

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(A Component Unit of the State of Rhode Island)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



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Photo: Brown University, Providence

**Prepared by:
The Finance Department of the
Rhode Island Health and Educational Building Corporation**

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Comprehensive Annual Financial Report

June 30, 2017

TABLE OF C O N T E N T S

Introductory Section

Letter of Transmittal.....	1-7
List of Directors, Staff, and Advisors.....	8
Organizational Chart.....	9
GFOA Certificate of Achievement.....	10

Financial Section

Independent Auditors' Report.....	11-13
Management's Discussion and Analysis (Unaudited).....	14-22
Basic Financial Statements	
Statements of Net Position.....	23
Statements of Revenues, Expenses and Changes in Net Position.....	24
Statements of Cash Flows.....	25
Notes to the Financial Statements.....	26-48
Supplementary Information	
Schedule of Statement of Net Positon.....	49
Schedule of Statement of Revenues, Expenses and Changes in Net Position	50
Schedule of Travel, Entertainment and Educational Expenses.....	51

Statistical Section

Statistical Section Contents.....	52-53
Net Position by Component – Last Ten Fiscal Years.....	54
Changes in Net Position – Last Ten Fiscal Years.....	55
Operating Revenue by Component – Last Ten Fiscal Years.....	56
Operating Expense by Component – Last Ten Fiscal Years.....	57
Ten Largest Revenue Sources – Current Year and Nine Years Ago.....	58
Ten Largest Borrowers – Current Year and Nine Years Ago.....	59
Direct Loans Issued – Last Ten Fiscal Years.....	60
Conduit Financings – Last Ten Fiscal Years.....	61
Total Public School Debt, Rhode Island Resident Population, and Debt Per Capita – Last Ten Fiscal Years.....	62

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Comprehensive Annual Financial Report

June 30, 2017

TABLE OF CONTENTS - CONTINUED

Statistical Section - Continued

Total Public School Debt (Primary and Secondary Schools), Student Enrollment, and Debt Per Student – Last Ten Fiscal Years.....	63
Total Public School Debt (State Colleges and Universities), Student Enrollment, and Debt Per Student – Last Ten Fiscal Years.....	64
Total Healthcare Debt, Rhode Island Resident Population, and Debt Per Capita – Last Ten Fiscal Years.....	65
Full-Time Employees by Program – Last Ten Fiscal Years.....	66
State of Rhode Island Demographics – Last Ten Fiscal Years.....	67
State of Rhode Island Principal Employers – Current Year and Nine Years Ago.....	68

Compliance Section

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 <i>Government Auditing Standards</i>	69-70
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INTRODUCTORY SECTION



December 16, 2017

To the Board of Directors of the
Rhode Island Health and Educational Building Corporation:

We are pleased to submit to you the Comprehensive Annual Financial Report (“CAFR”) of the Rhode Island Health and Educational Building Corporation (the “Corporation”) for the fiscal year ended June 30, 2017.

The Corporation’s enabling legislation requires an independent audit be performed at least once each fiscal year by certified public accountants. O’Connor & Drew P.C. performed the audit for the fiscal year ended June 30, 2017 and have issued an unqualified opinion on the Corporation’s financial statement. The independent auditor’s report can be found in the financial section of this report.

The financial statements included in this report conform to generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (“GASB”). Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Corporation. To the best of our knowledge and belief, the data presented is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the Corporation. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the Corporation’s financial activity.

The reader is referred to the Management’s Discussion and Analysis (“MD&A”) section for additional information regarding the activities and financial position of the Corporation. The MD&A provides a narrative overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CORPORATION

The Corporation was established in 1966 by an act of the Rhode Island Legislature as the Rhode Island Educational Building Corporation, a Rhode Island non-business corporation constituted as a public body corporate and agency of the state with the purpose of assisting colleges and universities in the state with the financing of educational facilities. In 1968, additional legislation changed the Corporation's name to the Rhode Island Health and Educational Building Corporation, and the Corporation's powers were expanded to enable it to assist hospitals in the state with the financing of healthcare facilities.

Since 1968, the Corporation's powers have been repeatedly expanded to enable it to provide assistance to qualified health associations, cooperative hospital service organizations, visiting nurse associations, clinical laboratories, secondary schools, child day care centers, assisted living facilities and adult day care facilities. The Corporation also has the authority to administer a student loan program for higher education institutions in the state, to guaranty or insure loans to a participating hospital or institution for higher education, to assist entities controlled by or engaged in public-private partnership agreements with educational institutions and healthcare providers, and to finance the development of the site of the former Narragansett Brewery in the City of Cranston as a multi-purpose facility to be used as a center for economic development, biotechnology research, education, healthcare, governmental and other similar uses.

In 2003 the General Assembly amended the Corporation's legislation, making it the designated issuer of bonds for school projects undertaken by school districts eligible for school housing aid. Located within the Rhode Island Department of Education, the school housing aid program reimburses municipal school districts and charter schools for the financing costs associated with the construction and renovation of school facilities

In 2015, the School Building Authority was created within the Rhode Island Department of Education by the Governor and the General Assembly. This program is designed to provide upfront funding for public school projects. The funds are designated to provide both grants and loans to local educational authorities for high-priority projects. As part of the legislation, the Corporation was designated as the administrator of the School Building Authority Capital Fund ("SBACF"). Appropriations are made to the fund annually by the state.

To accomplish its mission, the Corporation provides a tax-exempt bond financing program, a tax-exempt equipment lease financing program, and a direct loan program to meet the specific needs of non-profit healthcare and educational institutions in the State of Rhode Island. To fund its operations, the Corporation charges an annual administrative fee to borrowers in the amount of 0.1% of the principal amount outstanding on bonds and equipment leases. All local municipal school districts are exempt from the payment of administrative fees.

The Corporation is governed by a Board of Directors consisting of five members, appointed by the Governor for a term of five years. There is no limit to the number of terms a board member may serve. The Corporation operates under the direction of the Executive Director. A list of Directors, the Corporation's staff and an organizational chart follows this transmittal letter.

FINANCING PROGRAMS

Bond Financing

This program provides financing for large capital requirements including real estate acquisitions, construction, and renovations. Tax-exempt bond financing is the Corporation's largest financing program. Bonds can be publicly sold or privately placed, bear a fixed or variable interest rate, and include a credit enhancement such as a letter of credit or financial guaranty insurance. Eligible school districts within the state can take advantage of school housing aid reimbursements for debt service payments on their bonds. Reimbursement rates for school districts range from 35% to 95%, while the charter school reimbursement rate is 30%. Borrowers must have a minimum credit rating of investment grade such as Standard & Poor's BBB- rating. The Corporation's bonds are typically secured by a pledge of and lien on all unrestricted borrower revenues as well as a first mortgage lien on specific property owned by the borrower. To date, the Corporation has completed 334 bond financings totaling over \$8.2 billion.

Equipment Lease Financing

This program provides an alternative tax-exempt financing for the purpose of purchasing capital equipment and associated improvements. Because less documentation and legal compliance is required, an equipment lease offers borrowers a lower cost of financing. The financing is privately placed with one lending company. To date, the Corporation has completed 38 equipment lease financings totaling over \$178.9 million.

Direct Loan

This program provides fixed rate loans to eligible institutions for equipment, facility improvements, and real estate acquisitions. The maximum amount of the loan cannot exceed \$800,000 with the loan term based on the useful life of the asset, but not to exceed ten years. The interest rate is based on a comparable US Treasury plus 15 basis points. To date, the Corporation has made 30 direct loans totaling over \$13.8 million.

School Building Authority Capital Fund

This program, designed as an alternative to tax-exempt bond financing, provides upfront funding for public school projects. The program awards grants to eligible school districts for a portion of their total project costs based on the district's state housing aid reimbursement rate. Additionally, the school district may elect to fund the remaining balance of their project costs through a loan from the SBACF. Projects are limited to \$1 million and the loan term is not to exceed 10 years. To date, the School Building Authority Capital Fund has provided 3 loans totaling \$2.4 million and 20 grants totaling over \$19.5 million.

