

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020



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**RHODE ISLAND CONVENTION CENTER AUTHORITY
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INDEPENDENT AUDITORS' REPORT

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 year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor considers 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 financial position of the Rhode Island Convention Center Authority as of June 30, 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 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.

Prior Year Financial Statements and Restatement

The financial statements as of June 30, 2020, were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen, LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated September 24, 2020, expressed an unmodified opinion on those statements. Blum, Shapiro & Company, P.C. reported on the 2020 financial statements before the restatement. As part of our audit of the financial statements, we also audited adjustments described in Note 13 that were applied to restate the financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of the Authority other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

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 4-10 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rhode Island Convention Center Authority's basic financial statements. The accompanying supplementary information on pages 34-39 are presented for purposes of additional analysis and are 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 30, 2021 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 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 Infrastructure Bank's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Cranston, Rhode Island
September 30, 2021

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

As management of the Rhode Island Convention Center Authority (the Authority), a Component Unit of the State of Rhode Island (the 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, 2021 (FY21) and June 30, 2020 (FY20). 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 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 were closed from mid-March 2020 through July 2021. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. In response, the Authority's third-party management companies made significant reductions in labor force, including those under collective bargaining agreements. From April 2020 through July 2021, under a special use license agreement with the State, the Convention Center was converted into an alternate care facility for up to 600 low acuity COVID-19 patients or as step-down from hospital care, as needed. From December 2020 through June 2021, under a memorandum of agreement with the State, the DDC was used for COVID-19 test kit assembly and vaccine distribution. In addition, from mid-March 2020 through June 2021, the Authority secured additional financial assistance from the State to host the Governor's COVID-19 press conferences, the Rhode Island superior court grand jury, and the Rhode Island House of Representatives at The Vets and to display the State's COVID-19 messaging via the DDC's marquee. COVID-19 testing was also conducted at the Convention Center's South Garage from December 2020 through April 2021 via an arrangement with a third party and walk-up testing continues outside the Convention Center via an agreement with the State. In July 2021, the alternate care facility was deconstructed and the Convention Center was restored to its original condition. The costs of deconstruction were borne by the State. The Convention Center held its first event since the conversion to an alternate care facility in August 2021 and each of the Authority's facilities are currently open for its principal ongoing operations. 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.

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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, certain of which are provide via the State’s Rhode Island Capital Plan Fund (RICAP). The Authority’s annual appropriations, exclusive of working capital advances, consist of the following:

	<u>2021</u>	<u>2020</u>
Debt service, net	\$ 20,839,785	\$ 24,338,069
Capital improvements	<u>5,123,358</u>	<u>8,329,401</u>
	<u>\$ 25,963,143</u>	<u>\$ 32,667,470</u>

For the year ended June 30, 2021, debt service appropriations from the State are net of \$1,086,347 contributed by the Authority from the operations of the Clifford Street Garage.

2021 Financial Highlights

Total liabilities exceeded total assets and deferred outflows of resources by \$31,382,631 (net deficit position) at June 30, 2021. Net position totaling (\$1,674,188) is unrestricted. Net position totaling \$299,618 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 payables and long-term debt, totaling (\$29,648,442), is attributable to the Authority’s capital assets, related payables and long-term outstanding debt, and associated depreciation.

Operating loss for FY21, exclusive of \$14,006,761 in depreciation expense, totaled \$4,890,725, an increase of \$1,285,513 when compared to FY20.

Net deficit position decreased by \$6,983,832 during FY21.

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

	<u>2021</u>	<u>2020</u>
Convention Center	0	156
DDC	0	84
The Vets	<u>49</u>	<u>56</u>
	<u>49</u>	<u>296</u>

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The Authority’s FY21 net nonoperating revenues include \$7,638,477, \$1,809,142, and \$261,120 pertaining to the special use license agreement for the alternate care facility, test kit assembly and vaccine distribution, and meetings, conferences, and safety messaging activities, respectively, with the State. The Authority’s FY21 net nonoperating revenues also include \$61,823 and \$237,885 pertaining to testing activities and other financial assistance, respectively.

2020 Financial Highlights

Total liabilities exceeded total assets and deferred outflows of resources by \$38,366,463 (net deficit position) at June 30, 2020, as restated. Net position totaling (\$3,917,993) is unrestricted, as restated. Net position totaling \$871,744 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 payables and long-term debt, totaling (\$35,320,214), is attributable to the Authority’s capital assets, related payables and long-term outstanding debt, and associated depreciation, as restated.

During FY21, the Authority became aware that interest earned during FY20 and in prior years on amounts held on deposit with its bond trustee was not previously credited to the Authority. As a result, at June 30, 2020, cash and cash equivalents, restricted, and the net investment in capital assets component of net deficit position, as previously reported, were restated and increased by \$769,936 and FY20 interest income was restated and increased by \$118,018.

In addition, \$4,323,693 was reclassified from the unrestricted component of net deficit position to the net investment in capital assets component of net deficit position as of June 30, 2020 to conform with the FY21 presentation.

Operating loss for FY20, exclusive of \$12,584,594 in depreciation expense, totaled \$3,605,212, an increase of \$2,944,670 when compared to FY19.

Net deficit position decreased by \$8,644,739 during FY20, as restated.

