pays SMG an annual base management fee of \$375,000 for the RICC and its parking garages and \$100,000 for the DDC. Management fees are imbedded in the operating budgets of both entities and are requested in a monthly funding format. Both fees are adjusted annually by the annual percentage change in the "Consumer Price Index for all Urban Consumers, U.S. City Average All Items" (CPI), to a maximum of three percentage points (CPI Adjustment).

In addition to the base management fees, the Authority pays incentive compensation consisting of both quantitative and qualitative components. There is no quantitative element for the RICC. The quantitative component for the DDC is conditional upon the DDC achieving break-even results. Prior to break-even results, this fee equals 15% of the improvement over a net operating loss of approximately \$300,000. Following break-even results, this fee equals 25% of the amount, if any, that exceeds the DDC's break-even number.

The qualitative portion of the incentive fee cannot exceed \$25,000 annually for the DDC, adjusted annually by the CPI Adjustment. The qualitative incentive fee for the RICC cannot exceed 5% of its annual base management fee. During FY19 and FY18, the Authority paid \$42,000 and \$72,000, respectively, for incentive fees pertaining to prior years.

The base management fees incurred for the years ended June 30, 2019 and 2018 totaled \$520,104 and \$505,725, 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 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.

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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**Providence/Warwick Convention & Visitors Bureau (CVB)**

Pursuant to an agreement between the Authority and the CVB, which expired on June 30, 2019, the CVB provides marketing and other services to the Authority; annual fees for these services were \$630,000 for the years ended June 30, 2019 and 2018. The agreement was renewed effective July 1, 2019 through June 30, 2022 and provides for annual fees of \$630,000.

**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 \$20,197,231 and \$19,363,912 for the years ended June 30, 2019 and 2018, 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, 2019 AND 2018**

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**8. COMMITMENT AND CONTINGENCIES**

Through June 30, 2019, the Authority's remaining commitment under contracts entered into with vendors associated with the construction project involving the parking facility adjacent to the Garrahy Courthouse totaled approximately \$14,700,000.

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 2019 and 2018, the Authority contributed \$29,139 and \$29,060 to the 457(b) and 401(a) plans, respectively.