PROJECT APPROVAL PROCESS

For a healthcare institution to qualify for certain large-capital tax-exempt bond or lease financings, the project must be approved by the Rhode Island Department of Health. Municipal school districts need approval from their respective city or town councils and the Rhode Island General Assembly to qualify for tax-exempt bond or lease financings. In order to qualify for state housing aid or School Building Authority Capital Funds, local school districts also need the approval of the Rhode Island Department of Education. Finally, all projects must obtain approval from the Board of Directors of the Corporation.

CONDUIT ISSUER

As a conduit issuer, the Corporation issues debt to raise capital for the benefit of a third party, the conduit borrower. In conformity with the financing agreement entered into between the Corporation and the borrower, the Corporation is not responsible for the repayment of the debt. The debt issued by the Corporation is payable solely from and secured by a pledge of payments made by the borrower and is not the obligation of the Corporation or the State of Rhode Island.

REPORTING ENTITY

For financial reporting purposes, the Corporation is reported as a component unit of the State of Rhode Island. Accordingly, the Corporation's financial statements are included in the State of Rhode Island's annual financial report.

INTERNAL CONTROLS

Objectives

The Corporation's internal control objectives are to ensure all financial reports are fairly presented and free from material misstatement, ensure the completeness and accuracy of all transactions, ensure all transactions have been properly authorized by management and/or the Board of Directors, maintain a system which allows errors to be detected and corrected promptly, and ensure physical safeguards are in place to protect physical assets. In its effort to meet these objectives, the Corporation employs the following controls: segregation of certain duties, strict limitations on management's transaction authority, submission of quarterly compliance reports to the Senate Fiscal Advisor and Secretary of State, and submission of monthly financial reports to the Board of Directors for review.

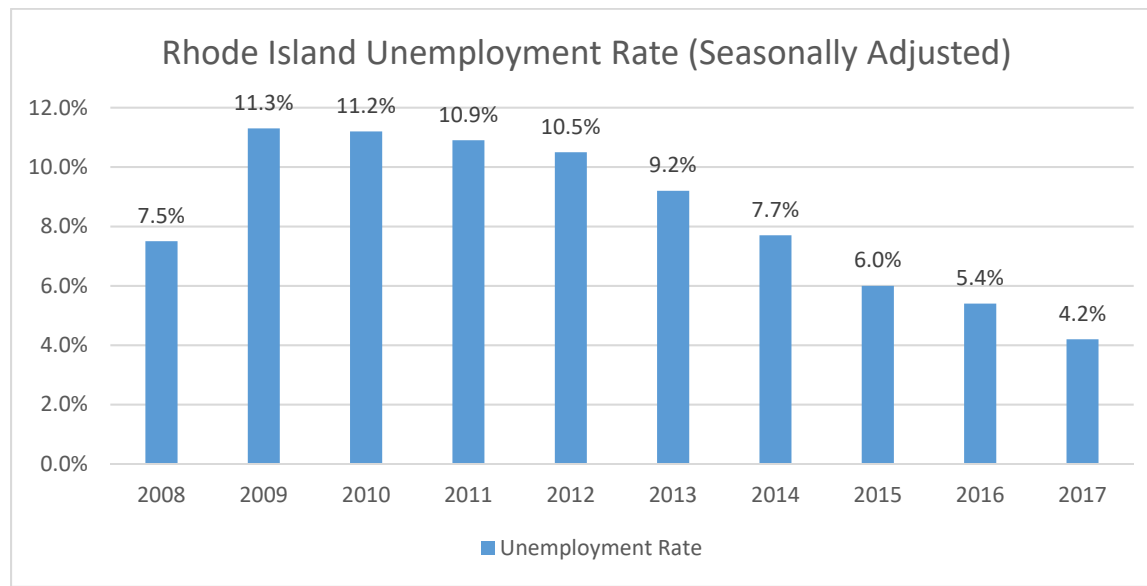
Limitations

The Corporation understands that an internal control system can only provide reasonable, rather than absolute assurance that the Corporation's objectives have been achieved. Limitations inherent in all internal control systems include errors in human judgement, misunderstandings and other human failures, management's ability to override prescribed policies and procedures and employee collusion. Furthermore, the Corporation recognizes that the cost of an internal control should not exceed the expected benefits to be derived.

ECONOMIC FACTORS AFFECTING THE CORPORATION

Unemployment

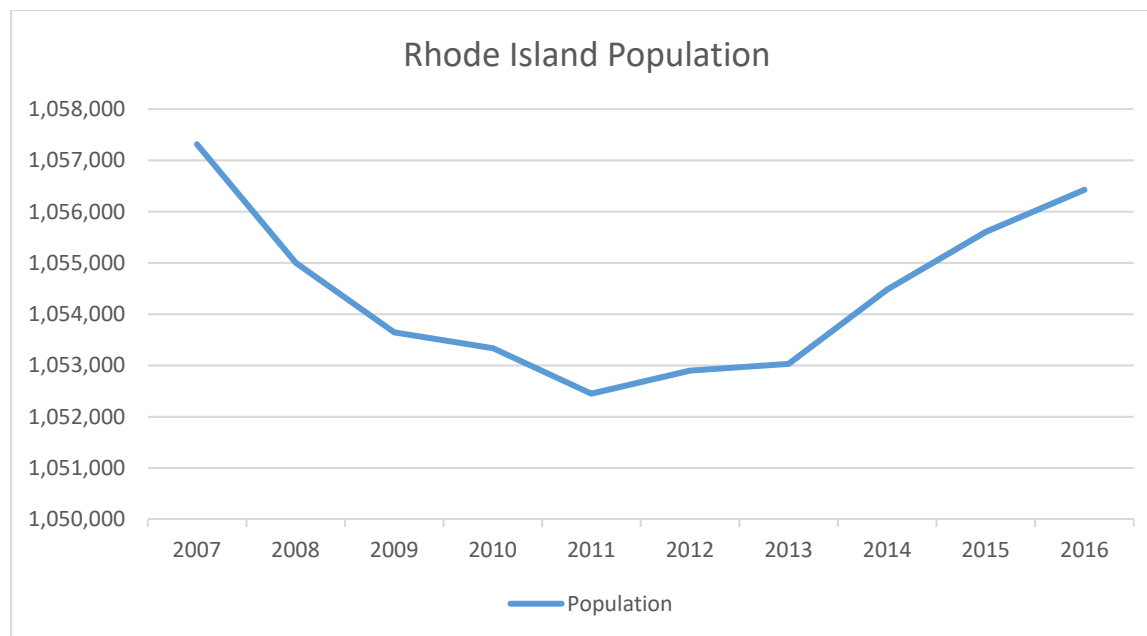
The graph below shows Rhode Island's strong employment growth as the unemployment rate has been steadily declining from a high of 11.3% in 2009 to the current level of 4.2%, slightly below the national average of 4.4%. Rhode Island currently has the second highest unemployment rate in New England.



Source: RI Department of Labor and Training

Population

The graph below shows Rhode Island's population has been steadily increasing from a low of 1.052 million people in 2011 to over 1.056 million people in 2016.