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

	2020	2019
Convention Center	156	249
DDC	84	126
The Vets	56	127
	296	502

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

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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):

	2021	2020*	2019*	Increase (decrease)	
				2021 v 2020*	2020* v 2019*
Net Position					
Current assets	\$ 8,123	\$ 6,559	\$ 27,067	\$ 1,564	\$ (20,508)
Capital assets, net	157,285	169,274	157,767	(11,989)	11,507
Other noncurrent assets	175	210	246	(35)	(36)
Total assets	165,583	176,043	185,080	(10,460)	(9,037)
Deferred outflows of resources	4,668	5,365	6,561	(697)	(1,196)
Current liabilities	20,191	28,707	29,979	(8,516)	(1,272)
Noncurrent liabilities	181,442	191,067	208,673	(9,625)	(17,606)
Total liabilities	201,633	219,774	238,652	(18,141)	(18,878)
Net Deficit Position	\$ <u>(31,382)</u>	\$ <u>(38,366)</u>	\$ <u>(47,011)</u>	\$ <u>6,984</u>	\$ <u>8,645</u>
Changes in Net Position					
Operating revenues	\$ 4,520	\$ 21,316	\$ 30,142	\$ (16,796)	\$ (8,826)
Operating expenses	23,418	37,775	41,842	(14,357)	(4,067)
Operating loss	(18,898)	(16,459)	(11,700)	(2,439)	(4,759)
Nonoperating revenue (expenses), net	25,882	25,104	19,873	778	5,231
Change in Net Deficit Position	\$ <u>6,984</u>	\$ <u>8,645</u>	\$ <u>8,173</u>	\$ <u>(1,661)</u>	\$ <u>472</u>
Components of Net Deficit Position					
Net investment in capital assets, net related debt	\$ (30,008)	\$ (35,320)	\$ (44,089)	\$ 5,312	\$ 8,769
Restricted	300	872	708	(572)	164
Unrestricted	(1,674)	(3,918)	(3,630)	2,244	(288)
Total Net Deficit Position	\$ <u>(31,382)</u>	\$ <u>(38,366)</u>	\$ <u>(47,011)</u>	\$ <u>6,984</u>	\$ <u>8,645</u>

*Prior year net position was restated (see Note 13)

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2021 Financial Analysis

Total assets of the Authority decreased by \$10,460,309 as of June 30, 2021 compared to June 30, 2020, as restated. Current assets increased in 2021 by \$1,564,631 in comparison to 2020, as restated, which is principally due to cash generated from the Authority's pandemic related activities noted above, offset by cash used to support recurring operations and net cash used in capital and financing activities. Net capital assets decreased by \$11,989,120, which is primarily attributable to depreciation, offset by capital improvements pertaining to the DDC and the Clifford Street Garage construction project. Noncurrent assets, other than capital assets, decreased by \$35,820, which is principally due to amortization of prepaid bond insurance.

Deferred outflows of resources decreased by \$697,141 as of June 30, 2021, which is principally due to the deferred charge that resulted from the advance refunding of the 2015 Series A Bonds via the issuance of the Revenue Refunding Bonds, 2021 Series A (federally taxable) (2021 Series A Bonds), offset by amortization of other net deferred charges on bond refundings.

The 2021 Series A Bonds were issued to provide funds (i) to refund on an advanced basis the 2015 Series A Bonds and (ii) to pay the costs of issuance of the 2021 Series A Bonds.

During FY21, the Authority's long-term debt decreased by \$12,281,919, which is due to scheduled principal payments of \$13,360,000 on outstanding bonds payable, the advance refunding of the 2015 Series A Bonds, the retirement and amortization of the premium associated with the 2015 Series A Bonds, offset by the issuance of the 2021 Series A Bonds and the Paycheck Protection Program loan associated with the operation at The Vets.

Total liabilities of the Authority at June 30, 2021, exclusive of bonds and notes payable, decreased by \$5,859,363 due to decreases in accounts and retainage payable, accrued liabilities, and unearned advances.

2021 Operating Activity

Operating revenues of the Authority decreased by \$16,795,856 compared to 2020, which is attributable to the closure of all facilities, aside from parking facilities and limited operations at The Vets, during FY21 due to the COVID-19 pandemic.

Total operating expenses, exclusive of \$14,006,761 in depreciation expense, decreased by \$15,510,343, which is attributable to the closure of all facilities, aside from parking facilities and limited operations at The Vets, during FY21 due to the COVID-19 pandemic.

As a result of the above, the operating loss to the Authority, exclusive of \$14,006,761 in depreciation expense, was \$4,890,725 in 2021 compared to \$3,605,212 in 2020.

2020 Financial Analysis

Total assets of the Authority decreased by \$9,037,375 as of June 30, 2020, as restated, compared to June 30, 2019, as restated. Current assets decreased in 2020 by \$20,508,044 in comparison to 2019, as restated, 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 Clifford Street construction project, 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.