**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, 2019**

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>	<u>Amount</u>
<b><u>Rhode Island Convention Center (RICC)</u></b>			
<b>Travel</b>			
Kristen Murphy	Esports Travel Summit, Las Vegas, NV - Hotel, Transportation	\$ 644	
Kristen Murphy	Esports Travel Summit, Las Vegas, NV - Airfare	502	
Amanda Wilmouth	SMG Operations Meeting - Philadelphia, PA - Hotel, Taxi, Baggage Fee	563	
Amanda Wilmouth	Grand Rapids, MI - Food & Wine Festival - Airfare, Hotel, Baggage Fee, Taxi	1,497	
Lawrence Lepore	New York City - Agent Meetings - Amtrak, Uber & Hotel	1,122	
Lawrence Lepore	Los Angeles - SMG Booking - Hotel, Taxi, Baggage, Airfare	2,252	
John McGinn	IAEE Expo Expo - New Orleans - Airfare, Hotel, Taxi, Parking	1,278	
John McGinn	NACS - New Orleans, LA - Airfare, Hotel, Parking, Taxi	1,552	
Arleen Oliva	ASAE - Chicago, IL - Airfare, Hotel, Taxi, Parking, Mileage	1,254	
Arleen Oliva	IMEX America/Tradeshaw - Las Vegas, NV - Hotel, Airfare, Taxi, Parking, Mileage	2,544	
Arleen Oliva	IAEE Expo Expo - New Orleans - Airfare, Hotel, Taxi, Parking, Mileage	1,172	
Arleen Oliva	Nursing Organization Alliance/Trade Show - Louisville, KY - Hotel, Airfare, Parking, Mileage	883	
Arleen Oliva	CSPI Annual Conference - Washington, DC - Hotel, Airfare, Taxi, Mileage, Parking	1,130	
Melissa Avedisian	Connect - Salt Lake, UT - Hotel, Taxi, Parking	1,251	
Melissa Avedisian	Connect - Salt Lake, UT - Airfare	479	
Melissa Avedisian	NASC - Knoxville, TN - Taxi, Hotel, Airfare, Baggage Fee	1,553	
Rebecca Ponder	Grand Rapids, MI - Food & Wine Festival - Hotel	463	
Rachel Costa	ESPA Conference - Charlotte, SC - Hotel, Taxi,	642	
Rachel Costa	ESPA Conference - Charlotte, SC - Airfare	347	
Juan Ortiz	KNEXT Training - Charleston, SC - Hotel - C Frano & J Ortiz	1,036	
Juan Ortiz	KNEXT Training - Charleston, SC - Airfare	295	
Carolina Franco	KNEXT Training - Charleston, SC - Airfare	295	
Kathy Masino	FIL/Corporate F&B Meeting - Ft. Lauderdale, FL - Airfare, Hotel	534	
Travel Resource	L Lepore SMG GM Meeting - Airfare	1,063	
Various	Miscellaneous Amounts Under \$200	495	
	Total Travel		\$ 24,846
<b>Meals and Entertainment</b>			
Lawrence Lepore	New York City - Agent Meetings - Scott Morris & Will Scoot - La Masseria - Potential Bookings	650	
Lawrence Lepore	Providence - Gymnastics Expansion of Events - John Velez, S Conicelli & Lisa Blair - Flemings	527	
John McGinn	Providence Rotary - Meeting Meals	275	
John McGinn	Mohegan Sun New Space Site Tour - RICC Staff Meal	252	
John McGinn	Ski Reps 2020 - Hemenway's - PWCVB-K Cersseritti, E Degelus, Capital Convention-M DiSalvo	262	
John McGinn	PWCVB - Capital Convention Entertainment - Café Nuovo - Phoenix Burn society 2019	244	
Arleen Oliva	IMEX America/Tradeshaw - Las Vegas, NV - Meals	265	
Melissa Avedisian	Connect - Salt Lake, UT - Meals	243	
Melissa Avedisian	NASC - Knoxville, TN - Meals	260	
Rachel Costa	Hascon 2019 Meeting - Siena-M Avedisian, Patti, Rioux, David Fergenbaum	218	
Various	Miscellaneous Amounts Under \$200	2,636	
	Total RICC Meals and Entertainment		5,832
	Total RICC Travel and Entertainment		30,678
<b><u>Dunkin' Donuts Center (DDC)</u></b>			
<b>Travel</b>			
Debra Polselli	IEBA Conference - Nashville, TN - Airfare	248	
Debra Polselli	Pollstar Conference - Los Angeles, CA - Hotel, Uber, Baggage Fee	1,420	
Cheryl Cohen	IEBA Conference - Nashville, TN - Airfare	545	
Cheryl Cohen	C Cohen - Nashville, TN - Hotel, Baggage Fee, Taxi	1,047	
Cheryl Cohen	Pollstar Conference - Los Angeles, CA - Hotel, Uber, Baggage Fee	1,820	
Cheryl Cohen	June '19 Travel	1,859	
Travel Resource	D Polselli - Nashville	242	
Travel Resource	D Polselli - Pollstar - Los Angeles, CA - Airfare	322	
Travel Resource	C Cohen - EAMC Conference Toronto - Airfare	293	
Various	Miscellaneous Amounts Under \$200	86	
	Total DDC Travel		7,882

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**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, 2019**