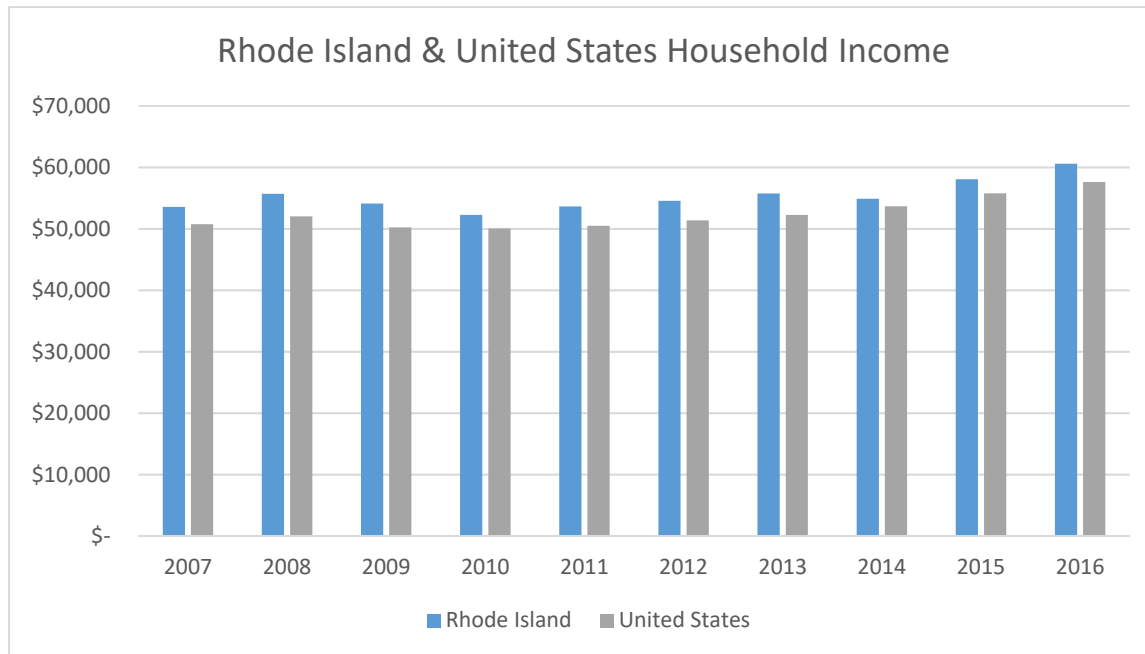


Source: U.S. Census Bureau

ECONOMIC FACTORS AFFECTING THE CORPORATION (Continued)

Household Income

The graph below shows Rhode Island's household income has remained above the national average for the past ten years.



Source: U.S. Census Bureau

LONG-TERM FORECAST

Healthcare and educational sectors have historically remained financially strong, even during periods of economic downturns. The Corporation continues to experience an increase in the number of borrowers refinancing existing debt due to the current low interest rate environment. Also, the availability of school housing aid has encouraged eligible school districts to remain active borrowers. For fiscal year 2018 the state budget has allocated \$70.9 million for school housing aid and \$9.1 million for School Building Authority Capital Fund projects. Accordingly, financing activity for the Corporation is expected to continue to remain strong.

The Corporation provides assistance to a diverse pool of borrowers operating within two important economic sectors, which makes it less affected by a significant decline in activity from any single borrower. The Corporation anticipates it will continue to serve a significant role in assisting both healthcare and educational institutions in constructing and improving their facilities.

ACHIEVEMENTS

The state has 13 acute care hospitals providing over 3,000 beds collectively. The Corporation has provided financing to all 13 of the state's acute care hospitals as well as 12 assisted living facilities and 15 healthcare centers.

The Corporation has provided financing to 30 of the state's 36 municipal school districts, all 12 of the state's post-secondary educational institutions, 8 charter schools, and 21 private schools.

The Corporation has consistently been the number one municipal issuer in Rhode Island as ranked annually by *The Bond Buyer*.

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Rhode Island Health and Educational Building Corporation for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the second consecutive year the Corporation has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

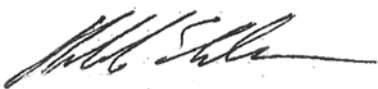
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

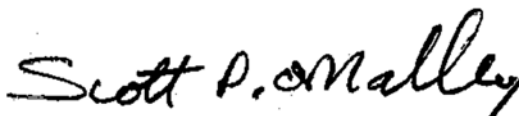
The Rhode Island Health and Educational Building Corporation works in collaboration with both the Rhode Island Department of Health and the Rhode Island Department of Education to provide financing to the state's healthcare and educational institutions.

We wish to acknowledge the hard work and dedication of the Rhode Island Health and Educational Building Corporation's staff who participated in the preparation of this Comprehensive Annual Financial Report. Appreciation is also extended to the Board of Directors for their support in maintaining the highest standards of professionalism in the management of the Corporation.

Respectfully Submitted,



Robert E. Donovan
Executive Director



Scott P. O'Malley
Chief Financial Officer

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING
CORPORATION**

List of Directors, Staff, and Advisors

Board of Directors

Joseph R. Dewhirst, Chairman
Scott A. Davis, Vice Chairman
Ralph A. Palumbo, Treasurer
Merrill W. Sherman
Judith D. Bentkover, Ph.D.

Staff

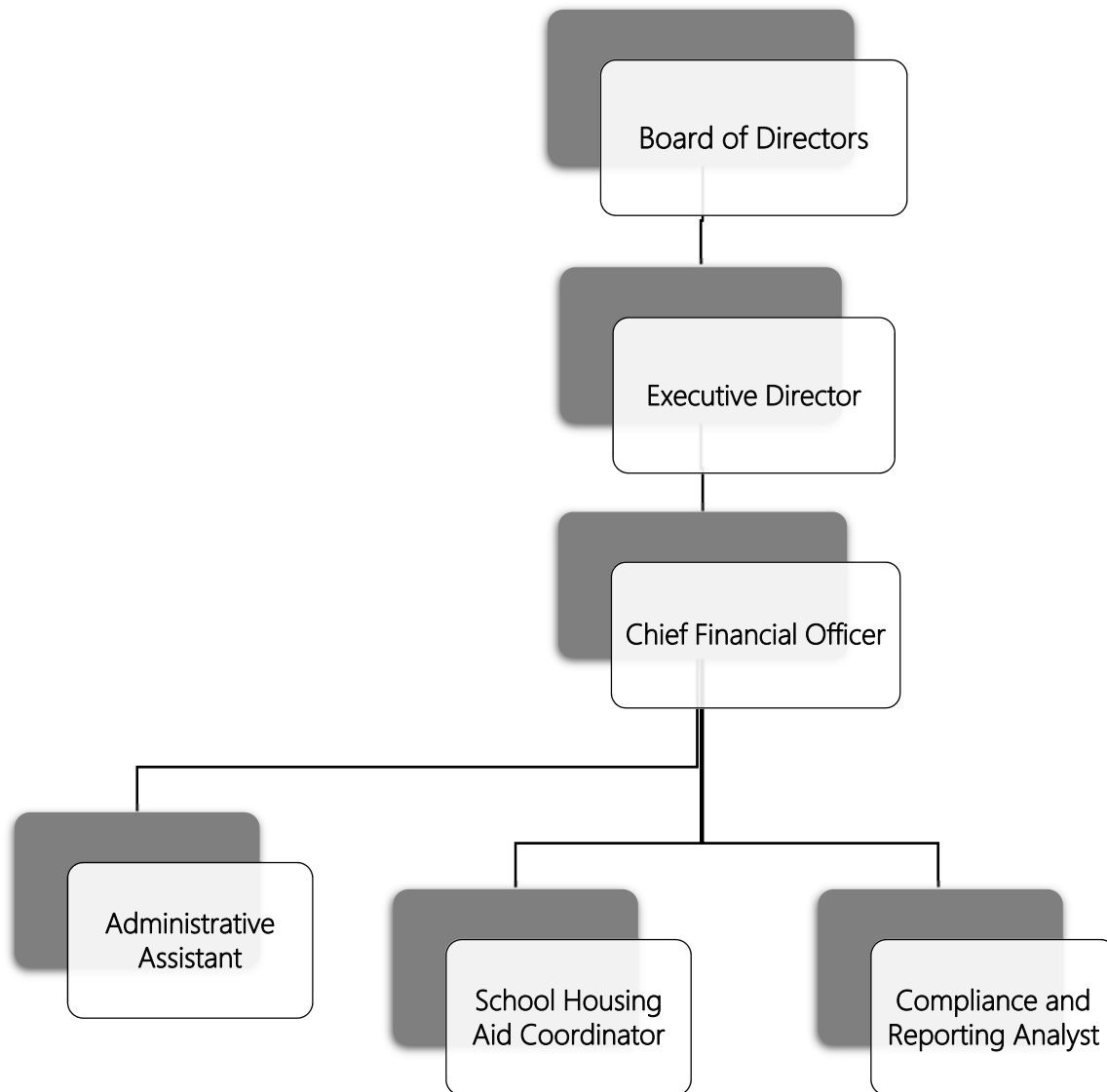
Robert E. Donovan, Executive Director
Scott P. O'Malley, Chief Financial Officer
Jennifer L. Almeida, School Housing Aid Coordinator
Emily M. Farren, Compliance & Reporting Analyst
Amy E. Zarek, Administrative Assistant