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 3,036,694	\$ 2,292,294
Cash and cash equivalents, restricted	3,464,860	2,610,323
Accounts receivable, less allowance for doubtful accounts of \$116,070 and \$101,111 in 2021 and 2020, respectively	245,039	519,679
Due from State	957,932	712,692
Prepaid expenses and other assets	418,409	423,315
Total current assets	<u>8,122,934</u>	<u>6,558,303</u>
Noncurrent assets:		
Capital assets not being depreciated	49,607,026	51,739,407
Capital assets being depreciated, net	107,677,784	117,534,523
Prepaid expenses and other assets	174,623	210,443
Total noncurrent assets	<u>157,459,433</u>	<u>169,484,373</u>
Total assets	<u>165,582,367</u>	<u>176,042,676</u>
Deferred Outflows of Resources:		
Deferred charge on refunding	<u>4,667,673</u>	<u>5,364,814</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	3,770,478	8,167,065
Unearned advances	2,296,364	2,649,535
Unearned alternate care facility rent, State	-	660,000
Retainage payable	129,002	535,745
Current portion of bonds payable	13,995,000	16,695,000
Total current liabilities	<u>20,190,844</u>	<u>28,707,345</u>
Noncurrent liabilities:		
Unearned advances, less current portion	283,010	387,764
Accrued liabilities, less current portion	61,892	-
Paycheck Protection Program loan	121,925	-
Bonds payable, less current portion	180,975,000	190,678,844
Total noncurrent liabilities	<u>181,441,827</u>	<u>191,066,608</u>
Total liabilities	<u>201,632,671</u>	<u>219,773,953</u>
Net (Deficit) Position:		
Net investment in capital assets	(30,008,061)	(35,320,212)
Restricted by bond indentures	299,618	871,744
Unrestricted	<u>(1,674,188)</u>	<u>(3,917,995)</u>
Total Net Deficit Position	<u>\$ (31,382,631)</u>	<u>\$ (38,366,463)</u>

The accompanying notes are an integral part of the financial statements

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Charges for services	\$ 4,241,906	\$ 21,157,768
Other	278,767	158,761
Total operating revenues	<u>4,520,673</u>	<u>21,316,529</u>
Operating Expenses:		
Personnel services	3,558,413	13,569,450
Contractual services	2,156,044	3,322,234
Utilities	1,539,628	1,840,693
Repairs and maintenance	492,643	745,729
Other supplies and expenses	1,664,670	5,443,635
Depreciation	14,006,761	12,854,594
Total operating expenses	<u>23,418,159</u>	<u>37,776,335</u>
Operating Loss	<u>(18,897,486)</u>	<u>(16,459,806)</u>
Nonoperating Revenues (Expense):		
State appropriations (inclusive of net RICAP appropriations of \$1,000,000 and \$8,329,400 in 2021 and 2020, respectively)	25,963,143	32,667,469
Interest and investment revenue	825	179,771
Interest expense and related financing costs	(10,080,692)	(8,767,137)
Loss on disposal of equipment	(10,405)	(554,758)
Alternate care facility revenue, State	9,226,648	2,283,106
Alternate care facility expense	(1,588,171)	(779,430)
Test kit assembly and vaccine distribution revenue, State	4,910,655	-
Test kit assembly and vaccine distribution expense	(3,101,513)	-
Meetings, conferences, and safety messaging revenue, State	376,781	-
Meetings, conferences, and safety messaging expense	(115,661)	-
Testing revenue	518,082	-
Testing expense	(456,259)	-
Other financial assistance	363,890	153,034
Expenses associated with other financial assistance	(126,005)	(77,510)
Net nonoperating revenues	<u>25,881,318</u>	<u>25,104,545</u>
Change in Net Deficit Position	6,983,832	8,644,739
Net Deficit Position at Beginning of Year, as restated	<u>(38,366,463)</u>	<u>(47,011,202)</u>
Net Deficit Position at End of Year	<u>\$ (31,382,631)</u>	<u>\$ (38,366,463)</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
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Received from customers	\$ 4,337,388	\$ 19,099,261
Payments to suppliers for goods and services	(6,494,220)	(10,729,505)
Payments to employees	(3,275,421)	(14,334,275)
Alternate care facility receipts, State	8,547,611	2,805,546
Alternate care facility payments	(1,588,171)	(779,430)
Test kit assembly and vaccine distribution receipts, State	4,174,112	-
Test kit assembly and vaccine distribution payments	(3,101,513)	-
Meetings, conferences, and safety messaging receipts, State	372,381	-
Meetings, conferences, and safety messaging payments	(115,661)	-
Testing receipts	518,082	-
Testing payments	(456,259)	-
Other financial assistance receipts	177,457	-
Other financial assistance payments	(114,107)	-
Net cash provided by (used in) operating activities	<u>2,981,679</u>	<u>(3,938,403)</u>
Cash Provided by Noncapital Financing Activities:		
Transfer from State	26,345,849	32,381,784
Proceeds from Paycheck Protection Plan loan	121,925	-
Other financial assistance, State	318,467	21,000
Grant payments	(11,898)	(77,510)
Net cash provided by noncapital and related financing activities	<u>26,774,343</u>	<u>32,325,274</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from:		
Bond issuance	32,170,000	-
Payment for:		
Capital assets	(6,195,953)	(25,705,831)
Refunded bond, escrow agent	(32,013,491)	-
Bonds payable, principal	(13,360,000)	(14,570,000)
Interest paid on bonds payable, net of related financing costs	(8,758,466)	(8,457,822)
Net cash used in capital and related financing activities	<u>(28,157,910)</u>	<u>(48,733,653)</u>
Cash Flows from Investing Activities:		
Interest on investments	<u>825</u>	<u>179,771</u>
Net Change in Cash and Cash Equivalents	1,598,937	(20,167,011)
Cash and Cash Equivalents at Beginning of Year	<u>4,902,617</u>	<u>25,069,628</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,501,554</u>	<u>\$ 4,902,617</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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Operating loss	\$ (18,897,486)	\$ (16,459,806)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	14,006,761	12,854,594
Provision for losses on accounts receivable	14,959	401,455
(Increase) decrease in operating assets:		
Accounts receivable	259,681	385,436
Prepaid expenses and other assets	40,726	145,241
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(398,969)	(287,280)
Unearned advances	(457,925)	(3,004,159)
Alternate care facility receipts, State	8,547,611	2,805,546
Alternate care facility payments	(1,588,171)	(779,430)
Test kit assembly and vaccine distribution receipts, State	4,174,112	-
Test kit assembly and vaccine distribution payments	(3,101,513)	-
Meetings, conferences, and safety messaging receipts, State	372,381	-
Meetings, conferences, and safety messaging payments	(115,661)	-
Testing receipts	518,082	-
Testing payments	(456,259)	-
Other financial assistance receipts	177,457	-
Other financial assistance payments	(114,107)	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,981,679</u>	<u>\$ (3,938,403)</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, 2021 AND 2020**

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 (the 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.