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>	<u>Amount</u>
<b><u>Dunkin' Donuts Center (DDC)</u></b>			
<b>Meals and Entertainment</b>			
Cheryl Cohen	IEBA Conference - Nashville, TN - Meals	\$ 209	
Cheryl Cohen	IEBA Conference - Nashville, TN - Outback Promoters - Oak Steak House-Shelley Todd, D Polseili, C Cohen	220	
Cheryl Cohen	A Canzanella, D Sullivan, B Nicholas-Madison House-Siena - Concert Booking	354	
Cheryl Cohen	Pollstar Conference - Los Angeles, CA - Meals	247	
Cheryl Cohen	C Cohen, D Polseli, G Wills, M Spell, A Levitt D Deloache-LiveNation - Mastro's - Concert Booking	685	
Susan Catanzaro	Marvel - Union Meal	300	
Various	Miscellaneous Amounts Under \$200	454	
	Total DDC Meals and Entertainment		\$ 2,469
	Total DDC Travel and Entertainment		10,351
<b><u>Veterans Memorial Auditorium Arts and Cultural Center (VMA)</u></b>			
Dan Schwartz	Hemenways Retirement Party-Operations Manager	1,017	
Michael Gravison	Delta Airlines-Flight to Paciolan Conference	298	
Michael Gravison	Newport Beach Marriot-Paciolan Conference	929	
Doreen Vitale	Holiday Gifts-Sweanor Chocolates	770	
Dan Schwartz	Hope Village Kitchen Holiday Staff Party	642	
Dan Schwartz	Hotels.com NYC Trip	334	
Dan Schwartz	Tommy's Pizza-Staff Lunch	200	
Various	Miscellaneous Amounts Under \$200	2,781	
	Total VMA Meals and Entertainment		6,971
	<b>Total Travel and Entertainment</b>		<b>\$ 48,000</b>



**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
STATE OF RHODE ISLAND REQUIRED FORMAT  
JUNE 30, 2019**

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**Statement of Net Position**

**Attachment B**

Assets:

Current assets:

Cash and cash equivalents	\$ 6,142,667
Investments	
Receivables, net	1,306,570
Restricted assets:	
Cash and cash equivalents	18,275,043
Investments	
Receivables, net	
Other assets	
Due from primary government	157,413
Due from other component units	
Due from other governments	
Inventories	
Other assets	<u>532,736</u>
 Total current assets	 <u>26,414,429</u>

Noncurrent assets:

Investments	
Receivables, net	
Restricted assets:	
Cash and cash equivalents	
Investments	
Receivables, net	
Other assets	
Due from other component units	
Capital assets - nondepreciable	78,440,623
Capital assets - depreciable, net	79,326,818
Other assets, net of amortization	<u>246,263</u>
 Total noncurrent assets	 <u>158,013,704</u>
 Total assets	 <u>184,428,133</u>

Deferred Outflows of Resources:

Accumulated decrease in fair value of hedging derivatives	
Deferred loss on advance debt refunding	6,561,366
Deferred pension amounts	
Other deferred outflows of resources	
 Total deferred outflows of resources	 <u>6,561,366</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, 2019**

**Statement of Net Position (Continued)**

**Attachment B**

Liabilities:

Current liabilities:

Cash overdraft	\$	
Accounts payable		8,631,764
Due to primary government		
Due to other component units		
Due to other governments		
Unearned revenue		5,549,871
Other current liabilities		1,227,634
Current portion of long-term debt		14,570,000
Total current liabilities		<u>29,979,269</u>

Noncurrent liabilities:

Due to primary government		
Due to other component units		
Due to other governments		
Net pension liability		
Net OPEB obligation		
Unearned revenue		491,587
Notes payable		
Loans payable		
Obligations under capital leases		
Compensated absences		
Other liabilities		
Bonds payable		208,181,763
Total noncurrent liabilities		<u>208,673,350</u>

Total liabilities		<u>238,652,619</u>
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Deferred Inflows of Resources:

Accumulated increase in fair value of hedging derivatives		
Deferred gains on refunding		
Deferred pension amounts		
Other deferred inflows of resources		
Total deferred inflows of resources		<u>-</u>

Net Position:

Net investment in capital assets		(42,577,456)
Restricted for:		
Debt		
Other		2,429,543
Nonexpendable		
Unrestricted		<u>(7,515,207)</u>

Total Net Position	\$	<u><u>(47,663,120)</u></u>
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**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, 2019**