Advisors

Moses Afonso Ryan LTD, General Counsel
O'Connor & Drew P.C., Independent Auditors
PFM Financial Advisors LLC, Financial Advisors
First Southwest Company, Financial Advisors
Locke Lord LLP, Bond Counsel
Greenburg Traurig LLP, Bond Counsel
Partridge Snow & Hahn LLP, Bond Counsel
Hinckley Allen & Snyder LLP, Bond Counsel

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING
CORPORATION**

Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Rhode Island Health
& Educational Building Corporation**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Rhode Island Health and Educational Building Corporation
Providence, Rhode Island

We have audited the accompanying financial statements of Rhode Island Health and Educational Building Corporation (a component unit of the State of Rhode Island and Providence Plantations) (the "Corporation") which comprise the statements of net position for the years ended June 30, 2017 and 2016, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 respective financial position of the Corporation, as of June 30, 2017 and 2016, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 14 - 20, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The schedule of statement of net position on page 45, schedule of statement of revenue, expenses and changes in net position on page 46 and the schedule of travel, entertainment and educational expenses on page 47, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of statement of net position, schedule of statement of revenue, expenses and changes in net position and schedule of travel, entertainment and educational expenses are the responsibility of management and were derived from and relate 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 schedule of statement of net position, schedule of statement of revenue, expenses and changes in net position and the schedule of travel, entertainment and educational expenses are 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 29, 2017 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Corporation's internal control over financial reporting and compliance.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

September 29, 2017

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis

June 30, 2017 and 2016

The Rhode Island Health and Educational Building Corporation (the "Corporation") offers readers of these financial statements a narrative overview of the financial position and activities of the Corporation for the fiscal years ended June 30, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes, which are separately provided.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Corporation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") as applied to governmental units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses and Changes in Net Position. The Corporation's basic financial statements are comprised of the following components:

Statements of Net Position – Presents information on all of the Corporation's assets and liabilities for the last two fiscal years, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

Statements of Revenues, Expenses and Changes in Net Position – Presents information showing how the Corporation's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. accrued compensable absences).

Statements of Cash Flows – Presents the sources and uses of funds of the Corporation for the last two fiscal years, including cash flows from operating, capital financing, non-capital financing and investing activities.

Notes to the Basic Financial Statements – The notes provide additional information essential for a full understanding of the basic financial statements. The notes are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis - Continued

June 30, 2017 and 2016

FINANCIAL HIGHLIGHTS – FY 2017

- During FY 2017 the Corporation received a \$10,139,755 appropriation from the State of Rhode Island for the School Building Authority Capital Fund ("SBACF") program.
- During FY 2017 the Corporation completed 16 bond financings totaling \$878,908,000 as compared to 15 bond financings completed during FY 2016 totaling \$300,030,000
- Total assets for FY 2017 are \$30,671,855, which is a decrease of \$5,683,930 or 16% over total assets for FY 2016.
- Cash and investments for FY 2017 are \$27,333,364, which is a decrease of \$5,326,198 or 16% over cash and investments for FY 2016.
- Operating revenues for FY 2017 are \$2,340,089, which is a decrease of \$125,313 or 5% over operating revenues for FY 2016.
- Operating expenses for FY 2017 are \$16,198,985, which is an increase of \$12,554,222 or 344% over operating expenses for FY 2016.
- Change in net position for FY 2017 is \$(3,635,850), which is a decrease of \$23,690,563 or 118% over the change in net position for FY 2016.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis - Continued

June 30, 2017 and 2016

FINANCIAL HIGHLIGHTS – FY 2016

- During FY 2016 the Corporation received a \$20,366,366 appropriation from the State of Rhode Island for the School Building Authority Capital Fund ("SBACF") program.
- During FY 2016 the Corporation completed 15 bond financings totaling \$300,030,000 as compared to 13 bond financings completed during FY 2015 totaling \$348,437,000
- Total assets for FY 2016 are \$36,355,785, which is an increase of \$24,021,351 or 195% over total assets for FY 2015.
- Cash and investments for FY 2016 are \$32,659,560, which is an increase of \$21,901,066 or 204% over cash and investments for FY 2015.
- Operating revenues for FY 2016 are \$2,465,402, which is an increase of \$123,734 or 5% over operating revenues for FY 2015.
- Operating expenses for FY 2016 are \$3,644,763, which is an increase of \$2,081,814 or 133% over operating expenses for FY 2015.
- Change in net position for FY 2016 is \$20,054,713, which is an increase of \$19,239,023 or 2,359% over the change in net position for FY 2015.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis - Continued

June 30, 2017 and 2016

FINANCIAL ANALYSIS

Condensed Statements of Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Capital assets, net	\$ 30,451	\$ 28,368	\$ 20,453
Other assets	<u>30,641,404</u>	<u>36,327,417</u>	<u>12,313,981</u>
Total assets	30,671,855	36,355,785	12,334,434
Other liabilities	<u>2,220,147</u>	<u>4,268,227</u>	<u>301,589</u>
Total liabilities	<u>2,220,147</u>	<u>4,268,227</u>	<u>301,589</u>
Net investment in capital assets	30,451	28,368	20,453
Restricted – School Building Authority Capital Fund	16,052,632	20,214,870	-
Unrestricted	<u>12,368,625</u>	<u>11,844,320</u>	<u>12,012,392</u>
Total net position	\$ <u>28,451,708</u>	\$ <u>32,087,558</u>	\$ <u>12,032,845</u>

Capital Assets

The 7% increase in capital assets during FY 2017 is due to the Corporation's upgrade to its accounting system. The 39% increase in capital assets during FY 2016 is due to the replacement of the Corporation's telecommunications equipment. The SBACF program does not invest in capital assets.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis - Continued

June 30, 2017 and 2016

Total Assets

Total assets decreased \$5,683,930 or 16% during FY 2017 due to a \$7.7 million decrease in SBACF program total assets, while the Corporation's total assets increased \$2 million. The SBACF program's cash decreased a net of \$7.7 million due to the payment of \$15.4 million of project cost grants, the disbursement of \$2.4 million due to loan draw-downs, and the receipt of a \$10.1 million appropriation from the State of Rhode Island. The increase in the Corporation's total assets of \$1,963,084 is primarily due to the receipt and investment of a \$1.4 million good-faith deposit received from Brown University related to the University's recent bond financing. The Corporation's loans receivable, for the loans administered through its loan program, decreased \$322,742 or 28% during FY 2017, while the receivable for the administrative fees it charges borrowers decreased \$34,981 or 48%. Total assets increased \$24,021,351 or 195% during FY 2016 primarily due to a \$20 million appropriation from the State of Rhode Island to fund the SBACF program.

Total Liabilities

Total liabilities decreased \$2,048,080 or 48% during FY 2017 due to a \$3.5 million decrease in SBACF program liabilities, while the Corporation's liabilities increased \$1.4 million. The SBACF program's decrease in liabilities is due to the disbursement of \$2.4 million of loans payable to school districts as well as a \$1.1 million decrease in accrued project costs payable at year end. The Corporation's increase in liabilities is due to the receipt of the \$1.4 million good-faith deposit from Brown University, which is to be returned upon closing of the University's bond financing. Total liabilities increased \$3,966,638 or 1,315% during FY 2016 due to \$2,400,536 in loans and \$1,678,482 in grants payable to borrowers from the SBACF program.