**RHODE ISLAND CONVENTION CENTER AUTHORITY
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JUNE 30, 2021 AND 2020**

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 Government Accounting Standards Board (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.

**RHODE ISLAND CONVENTION CENTER AUTHORITY
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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, 2021 and 2020.

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.

Alternate Care Facility 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 13).

Test Kit Assembly and Vaccine Distribution Revenue and Expense

Rental and service income and personnel, utilities, and supplies expenses associated with the State’s use of the DDC for COVID-19 test kit assembly and vaccine distribution under the terms of a memorandum of agreement are reported as nonoperating revenue and expense in the accompanying statements of revenues, expenses, and changes in net position (see Note 12).

**RHODE ISLAND CONVENTION CENTER AUTHORITY
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Meetings, Conferences, and Safety Messaging Revenue and Expense

Rental and service income and contractual and supplies associated with the State's use of The Vets to host the Governor's COVID-19 press conferences, the Rhode Island superior court grand jury, and the Rhode Island House of Representatives and the State's use of the DDC marquee for COVID-19 safety messaging are reported as nonoperating revenue and expense in the accompanying statements of revenues, expenses, and changes in net position (see Note 12).

Testing Revenue and Expense

Rental income and personnel and supplies expenses associated with a third-party's use of the RICC's South Garage for COVID-19 testing are reported as nonoperating revenue and expense in the accompanying statements of revenues, expenses, and changes in net position (see Note 12).

Other Financial Assistance and Related Expenses

Financial assistance and related personnel, contractual, and supplies expenses associated with other COVID-19 response activities throughout the facilities are reported as nonoperating revenue and expense in the accompanying statements of revenues, expenses, and changes in net position (see Note 12).

Net Position

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

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.

Recent Pronouncements

The GASB has issued the following standards that were effective during the current reporting period or will be effective in future periods:

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement was established to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

**RHODE ISLAND CONVENTION CENTER AUTHORITY
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Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement become effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact this Statement will have on the Authority's financial statements.

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.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified between components of net deficit position for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Subsequent Events

Subsequent events have been evaluated through September 30, 2021, 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>2021</u>	<u>2020</u>
Deposits	\$ 3,100,816	\$ 3,743,431
Cash equivalents	<u>3,400,738</u>	<u>1,159,186</u>
	<u>\$ 6,501,554</u>	<u>\$ 4,902,617</u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY
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Restricted cash and cash equivalents consist of the following:

	<u>2021</u>	<u>2020</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)	\$ 800,987	\$ 701
DDC	1,852,260	738
Clifford Street Garage	385,166	285,584
Operating Reserve Fund (Note 5) - operating and maintenance expenses	25,703	25,700
General Revenue Fund - general operating expenses	149,861	720,365
2006 Series A Revenue Fund - operating expenses of the DDC	1,306	1,283
2018 Series A Construction Fund - Clifford Street Garage	123,804	1,452,229
2018 Series A Capitalized Interest Account	766	766
2021 Series A Construction fund	<u>2,259</u>	<u>-</u>
Total mandated by bond indentures	3,342,112	2,487,366
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>122,748</u>	<u>122,957</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 3,464,860</u>	<u>\$ 2,610,323</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>2021</u>	<u>2020</u>
BlackRock Federal Fund Institutional Shares	\$ 448,153	\$ 287,916
Fidelity Institutional Money Market Government Portfolio - Class I & III	<u>2,952,585</u>	<u>871,270</u>
	<u>\$ 3,400,738</u>	<u>\$ 1,159,186</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 42 days and 40 days as of June 30, 2021 and 2020, respectively.

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At June 30, 2021 and 2020, 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, 2021 and 2020, 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 28 days as of June 30, 2021. At June 30, 2021 and 2020, 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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Bank balance	\$ 2,500,246	\$ 4,122,256
Bank balance insured by federal depository insurance and depositors insurance fund	<u>1,084,362</u>	<u>1,973,847</u>
Uninsured balance	1,415,884	2,148,409
Collateralized - collateral held by third-party custodian in the Authority's name	<u>1,415,884</u>	<u>2,148,409</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.