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<u>Statement of Activities</u>	<u>Attachment C</u>
Expenses	\$ <u>51,696,989</u>
Program Revenues:	
Charges for services	29,964,873
Operating grants and contributions	
Capital grants and contributions	
Total program revenues	<u>29,964,873</u>
Net (expenses) revenues	<u>(21,732,116)</u>
General Revenues:	
Interest and investment earnings	85,721
Miscellaneous revenue	<u>177,034</u>
Total general revenues	<u>262,755</u>
Transfers from Primary Government Extraordinary items	<u>28,989,716</u>
Change in net position	7,520,355
Total Net Deficit Position - Beginning	<u>(55,183,475)</u>
Total Net Deficit Position - Ending	<u>\$ (47,663,120)</u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
 (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
 STATE OF RHODE ISLAND REQUIRED FORMAT  
 JUNE 30, 2019**

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**Attachment D**

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

**Bonds Payable**

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 14,570,000	\$ 9,863,845
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
2025-2029	73,310,000	24,207,038
2030-2034	37,005,000	12,652,185
2035-2039	18,310,000	3,730,459
2040-2042	<u>8,345,000</u>	<u>725,913</u>
	<b>\$ <u>220,810,000</u></b>	<b>\$ <u>83,443,299</u></b>

**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, 2019**

	<b>Attachment E</b>					
	<b>Schedule of Changes in Long-Term Debt</b>					
	<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	\$ 231,595,000	\$	\$ (10,785,000)	\$ 220,810,000	\$ 14,570,000	\$ 206,240,000
Net unamortized premium	2,946,967		(1,005,204)	1,941,763		1,941,763
Bonds payable	<u>234,541,967</u>	-	<u>(11,790,204)</u>	<u>222,751,763</u>	<u>14,570,000</u>	<u>208,181,763</u>
Notes payable						
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	4,356,868	1,684,590		6,041,458	5,549,871	491,587
Compensated absences						
Retainage payable	59,887	1,167,747		1,227,634	1,227,634	
Reported as other liabilities:						
Arbitrage rebate						
Pollution remediation						
Items not listed above						
Other liabilities	-	-	-	-	-	-
	<u>\$ 238,958,722</u>	<u>\$ 2,852,337</u>	<u>\$ (11,790,204)</u>	<u>\$ 230,020,855</u>	<u>\$ 21,347,505</u>	<u>\$ 208,673,350</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, 2019, 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 26, 2019.

**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) to determine the 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 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 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 2019-001.

## **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 26, 2019

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
 (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
 SCHEDULE OF FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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<b>2019-001</b>	<b>Restrictive Covenants</b>
<b>Criteria</b>	<p>Bond indentures require that the Authority fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC.</p> <p>The 2018 Series A Bonds require annual deposits to be made by May 15th to the Renewal and Replacement Fund related to the parking facility adjacent to the Garrahy Courthouse.</p>
<b>Condition</b>	<p>During the year ended June 30, 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.</p> <p>The fiscal year 2019 Renewal and Replacement requirement included in the 2018 Series A Bonds was funded in August 2019.</p>
<b>Context</b>	<p>The Authority is currently in violation of certain debt indentures with respect to the Operating Reserve requirement.</p>
<b>Effect</b>	<p>As a result of this fund not being funded, the Authority is in noncompliance with certain bond indentures.</p>
<b>Cause</b>	<p>The Authority does not have sufficient cash flow to fund the Operating Reserve.</p>
<b>Recommendation</b>	<p>We recommend that the Authority fund the Operating Reserve and make required deposits to the Renewal and Replacement Fund related to the parking facility adjacent to the Garrahy Courthouse prior to May 15<sup>th</sup> each year.</p>
<b>Views of Responsible Officials and Planned Corrective Action</b>	<p><b>Authority Response</b></p> <p>The Authority will fund the Operating Reserve provided there is sufficient cash flow. The Authority will make required deposits to the Renewal and Replacement Fund related to the parking facility adjacent to the Garrahy Courthouse prior to May 15<sup>th</sup> each year.</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>