Total Net Position

As required by GASB 46, the Corporation's net position is classified as either net investment in capital assets, restricted by enabling legislation, or unrestricted. Most of the Corporation's unrestricted funds are, in fact, designated by the Corporation's Board of Directors for specific purposes and programs. The natures of these specifications, however, do not meet the requirements of GASB 46 to be classified as designated in the financial statements. The specific designations and corresponding amounts can be found in the notes to the financial statements.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis - Continued

June 30, 2017 and 2016

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Administrative fees	\$ 2,283,024	\$ 2,432,947	\$ 2,306,840
Interest earned on loans receivable	<u>57,065</u>	<u>32,455</u>	<u>34,828</u>
Total operating revenues	<u>2,340,089</u>	<u>2,465,402</u>	<u>2,341,668</u>
Operating expenses:			
Administrative	1,837,497	1,652,684	1,557,403
Project cost grants	14,352,691	1,985,213	-
Depreciation	<u>8,797</u>	<u>6,866</u>	<u>5,546</u>
Total operating expenses	<u>16,198,985</u>	<u>3,644,763</u>	<u>1,562,949</u>
Operating income (loss)	<u>(13,858,896)</u>	<u>(1,179,361)</u>	<u>778,719</u>
Non-operating revenues (expenses):			
Loss on disposal of capital assets	-	(2,393)	(1,863)
Net investment income	65,626	36,384	38,834
State appropriation	10,139,755	20,366,366	-
Other income	-	827,824	-
Interest earned on restricted cash	<u>17,665</u>	<u>5,893</u>	<u>-</u>
Total non-operating revenues	<u>10,223,046</u>	<u>21,234,074</u>	<u>36,971</u>
Increase (decrease) in net position	<u>(3,635,850)</u>	20,054,713	815,690
Net position, at beginning of year	<u>32,087,558</u>	<u>12,032,845</u>	<u>11,217,155</u>
Net position, at end of year	<u>\$ 28,451,708</u>	<u>\$ 32,087,558</u>	<u>\$ 12,032,845</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis - Continued

June 30, 2017 and 2016

Revenues

Administrative Fees

Administrative fees are the annual fees the Corporation charges its borrowers based on the outstanding principal amount of their conduit debt. Administrative fee revenue decreased 6% for FY 2017 due to a decrease in outstanding conduit debt of \$76.5 million or 2% when compared to FY 2016. Administrative fee revenue increased 5% for FY 2016 due to an increase in outstanding conduit debt of \$47.0 million or 2% when compared to FY 2015.

State Appropriation & Other Income

During FY 2017 the SBACF program received a \$10,139,755 appropriation from the State of Rhode Island, a decrease of \$10,266,611 from the \$20,366,366 appropriation received during FY 2016. During FY 2016 the SBACF program received \$827,824 of other income which represented housing aid savings from the refunding of a portion of the Providence school districts outstanding debt.

Interest Income

During FY 2017 the Corporation earned \$65,626 on investments, an 80% increase when compared to FY 2016. During FY 2016 the Corporation earned \$36,384 on investments, a 6% decrease when compared to FY 2015. During FY 2017 the SBACF program earned \$17,665 on its restricted cash, a 200% increase when compared to FY 2016.

For the fiscal year ended June 30, 2017, the Corporation earned \$24,032 in interest from its loan program, a decrease of 26% when compared to FY 2016. This decrease is the result of the Corporation not issuing any new loans during the fiscal year. For the fiscal year ended June 30, 2016, the Corporation earned \$32,455 in interest from its loan program, a decrease of 7% when compared to FY 2015. This small decrease is the result of two loans maturing during the fiscal year, the effects of which were offset by the Corporation's issuance of a \$425,000 loan at the end of FY 2015. For the fiscal year ended June 30, 2017, the SBACF earned \$36,312 on loans to school districts.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis - Continued

June 30, 2017 and 2016

Expenses

Financing

Financing expenses are the expenses the Corporation incurs while providing financing. The Corporation issued \$878,908,000 of conduit debt during FY 2017 and incurred financing expenses totaling \$852,174, an increase of \$173,951 or 26% over FY 2016. The Corporation issued \$300,030,000 of conduit debt during FY 2016 and incurred financing expenses totaling \$678,223, an increase of \$24,452 or 4% over FY 2015.

Personnel

Personnel expenses are the wages, benefits, and taxes attributable to the Corporation's employees. The Corporation incurred personnel expenses of \$633,622 during FY 2017, an increase of \$7,035 or .01% over FY 2016. The Corporation incurred personnel expenses of \$626,587 during FY 2016, an increase of \$26,965 or 5% over FY 2015.

Operating

Operating expenses are all other expenses related to the operations of the Corporation. The Corporation incurred \$360,498 of operating expenses during FY 2017, an increase of \$3,365 or .01% over FY 2016. The increase is the result of computer expenses increasing \$13,265 or 120% due to the Corporation employing cloud management services for its accounting program. At the same time, advertising and miscellaneous expenses decreased \$8,606 and \$8,752 respectively. The Corporation incurred \$357,133 of operating expenses during FY 2016 an increase of \$45,713 or 15% over FY 2015. This increase is the result of an increase in miscellaneous expenses of \$60,338 or 126% due to the engagement of a public relations advisory firm for the Corporation's 50th anniversary campaign and expenses related to arbitrage rebate compliance services.

Project Cost Grants

During the current fiscal year, the SBACF program reported project cost grant expenses of \$14,352,691, an increase of \$12,367,478 over the \$1,985,213 reported during FY 2016.

Payments to the State

The Corporation also made a payment to the State in the amount of \$1 million to contribute to the cost of a school facilities assessment during FY 2016. During FY 2017 the corporation was not required to make any payments to the State.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis - Continued

June 30, 2017 and 2016

CONDUIT DEBT

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Bonds Payable	\$ <u>3,056,660,865</u>	\$ <u>3,133,129,418</u>	\$ <u>3,086,160,835</u>

The Corporation issued \$878,908,000 of conduit debt during FY 2017. Of that amount, approximately \$172,261,080 was issued to finance new projects and \$706,646,920 was issued to refund prior bonds.

The Corporation issued \$300,030,000 of conduit debt during FY 2016. Of that amount, approximately \$187,635,000 was issued to finance new projects and \$112,395,000 was issued to refund prior bonds.

More detail on the Corporation's conduit debt can be found in the notes to the financial statements.

CONTACTING THE CORPORATION

This financial report is designed to provide Rhode Island citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Corporation's accountability. If you have any questions about this report or need additional financial information, contact the Rhode Island Health and Educational Building Corporation, 55 Dorrance Street, Suite 300, Providence, RI 02903, or visit our website at www.rihebc.com.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Statements of Net Position

June 30, 2017 and 2016

Assets

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and equivalents	\$ 645,380	\$ 1,033,297
Cash and equivalents - restricted	14,266,110	21,893,352
Investments	12,261,870	9,492,911
Current portion of loans receivable	117,269	217,689
Current portion of School Building Authority Capital Fund loan receivable	480,508	262,254
Accounts receivable	37,477	72,459
Prepaid expenses	46,965	42,560
Accrued interest receivable	<u>40,888</u>	<u>3,382</u>
Total Current Assets	<u>27,896,467</u>	<u>33,017,904</u>
Non-Current Assets:		
Loans receivable, net of current portion	708,909	931,231
School Building Authority Capital Fund loans receivable	1,876,028	2,138,282
Investments	160,000	240,000
Capital assets, net	<u>30,451</u>	<u>28,368</u>
Total Non-Current Assets	<u>2,775,388</u>	<u>3,337,881</u>
Total Assets	<u>\$ 30,671,855</u>	<u>\$ 36,355,785</u>

Liabilities and Net Position

Current Liabilities:		
Accrued expenses	\$ 225,902	\$ 189,209
Deposits held for other	1,400,000	-
Project cost grants payable	587,183	1,678,482
Project cost loans payable	<u>7,062</u>	<u>2,400,536</u>
Total Liabilities	<u>2,220,147</u>	<u>4,268,227</u>
Net Position:		
Net investment in capital assets	30,451	28,368
Restricted - School Building Authority Capital Fund:		
Loans receivable	7,062	2,400,536
Held for authorized projects	3,724,054	14,961,330
Available for future projects	12,321,516	2,853,004
Unrestricted	<u>12,368,625</u>	<u>11,844,320</u>
Total Net Position	<u>28,451,708</u>	<u>32,087,558</u>
Total Liabilities and Net Position	<u>\$ 30,671,855</u>	<u>\$ 36,355,785</u>