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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
JUNE 30, 2021 AND 2020

3. CAPITAL ASSETS

	2021			Balance June 30, 2021
	Balance, July 1, 2020	Increases	Decreases	
Capital assets not being depreciated:				
Land and easements	\$ 46,808,078	\$ -	\$ -	\$ 46,808,078
Construction in progress	4,931,329	2,014,764	(4,147,145)	2,798,948
Total capital assets not being depreciated	<u>51,739,407</u>	<u>2,014,764</u>	<u>(4,147,145)</u>	<u>49,607,026</u>
Capital assets being depreciated:				
Buildings and facilities	273,077,845	1,267,550	-	274,345,395
Equipment	47,430,940	2,892,877	(52,024)	50,271,793
Total capital assets being depreciated	<u>320,508,785</u>	<u>4,160,427</u>	<u>(52,024)</u>	<u>324,617,188</u>
Less accumulated depreciation for:				
Buildings and facilities	(171,600,609)	(9,590,228)	-	(181,190,837)
Equipment	(31,373,653)	(4,416,533)	41,619	(35,748,567)
Total accumulated depreciation	<u>(202,974,262)</u>	<u>(14,006,761)</u>	<u>41,619</u>	<u>(216,939,404)</u>
Total capital assets being depreciated, net	<u>117,534,523</u>	<u>(9,846,334)</u>	<u>(10,405)</u>	<u>107,677,784</u>
Capital Assets, Net	<u>\$ 169,273,930</u>	<u>\$ (7,831,570)</u>	<u>\$ (4,157,550)</u>	<u>\$ 157,284,810</u>
	2020			
	Balance, July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land and easements	\$ 46,808,078	\$ -	\$ -	\$ 46,808,078
Construction in progress	31,632,545	24,915,841	(51,617,057)	4,931,329
Total capital assets not being depreciated	<u>78,440,623</u>	<u>24,915,841</u>	<u>(51,617,057)</u>	<u>51,739,407</u>
Capital assets being depreciated:				
Buildings and facilities	231,001,337	43,143,351	(1,066,843.00)	273,077,845
Equipment	40,457,234	8,473,706	(1,500,000)	47,430,940
Total capital assets being depreciated	<u>271,458,571</u>	<u>51,617,057</u>	<u>(2,566,843)</u>	<u>320,508,785</u>
Less accumulated depreciation for:				
Buildings and facilities	(163,241,313)	(8,871,381)	512,085.00	(171,600,609)
Equipment	(28,890,440)	(3,983,213)	1,500,000	(31,373,653)
Total accumulated depreciation	<u>(192,131,753)</u>	<u>(12,854,594)</u>	<u>2,012,085</u>	<u>(202,974,262)</u>
Total capital assets being depreciated, net	<u>79,326,818</u>	<u>38,762,463</u>	<u>(554,758)</u>	<u>117,534,523</u>
Capital Assets, Net	<u>\$ 157,767,441</u>	<u>\$ 63,678,304</u>	<u>\$ (52,171,815)</u>	<u>\$ 169,273,930</u>

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Substantially all capital assets at both June 30, 2021 and 2020 are pledged as collateral for the revenue bonds (see Note 6).

At June 30, 2021 and 2020, accounts payable and accrued liabilities includes \$26,784 and \$3,787,948, respectively, pertaining to capital assets.

4. UNEARNED ADVANCES

Unearned advances consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Current unearned advances:		
Advanced ticket sales	\$ 594,586	\$ 611,247
Deposits	1,217,659	1,442,661
Other unearned fees	484,119	595,627
Total current portion	<u>2,296,364</u>	<u>2,649,535</u>
Long-term unearned advances:		
Other unearned fees	<u>283,010</u>	<u>387,764</u>
Total	<u>\$ 2,579,374</u>	<u>\$ 3,037,299</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. PAYCHECK PROTECTION LOAN PROGRAM

On April 8, 2021, The Vets received loan proceeds of \$121,925 under the Paycheck Protection Program (PPP). The PPP, which was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The PPP loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks from the date of the loan proceeds so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest, and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the amount forgiven must be attributable to payroll costs, as defined by the PPP.

The PPP loan matures two years from the date of the first disbursement of proceeds to The Vets (the PPP Loan Date), is unsecured, guaranteed by the U.S. Small Business Administration (SBA), and accrues interest at a fixed rate of 1%. Payments are deferred for at least the first ten months and payable in equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period. Under the terms of The Vets' PPP loan, principal payments of \$121,925 are due during the year ended June 30, 2023.

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The PPP loan amount may be forgiven subject to compliance and approval based on the timing and use of the funds in accordance with the PPP. There can be no assurances that The Vets will ultimately meet the conditions for forgiveness of the loan or that The Vets will not take actions that could cause The Vets to be ineligible for forgiveness of the loan, in whole or in part.

The Vets has also applied to receive approximately \$1,800,000 in funding under the Shuttered Venue Operators Grant (SVOG) program, which was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The SVOG program is administered by the SBA. SVOG funds must be spent within one year from the date of the award and may be used for specific expenses, including payroll, rent, utilities, insurance, worker protection, independent contractors, maintenance, state and local taxes and fees, advertising, transportation, and capital expenditures relating to producing a theatrical or live performing arts production, administrative costs, and other ordinary and necessary business expenses. Since The Vets' PPP loan was received after December 27, 2020, if the Vets' SVOG application is approved, the SVOG award will be reduced by the PPP loan amount.

6. BONDS PAYABLE

The Authority's bond indebtedness at June 30, 2021 and 2020 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, 2021</u>	<u>Balance June 30, 2020</u>
Bonds Payable:						
Revenue Bonds:						
2006 Series A	06/08/06	05/15/35	5.38% - 6.06%	\$ 92,500,000	\$ 63,985,000	\$ 66,850,000
2018 Series A	03/06/18	05/15/42	2.24% - 4.12%	45,000,000	41,895,000	43,205,000
Refunding Revenue Bonds:						
2015 Series A	04/01/05	05/15/23	2.00% - 5.00%	31,900,000	-	30,080,000
2017 Series A	11/21/17	05/15/27	2.28% - 3.26%	68,720,000	63,835,000	66,105,000
2021 Series A	04/01/21	05/15/26	1.11%	32,170,000	<u>25,255,000</u>	<u>-</u>
Total Bonds Payable					<u>\$ 194,970,000</u>	<u>\$ 206,240,000</u>

The Authority is limited to the issuance of bonds or notes in an aggregate principal amount of \$305,000,000. At June 30, 2021 and 2020, outstanding bond and note indebtedness totals \$194,970,000 and \$206,240,000, 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.