The accompanying notes are an integral part of the financial statements.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Administrative fees	\$ 2,283,024	\$ 2,432,947
Interest earned on loans receivable	<u>57,065</u>	<u>32,455</u>
Total Operating Revenues	<u>2,340,089</u>	<u>2,465,402</u>
Operating Expenses:		
Administrative	1,837,497	1,652,684
Project cost grants	14,352,691	1,985,213
Depreciation	<u>8,797</u>	<u>6,866</u>
Total Operating Expenses	<u>16,198,985</u>	<u>3,644,763</u>
Operating Loss	(13,858,896)	(1,179,361)
Non-Operating Revenues (Expenses):		
Loss on disposal of capital assets	-	(2,393)
Net investment income	65,626	36,384
State appropriations	10,139,755	20,366,366
Other income	-	827,824
Interest earned on restricted cash	<u>17,665</u>	<u>5,893</u>
Total Non-Operating Revenues	<u>10,223,046</u>	<u>21,234,074</u>
Increase (Decrease) in Net Position	(3,635,850)	20,054,713
Net Position, at Beginning of Year	<u>32,087,558</u>	<u>12,032,845</u>
Net Position, at End of Year	<u>\$ 28,451,708</u>	<u>\$ 32,087,558</u>

The accompanying notes are an integral part of the financial statements.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Statements of Cash Flows

For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from institutions for administrative fees	\$ 2,318,006	\$ 2,413,907
Cash received for deposits held for others	1,400,000	-
Cash received from other sources	-	827,824
Payment of project cost grants	(15,443,990)	(306,731)
Payment to employees for services	(472,569)	(486,371)
Payment to suppliers for goods and services	<u>(1,332,640)</u>	<u>(1,270,411)</u>
Net Cash Provided by (Applied to) Operating Activities	<u>(13,531,193)</u>	<u>1,178,218</u>
Cash Flow from Non-Capital Financing Activity:		
State appropriation	<u>10,139,755</u>	<u>20,366,366</u>
Cash Flow from Capital and Related Financing Activity:		
Purchase of capital assets	<u>(10,880)</u>	<u>(17,174)</u>
Cash Flows from Investing Activities:		
Purchases of investment securities	(23,837,412)	(13,065,910)
Proceeds from sale and maturities of investment securities	21,148,453	13,253,825
Disbursement of project cost loans payable	(2,393,474)	-
Collections on loans receivable	366,742	297,735
Interest earned on loans receivable	19,559	33,644
Net investment income	<u>83,291</u>	<u>42,277</u>
Net Cash Provided by (Applied to) Investing Activities	<u>(4,612,841)</u>	<u>561,571</u>
Net Increase (Decrease) in Cash and Equivalents	(8,015,159)	22,088,981
Cash and Equivalents, at Beginning of Year	<u>22,926,649</u>	<u>837,668</u>
Cash and Equivalents, at End of Year	<u>\$ 14,911,490</u>	<u>\$ 22,926,649</u>
Reconciliation of Operating Loss to Net Cash Provided by (Applied to) Operating Activities:		
Operating loss	\$ (13,858,896)	\$ (1,179,361)
Adjustments to reconcile net loss to net cash provided by (applied to) operating activities:		
Depreciation	8,797	6,866
Other income	-	827,824
Interest on loans receivable	(19,559)	(33,644)
Changes in assets and liabilities:		
Accounts receivable	34,982	(19,040)
Prepaid expenses	(4,405)	8,282
Accrued interest receivable	(37,506)	1,189
Accrued expenses	36,693	(112,380)
Deposits held for others	1,400,000	-
Project cost grants payable	<u>(1,091,299)</u>	<u>1,678,482</u>
Net Cash Provided by (Applied to) Operating Activities	<u>\$ (13,531,193)</u>	<u>\$ 1,178,218</u>

The accompanying notes are an integral part of the financial statements.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies

Organization

Rhode Island Health and Educational Building Corporation (the "Corporation") is a component unit of the State of Rhode Island (the "State") for financial reporting purposes. The purposes of the Corporation are to aid eligible institutions in the educational and healthcare fields in Rhode Island gain access to capital, remain proactive in developing cost-effective programs, offer staff assistance and provide technical resources that benefit these institutions.

School Building Authority Capital Fund

The State fiscal year 2016 budget legislation established a School Building Authority Capital Fund ("SBACF") to address high priority projects in communities with limited financial resources. The legislation assigned certain administrative duties related to the management and custody of monetary assets of SBACF to the Corporation, including establishing a trust to hold related monies, creating and maintaining SBACF's accounting records and the distribution and management of SBACF's award program.

Awards are granted for the purpose of repairing public school facilities for cities, towns and local education agencies ("LEAs") by the Rhode Island Department of Education and approved by the Corporation. Once approved, a portion of the project costs, based on the city's, town's or LEA's state housing aid reimbursement rate, are provided as a grant. The city, town or LEA may also elect to fund the remaining balance of their project costs through a loan from the SBACF. Funding of SBACF is expected to continue through annual appropriations from the legislature, interest earned on loans, bond refinance interest savings and other payments received by the Corporation pursuant to finance agreements with cities, towns and LEAs.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as prescribed by the Governmental Accounting Standards Board ("GASB").

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

The Corporation has determined that it functions as a business-type activity as defined by GASB. The basic financial statements and required supplementary information for general purpose governments consist of management's discussion and analysis, basic financial statements and required supplementary information.

Revenue Recognition

The principal operating revenues of the Corporation are administrative fees relating to various bonds and notes outstanding, which are recognized as revenue as of the periodic billing date. Operating expenses consist predominantly of administrative expenses and grant expenses, which are recognized as incurred. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities primarily consist of state appropriations along with gains or losses relating to investments or disposals of capital assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of accounts receivable and estimating depreciation.

Cash and Equivalents

The Corporation has defined cash and equivalents to include cash held at various institutions and all highly liquid investments with maturities of three months or less.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

Cash and Equivalents - Restricted

The Corporation's restricted cash and equivalents include cash deposits in a designated trust at financial institutions and institutional money market accounts and are designated for borrower construction drawdowns related to the School Building Authority Capital Fund.

Investments

Investments are stated at fair value or at amortized cost, which approximates fair value. The Corporation's investment activities are governed by its enabling legislation and by State law pertaining to the investment activities of state agencies.

Accounts and Loans Receivable

Accounts and loans receivable are stated at the amount management expects to collect from outstanding balances. Allowances for potential credit losses are determined by considering the financial condition of its customers and other economic factors affecting the customers and their industries. As of the balance sheet dates, management is of the opinion that an allowance for doubtful accounts is not necessary. Interest earned on loans receivable is recognized over the life of the loans.

Prepaid Expenses

Prepaid expenses consist of payments related to insurance and deposits for the years ended June 30, 2017 and 2016.

Capital Assets

Capital assets include furniture and fixtures, and office and computer equipment. In accordance with the Corporation's policy, a \$1,000 threshold is utilized for capitalizing assets. Capital assets are depreciated on a straight-line basis over their estimated useful lives of five years. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

The Corporation does not have collections of historical treasures, works of art, or other items that are inexhaustible by their nature and are of immeasurable intrinsic value, thus not requiring capitalization or depreciation in accordance with GASB guidelines.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

Deposits Held for Others

Deposits held for others represents a liability for a good faith deposit from an institution related to a potential future bond issuance. Subsequent to year-end, the deposit was remitted in full to the institution.

Project Costs Payable

Project costs payable represent the liability for amounts granted or loaned but have not been requisitioned by their intended recipients for their projects as of year-end.

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is included in accrued expenses at June 30, 2017 and 2016. Upon retirement or termination, employees are compensated for all accumulated unused vacation leave. At June 30, 2017 and 2016, compensated absences totaled approximately \$59,000 and \$51,000, respectively.

Net Position

Resources are classified for accounting purposes into the following categories:

Investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted - Nonexpendable: Net position subject to externally imposed conditions that the Corporation must maintain in perpetuity.

Restricted - Expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Corporation or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated by actions of the Corporation.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

Tax Status

The Corporation is a component unit of the State of Rhode Island and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

New Governmental Accounting Pronouncements

GASB Statement 85 - Omnibus 2017 is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits). Management has not completed its review of the requirements of this standard and its applicability.