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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., 2015 Series A, 2017 Series A, and 2021 Series A) are no longer outstanding. In July 2021, AGM was rated by Moody's as A2. In July 2021, AGM was rated by S&P as AA.

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.

In April 2021, the 2015 Series A Bonds outstanding in the amount of \$30,080,000 were advance refunded via the Authority's issuance of Revenue Refunding Bonds, 2021 Series A (federally taxable) (2021 Series A Bonds).

During April 2021, the Authority issued its 2021 Series A Bonds in an aggregate amount of \$32,170,000 for the purpose of refunding the Authority's outstanding 2015 Series A Bonds and to pay the costs of issuance. The 2021 Series A Bonds mature between 2021 and 2026. The net proceeds of \$32,013,491 (after payment of \$156,509 in issuance costs) were deposited in an irrevocable trust fund under an escrow agreement between the escrow agent and the Authority. The proceeds were used to acquire United States Treasury Securities – State and Local Government Series (SLGS). All investment income on and the maturing principal of the SLGS held in the escrow deposit fund will be irrevocably deposited by the Authority for payment on the refunded bonds, which are considered defeased. In May 2021, \$10,250,000 of the defeased debt was redeemed. In May 2022 and May 2023, \$10,765,000 and \$9,065,000, respectively, of the defeased debt are scheduled to be redeemed. The Authority refunded the 2015 Series A Bonds to reduce debt service payments in 2021 and 2022 and to provide the opportunity for future economic benefits associated with the elimination of the private use restrictions of tax-exempt bonds. As a result of the refunding, total debt service payments from 2021 to 2026 are scheduled to increase by \$750,487, which causes an economic loss (the difference between the present value of the debt service payments on the old and new debt) of \$494,198. The Authority expects the future economic benefits associated with the elimination of the private use restrictions to exceed \$494,198.

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 8), 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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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Rhode Island Capital Plan Fund (RICAP)

In June 2021, the Authority and the DOA entered into an agreement, as amended in July 2021 (RICAP Agreement), that provides for total proposed appropriations from RICAP of \$18,500,000 for capital projects at the RICC, \$12,450,000 to fund the Renewal and Replacement Fund established in the 2006 Series A Bonds for capital projects at the DDC, and \$1,325,000 for capital projects at The Vets. RICAP funding for The Vets pertains to assets owed by the State.

The proposed RICAP appropriations for capital projects at the RICC are \$2,000,000, \$4,250,000, \$5,250,000, \$3,500,000, and \$3,500,000 for FY22, FY23, FY24, FY25, and FY26, respectively.

The proposed RICAP appropriations for capital projects at the DDC are \$2,300,000, \$2,300,000, \$2,300,000, \$2,775,000, and \$2,775,000 for FY22, FY23, FY24, FY25, and FY26, respectively.

The proposed RICAP appropriations for capital projects at The Vets are \$285,000, \$765,000, \$100,000, \$75,000, and \$100,000 for FY22, FY23, FY24, FY25, and FY26, respectively.

Under the RICAP Agreement, 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, 2021, the Authority was appropriated RICAP funds totaling \$1,000,000 for the RICC. 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. These funding allocations are included in nonoperating revenues in the accompanying 2021 and 2020 statements of revenues, expenses, and changes in net position.

At June 30, 2021, 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>
2022	\$ 13,995,000	\$ 7,832,804
2023	20,250,000	7,463,671
2024	20,525,000	7,007,660
2025	21,225,000	6,305,807
2026	21,975,000	5,560,380
2027-2031	46,955,000	18,638,253
2032-2036	34,330,000	8,426,802
2037-2041	12,815,000	2,313,918
2042	2,900,000	124,381
	<u>\$ 194,970,000</u>	<u>\$ 63,673,676</u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Changes in bonds payable during the years ended June 30, 2021 and 2020 were as follows:

	2021				
	<u>Balance, July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 206,240,000	\$ 32,170,000	\$ (43,440,000)	\$ 194,970,000	\$ 13,995,000
Bond premium	<u>1,133,844</u>	<u> </u>	<u>(1,133,844)</u>	<u>-</u>	<u> </u>
Total	<u>\$ 207,373,844</u>	<u>\$ 32,170,000</u>	<u>\$ (44,573,844)</u>	<u>\$ 194,970,000</u>	<u>\$ 13,995,000</u>
	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>

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, 2021 and 2020, 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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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Maintenance of Funds

During the years ended June 30, 2021 and 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.

During the years ended June 30, 2021 and 2020, 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.

At June 30, 2021, the balance in the Authority's Renewal and Replacement Fund for the DDC was greater than the minimum balance required by the 2006 Series A bonds. At June 30, 2020, the balance in the Authority's Renewal and Replacement Fund for the DDC was less than the minimum balance required by the 2006 Series A bonds.

During the years ended June 30, 2021 and 2020, the Authority funded the Renewal and Replacement requirement included in the 2018 Series A Bonds.

7. OTHER COMMITMENTS AND RELATED PARTY TRANSACTIONS

Collective Bargaining Agreements

At June 30, 2021, SMG, the management company that operates the RICC and DDC, has several collective bargaining agreements, which expire at various dates through April 2024, covering approximately 38% of SMG's labor force. Collective bargaining agreements that have expired and are expiring prior to June 30, 2022 cover approximately 14% and 24%, respectively, of SMG's labor force (see Note 12).

SMG contributes to several union-sponsored multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer 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 multiemployer 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
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

RICC and DDC Management Agreements

The Authority has a management agreement with SMG which was amended effective 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, 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, 2021 and 2020, SMG personnel services totaled \$6,768,543 and \$13,023,476, 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 embedded 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 were \$250,000 for the years ended June 30, 2021 and 2020. 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 expired on June 30, 2021, relating to the operations of The Vets. The agreement with PFM provided 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 provided for a quantitative incentive fee equal to 25% of net income from self-presented shows, as defined in the agreement. The management agreement was extended under the same terms through August 31, 2021 and the Authority and PFM continue to operate under the terms of the expired agreement on a month-to-month basis.

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, 2021 and 2020.

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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.

8. 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 6) 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 \$20,839,785 and \$24,338,069 for the years ended June 30, 2021 and 2020, respectively, from the State, exclusive of working capital advances and represents the net debt service for the RICC, DDC, and Clifford Street Garage. For the year ended June 30, 2021, debt service appropriations from the State are net of \$1,086,347 contributed by the Authority from the operations of the Clifford Street Garage.

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, 2021 AND 2020**

9. COMMITMENT AND CONTINGENCIES

Through June 30, 2021, the Authority's remaining commitment under contracts entered into with vendors associated with the construction projects totaled approximately \$1,112,000.

On April 4, 2020, the Authority entered into a lease agreement to store equipment. The lease expired on April 3, 2021, which was extended to July 31, 2021, with a monthly base rent of \$10,668. Rent expense was \$128,012 for the year ended June 30, 2021. At June 30, 2021, minimum future rental payments under the operating lease are \$10,668.

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.

10. 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.

11. 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 2021 and 2020, the Authority contributed \$26,025 and \$32,540 to the 457(b) and 401(a) plans, respectively.

12. 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." The spread of COVID-19 has caused significant disruption to the hospitality industry and to the Authority's operations, which were closed from mid-March 2020 through July 2021. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. In response, the Authority's third-party management companies made significant reductions in labor force, including those under collective bargaining agreements (see Note 7). From April 2020 through July 2021, under a special use license agreement with the State, the RICC was converted into an alternate care facility for up to 600 low acuity COVID-19 patients or as step-down from hospital care, as needed. From December 2020 through June 2021, under a memorandum of agreement with the State, the DDC was used for COVID-19 test kit assembly and vaccine distribution.

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

In addition, from mid-March 2020 through June 2021, the Authority secured additional financial assistance from the State to host the Governor’s COVID-19 press conferences, the Rhode Island superior court grand jury, and the Rhode Island House of Representatives at The Vets and to display the State’s COVID-19 messaging via the DDC’s marquee. COVID-19 testing was also conducted at the Convention Center’s South Garage from December 2020 through April 2021 via an arrangement with a third party and walk-up testing continues outside the Convention Center via an agreement with the State. In July 2021, the alternate care facility was deconstructed and the Convention Center was restored to its original condition. The costs of deconstruction were borne by the State. The Convention Center held its first event since the conversion to an alternate care facility in August 2021 and each of the Authority’s facilities are currently open for its principal ongoing operations. At this time, the extent to which COVID-19 may impact the Authority’s financial position or results of operations cannot be reasonably estimated.

13. RESTATEMENT

During the fiscal year ended June 30, 2021, the Authority became aware that interest earned during the year ended June 30, 2020 and during prior years on amounts held on deposit with its bond trustee was not previously credited to the Authority. As a result, at June 30, 2020, cash and cash equivalents, restricted, and the net investment in capital assets component of net deficit position, as previously reported, were restated and increased by \$769,936 and interest and investment revenue for the year ended June 30, 2020, as previously reported was restated and increased by \$118,018. The impact of the restatement on the Authority’s financial statements is as follows:

	2020 Previously Reported	Adjustment	2020 As Restated
Statement of Net Position			
Cash and cash equivalents, restricted	1,840,387	769,936	2,610,323
Net Deficit Position	(39,136,399)	769,936	(38,366,463)
Statement of Revenues, Expenses and Changes in Net Position			
Interest and investment revenue	61,753	118,018	179,771
Net Deficit Position at Beginning of Year	(47,663,120)	651,918	(47,011,202)
Change in Net Deficit Position	8,526,721	118,018	8,644,739

**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, 2021**

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>	<u>Amount</u>
<u>Rhode Island Convention Center Authority (RICCA)</u>			
Various	Miscellaneous Amounts Under \$200	\$ <u>69</u>	
	Total RICCA Meals and Entertainment		\$ <u>69</u>
<u>Veterans Memorial Auditorium Arts and Cultural Center (VMA)</u>			
Various	Miscellaneous Amounts Under \$200	\$ <u>21</u>	
	Total VMA Meals and Entertainment		<u>21</u>
	Total Travel and Entertainment		\$ <u><u>90</u></u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
JUNE 30, 2021**

Statement of Net Position

Attachment B

Assets:

Current assets:

Cash and cash equivalents	\$ 3,036,694
Investments	-
Receivables, net	245,039
Restricted assets:	
Cash and cash equivalents	3,464,860
Investments	-
Receivables, net	-
Other assets	-
Due from primary government	957,932
Due from other component units	-
Due from other governments	-
Inventories	-
Other assets	418,409
	<u>418,409</u>
Total current assets	<u>8,122,934</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	49,607,026
Capital assets - depreciable, net	107,677,784
Other assets, net of amortization	174,623
	<u>174,623</u>
Total noncurrent assets	<u>157,459,433</u>
Total assets	<u>165,582,367</u>

Deferred Outflows of Resources:

Deferred loss on advance debt refunding	4,667,673
Deferred pension amounts	-
Deferred OPEB amounts	-
Other deferred outflows of resources	-
	<u>-</u>
Total deferred outflows of resources	<u>4,667,673</u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT (CONTINUED)
JUNE 30, 2021**

Statement of Net Position (Continued)

Attachment B

Liabilities:

Current liabilities:

Cash overdraft	\$ -
Accounts payable	3,770,478
Due to primary government	-
Due to other component units	-
Due to other governments	-
Accrued expenses	-
Compensated absences	-
Unearned revenue	2,296,364
Unearned rent, primary government	-
Other current liabilities	129,002
Current portion of long-term debt	13,995,000
Total current liabilities	<u>20,190,844</u>

Noncurrent liabilities:

Due to primary government	-
Due to other component units	-
Due to other governments	-
Net pension liability	-
Net OPEB obligation	-
Unearned revenue	283,010
Notes payable	-
Loans payable	-
Obligations under capital leases	-
Paycheck Protection Program loan	121,925
Compensated absences	-
Bonds payable	180,975,000
Other liabilities	61,892
Total noncurrent liabilities	<u>181,441,827</u>

Total liabilities	<u>201,632,671</u>
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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	(30,008,061)
Restricted for:	
Debt	-
Other	299,618
Nonexpendable	-
Capital projects	-
Unrestricted	<u>(1,674,188)</u>

Total Net Position	<u>\$ (31,382,631)</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, 2021**

<u>Statement of Activities</u>	<u>Attachment C</u>
Expenses	\$ <u>38,896,865</u>
Program Revenues:	
Charges for services	4,241,906
Operating grants and contributions	-
Capital grants and contributions	<u>-</u>
Total program revenues	<u>4,241,906</u>
Net (expenses) revenues	<u>(34,654,959)</u>
General Revenues:	
Interest and investment earnings	825
Miscellaneous revenue	<u>15,674,823</u>
Total general revenues	<u>15,675,648</u>
Transfers from Primary Government	25,963,143
Extraordinary items	<u>-</u>
Change in net position	6,983,832
Total Net Deficit Position - Beginning, as restated	<u>(38,366,463)</u>
Total Net Deficit Position - Ending	\$ <u><u>(31,382,631)</u></u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY
 (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
 STATE OF RHODE ISLAND REQUIRED FORMAT
 JUNE 30, 2021**

Attachment D

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

Bonds Payable

Fiscal Year Ending June 30	Principal	Interest
2022	\$ 13,995,000	\$ 7,832,804
2023	20,250,000	7,463,671
2024	20,525,000	7,007,660
2025	21,225,000	6,305,807
2026	21,975,000	5,560,380
2027-2031	46,955,000	18,638,253
2032-2036	34,330,000	8,426,802
2037-2041	12,815,000	2,313,918
2042	2,900,000	124,381
	<u>\$ 194,970,000</u>	<u>\$ 63,673,676</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, 2021**

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	\$ 206,240,000	\$ 32,170,000	\$ (43,440,000)	\$ 194,970,000	\$ 13,995,000	\$ 180,975,000
Net unamortized premium	1,133,844	-	(1,133,844)	-	-	-
Bonds payable	<u>207,373,844</u>	<u>32,170,000</u>	<u>(44,573,844)</u>	<u>194,970,000</u>	<u>13,995,000</u>	<u>180,975,000</u>
Notes payable	-	-	-	-	-	-
Notes payable - direct borrowings	-	-	-	-	-	-
Loans payable	-	-	-	-	-	-
Obligations under capital leases	-	-	-	-	-	-
Paycheck Protection Program loan	-	121,925	-	121,925	-	121,925
Net pension liability	-	-	-	-	-	-
Net OPEB obligation	-	-	-	-	-	-
Due to primary government	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-
Due to other governments and agencies	-	-	-	-	-	-
Unearned revenue	3,037,299	-	(457,925)	2,579,374	2,296,364	283,010
Unearned rent, primary government	660,000	-	(660,000)	-	-	-
Accrued liabilities	-	61,892	-	61,892	-	61,892
Compensated absences	-	-	-	-	-	-
Arbitrage rebate	-	-	-	-	-	-
Pollution remediation	-	-	-	-	-	-
Funds held for others	-	-	-	-	-	-
Retainage payable	535,745	-	(406,743)	129,002	129,002	-
	<u>\$ 211,606,888</u>	<u>\$ 32,353,817</u>	<u>\$ (46,098,512)</u>	<u>\$ 197,862,193</u>	<u>\$ 16,420,366</u>	<u>\$ 181,441,827</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

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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Rhode Island Convention Center Authority's basic financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Rhode Island Convention Center Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 cost as item 2021-001.

Rhode Island Convention Center Authority's Response to Findings

Rhode Island Convention Center Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned cost. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Cranston, Rhode Island
September 30, 2021

**RHODE ISLAND CONVENTION CENTER AUTHORITY
 (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
 SCHEDULE OF FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2021**

2021-001	Restrictive Covenants
Type of Finding	Noncompliance
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, 2021, 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>

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