Note 2 - **Conduit Debt**

Since its inception, the Corporation has issued various series of bonds, notes and leases to finance capital expenditures for Rhode Island educational institutions, hospitals, and healthcare providers. The bonds, notes and leases are special obligations of the Corporation payable from revenues derived solely from the institution for which the project was financed. The bonds, notes, and leases do not constitute a debt or pledge of faith and credit of the Corporation or the State of Rhode Island, and accordingly have not been reflected in the accompanying financial statements.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 2 - Conduit Debt - Continued

At June 30, 2017 and 2016, the bond issues and leases outstanding are as follows:

<u>Institution</u>	<u>Year Issued</u>	<u>Maturity Date</u>	<u>Outstanding Principal at 6/30/2017</u>	<u>Outstanding Principal at 6/30/2016</u>
Lifespan Obligated Group	1996	05/15/2026	\$ -	\$ 49,450,000
Johnson & Wales University	1999	04/01/2029	6,000,000	8,770,000
International Institute of RI, Inc.	2003	08/01/2033	1,640,000	1,720,000
Brown University, Series B	2003	09/01/2043	41,175,000	41,650,000
The Groden Center, Inc., Series A & B	2004	10/01/2029	2,885,000	3,050,000
Board of Governors, Series A	2005	09/15/2020	-	1,085,000
Catholic School Pool Program	2005	04/01/2035	3,585,000	3,735,000
Meeting Street Center	2005	06/01/2035	6,890,000	7,465,000
Board of Governors, Series B	2005	09/15/2025	-	1,180,000
Brown University, Series A	2005	05/01/2035	85,500,000	85,500,000
Board of Governors, Series C - G	2005	09/15/2035	-	63,630,000
Lifespan Obligated Group, Series A	2006	05/15/2032	-	129,185,000
Public Schools Revenue Bonds, Series A	2006	05/15/2023	-	1,940,000
Catholic School Pool Program	2006	04/01/2036	-	1,970,000
Public Schools Revenue Bonds, Series A	2007	05/15/2027	350,000	23,770,000
NRI Community Services, Inc.	2007	06/01/2037	2,625,000	2,710,000
Brown University	2007	09/01/2037	86,360,000	88,295,000
Public Schools Revenue Bonds, Series B	2007	05/15/2027	835,000	1,820,000
CVS-Highlander Charter School	2007	09/01/2037	3,345,000	3,520,000
Public Schools Revenue Bonds, Series C	2007	05/15/2021	4,870,000	6,255,000
Providence Public Building Authority, Series B	2007	05/15/2028	5,495,000	6,760,000
St. Antoine Residence, Series A	2007	11/01/2029	-	6,715,000
Public Schools Revenue Bonds, Series D	2007	11/15/2027	3,120,000	3,335,000
Home & Hospice Care of RI	2008	02/01/2038	8,554,500	8,814,500
The Learning Community Charter School	2008	02/01/2038	3,302,000	3,398,000
Rhode Island School of Design, Series A & B	2008	08/15/2036	78,960,000	80,590,000
Bryant University	2008	06/01/2035	47,135,000	47,600,000
Public Schools Revenue Bonds, Series A	2008	05/15/2029	-	66,690,000
Roger Williams University, Series A	2008	11/15/2024	12,510,000	13,840,000
New England Institute of Technology	2008	03/01/2034	10,400,000	11,175,000
Public Schools Revenue Bonds, Series B	2008	05/15/2029	500,000	16,950,000
Roger Williams University, Series B	2008	11/15/2038	33,130,000	34,030,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 2 - Conduit Debt - Continued

<u>Institution</u>	<u>Year Issued</u>	<u>Maturity Date</u>	<u>Outstanding Principal at 6/30/2017</u>	<u>Outstanding Principal at 6/30/2016</u>
Board of Governors, Series A & B	2008	09/15/2034	\$ 3,830,000	\$ 37,935,000
Public Schools Revenue Bonds, Series A	2009	05/15/2024	2,990,000	3,420,000
Lifespan Obligated Group, Series A	2009	05/15/2039	-	114,985,000
Public Schools Revenue Bonds, Series B	2009	05/15/2021	300,000	380,000
Public Schools Revenue Bonds, Series C	2009	05/15/2029	-	18,370,000
Board of Governors, Series A & B	2009	09/15/2029	23,465,000	24,545,000
Public Schools Revenue Bonds, Series D	2009	05/15/2029	-	12,360,000
Brown University, Series A	2009	09/01/2039	70,795,000	70,795,000
Public Schools Revenue Bonds, Series E	2009	05/15/2034	-	63,695,000
St. Antoine Residence, Series A	2009	11/01/2018	-	3,370,000
Providence Public Building Authority, Series A	2009	06/15/2025	11,960,000	13,440,000
Board of Governors, Series A	2010	09/15/2040	21,065,000	21,585,000
New England Institute of Technology, Series A	2010	03/01/2040	-	36,100,000
Board of Governors, Series B	2010	09/15/2040	39,010,000	39,790,000
Public Schools Revenue Bonds, Series A	2010	05/15/2027	12,575,000	12,575,000
Public Schools Revenue Bonds, Series B	2010	05/05/2020	1,410,000	1,880,000
Thundermist Health Center, Series A	2010	08/01/2020	2,722,208	2,928,958
Public Schools Revenue Bonds, Series C	2010	05/15/2026	2,715,000	2,905,000
Public Schools Revenue Bonds, Series D	2010	05/15/2025	2,550,000	2,810,000
Public Schools Revenue Bonds, Series E	2010	05/15/2025	5,021,000	5,534,000
Public Schools Revenue Bonds, Series F & G	2010	05/15/2029	24,100,000	24,100,000
Providence Public Building Authority, Series A & B	2010	05/15/2029	21,945,000	21,945,000
J. Arthur Trudeau Memorial Center	2010	12/01/2040	2,205,000	2,260,000
The Providence Community Health Centers, Inc.	2010	06/01/2037	10,126,723	10,484,701
Care New England	2010	12/31/2030	-	9,511,649
Public Schools Revenue Bonds, Series A	2011	05/15/2031	4,690,000	5,075,000
Tockwotton Home	2011	01/01/2046	-	40,300,000
Roger Williams University	2011	11/15/2024	16,975,000	18,715,000
Public Schools Revenue Bonds, Series B	2011	05/15/2031	8,485,000	8,920,000
Public Schools Revenue Bonds, Series C	2011	05/15/2031	10,780,000	11,550,000
The Compass School, Series A - C	2011	06/28/2027	1,370,000	1,475,000
Brown University, Series A	2011	09/01/2032	50,710,000	55,060,000
Blackstone Valley Community Health Care, Inc.	2011	01/01/2022	5,626,770	5,815,016
Steere House	2011	09/01/2036	4,641,000	4,802,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 2 - Conduit Debt - Continued

<u>Institution</u>	<u>Year Issued</u>	<u>Maturity Date</u>	<u>Outstanding Principal at 6/30/2017</u>	<u>Outstanding Principal at 6/30/2016</u>
Portsmouth Abbey School	2011	10/01/2031	\$ 4,720,000	\$ 5,000,000
Ocean State Assisted Living	2011	11/01/2031	9,320,000	9,680,000
Bryant University	2011	12/01/2031	19,080,000	19,965,000
Roger Williams University, Series B	2011	12/15/2029	9,185,000	9,690,000
Salve Regina University	2011	06/15/2031	20,990,000	23,375,000
Providence College	2012	11/01/2041	35,105,000	35,945,000
Public Schools Revenue Bonds, Series A	2012	05/15/2037	31,235,000	32,250,000
Rhode Island School of Design	2012	06/01/2031	24,950,000	25,640,000
Immaculate Conception Catholic Regional School	2012	03/16/2032	4,793,750	5,118,750
Rocky Hill School	2012	04/26/2022	2,742,873	2,837,783
Seven Hills Rhode Island, Inc.	2012	05/31/2042	3,289,000	3,353,000
Brown University	2012	09/01/2022	118,240,000	118,240,000
Rhode Island Blood Center	2012	09/29/2028	7,957,774	8,163,008
Rhode Island School of Design, Series B	2012	08/15/2035	45,650,000	47,280,000
Care New England	2012	09/28/2019	3,690,477	5,128,995
Public Schools Revenue Bonds, Series B	2012	05/15/2032	12,510,000	13,150,000
The Kent Center, Inc.	2012	10/12/2022	4,260,292	4,371,096
Providence College, series B & C	2012	11/01/2024	31,805,000	35,140,000
Bryant University	2013	06/30/2019	2,330,000	3,465,000
Scandanavian Home	2013	04/01/2040	3,847,536	3,952,219
Public Schools Revenue Bonds, Series A	2013	05/15/2033	6,110,000	6,495,000
Public Schools Revenue Bonds, Series B	2013	05/15/2033	9,490,000	10,355,000
Board of Education, Series A - D	2013	09/15/2024	35,450,000	39,505,000
Public Schools Revenue Bonds, Series C & D	2013	05/15/2033	26,395,000	28,045,000
Lifespan Obligated Group	2013	06/14/2020	22,138,822	29,277,776
Seven Hills Rhode Island, Inc.	2013	06/21/2043	1,434,332	1,489,499
Saint Elizabeth Manor, East Bay	2013	07/31/2043	7,656,061	7,824,768
Public Schools Revenue Bonds, Series E	2013	05/15/2028	680,000	805,000
La Salle Academy	2013	09/16/2023	-	3,621,785
The Wheeler School, Series B	2013	09/18/2028	2,388,205	3,393,739
The Providence Center, Inc.	2013	02/01/2041	-	2,561,962
Providence Public Building Authority, Series A	2013	05/15/2024	38,405,000	47,210,000
Roger Williams University, Series A	2013	11/15/2028	17,487,474	18,708,428
Public Schools Revenue Bonds, Series H	2013	05/15/2034	10,230,000	10,665,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 2 - Conduit Debt - Continued

<u>Institution</u>	<u>Year Issued</u>	<u>Maturity Date</u>	<u>Outstanding Principal at 6/30/2017</u>	<u>Outstanding Principal at 6/30/2016</u>
Care New England, Series A	2013	09/01/2033	\$ -	\$ 81,100,000
St. Andrew's School	2013	06/01/2043	15,670,000	15,935,000
Brown University	2013	09/01/2043	132,670,000	135,310,000
Public Schools Revenue Bonds, Series I	2013	11/15/2023	7,170,000	8,020,000
Public Schools Revenue Bonds, Series I	2013	11/15/2021	1,265,000	1,550,000
Public Schools Revenue Bonds, Series J	2013	05/15/2020	2,730,000	3,610,000
Care New England, Series A	2014	10/01/2042	-	42,810,000
Bryant University	2014	06/01/2044	44,730,000	45,540,000
Public Schools Revenue Bonds, Series A	2014	05/15/2034	7,440,000	8,290,000
Portsmouth Abbey School	2014	07/01/2024	1,811,250	1,916,250
Public Schools Revenue Bonds, Series B	2014	05/15/2034	2,960,000	3,090,000
St. George's School, Series A, B & C	2014	09/01/2044	39,618,284	44,251,077
Times ² Academy, Inc.	2014	10/01/2026	7,954,837	8,948,692
Public Schools Revenue Bonds, Series C	2014	05/15/2034	7,170,000	7,480,000
Roger Williams University	2014	10/15/2035	14,314,402	14,865,211
The Pennfield School, Series A & B	2014	11/01/2039	3,988,834	4,109,399
Newport Hospital	2014	07/01/2029	17,972,000	19,098,000
Public Schools Revenue Bonds, Series A	2015	11/15/2020	4,425,000	5,490,000
Providence Public Building Authority, Series A	2015	05/15/2028	142,695,000	146,325,000
Child and Family Services of Newport County	2015	04/30/2043	8,976,088	9,256,190
Salve Regina University, Series A, B & C	2015	05/01/2045	26,193,284	23,115,059
Mercymount Country Day School	2015	05/01/2035	3,273,077	3,411,143
Providence College	2015	11/01/2045	43,970,000	45,690,000
South County Hospital Healthcare System	2015	09/15/2033	41,585,000	43,620,000
Public Schools Revenue Bonds, Series B	2015	05/15/2036	4,400,000	4,565,000
New England Institute of Technology	2015	09/01/2045	60,000,000	60,000,000
Saint Philomena School	2015	04/01/2035	1,754,828	1,831,170
Johnson & Wales University	2015	10/01/2030	26,983,131	28,610,614
Tamarisk, Inc.	2015	10/01/2040	8,940,565	9,194,798
Brown University	2015	09/01/2045	43,900,000	45,000,000
Bishop Hendricken High School, Series A & B	2015	04/01/2035	4,919,078	5,108,266
The Prout School	2015	04/01/2036	4,772,583	4,964,250
Saint Raphael Academy	2015	04/01/2036	4,580,833	4,736,667
Providence Public Building Authority, Series B	2015	05/15/2035	9,720,000	10,000,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 2 - Conduit Debt - Continued

<u>Institution</u>	<u>Year Issued</u>	<u>Maturity Date</u>	<u>Outstanding Principal at 6/30/2017</u>	<u>Outstanding Principal at 6/30/2016</u>
Public Schools Revenue Bonds, Series C - E	2015	05/15/2036	\$ 22,600,000	\$ 23,515,000
Saint Elizabeth Home, East Greenwich	2015	12/01/2045	13,876,352	13,900,000
Moses Brown School, Series A, B & C	2016	06/01/2046	27,000,000	27,000,000
Care New England, Series A	2016	06/27/2017	-	14,156,000
Public Schools Revenue Bonds, Series A	2016	05/15/2029	85,590,000	-
Lifespan Obligated Group	2016	05/15/2039	250,755,000	-
Public Schools Revenue Bonds, Series B & C	2016	05/15/2036	7,305,000	-
Care New England, Series B	2016	09/01/2036	138,265,000	-
The Frassati Residence	2016	11/01/2029	6,132,243	-
Saint Antoine Residence	2016	11/01/2018	1,653,399	-
Council of Postsecondary Ed., Series A, B & C	2016	09/15/2036	90,800,000	-
Roger Williams University, Series A & B	2016	11/15/2031	7,300,000	-
New England Institute of Technology	2017	03/01/2040	36,450,000	-
Public Schools Revenue Bonds, Series A	2017	05/15/2034	58,115,000	-
Providence College	2017	11/01/2047	46,415,000	-
Public Schools Revenue Bonds, Series B	2017	05/15/2027	14,375,000	-
Public Schools Revenue Bonds, Series C	2017	05/15/2027	63,480,000	-
Public Schools Revenue Bonds, Series D	2017	05/15/2037	9,750,000	-
Public Schools Revenue Bonds, Series E	2017	05/15/2037	23,615,000	-
Public Schools Revenue Bonds, Series F	2017	05/15/2037	19,835,000	-
			<u>\$ 3,056,660,865</u>	<u>\$ 3,133,129,418</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 3 - Cash and Equivalents

The Corporation's policy is in accordance with Chapter 35-10.1 of the Rhode Island General Laws dealing with the Public Finance, which states that any depository institution holding public deposits shall insure or pledge eligible collateral equal to one-hundred percent (100%) of any time deposit with maturities greater than sixty (60) days. If any depository institution does not meet its minimum capital standards as prescribed by its federal regulator, they shall insure or pledge eligible collateral equal to one-hundred percent (100%) of all public deposits.

The Corporation does not have a policy for custodial credit risk associated with deposits.

At June 30, 2017 and 2016, the carrying amounts of the Corporation's cash deposits were approximately \$1,647,000 and \$2,935,000, respectively, and bank balances were approximately \$1,647,000 and \$2,935,000, respectively. Included in these cash deposits at June 30, 2017 and 2016 are certificates of deposit totaling approximately \$1,001,000 and \$1,902,000, respectively, which are reported as investments (Note 4). Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a) Uncollateralized,
- b) Collateralized with securities held by pledging financial institution, or
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name.

Of the bank balances at June 30, 2017 and 2016, approximately \$535,000 and \$364,000, respectively, was covered by federal depository insurance, and approximately \$1,001,000 and \$1,902,000, respectively, was collateralized with securities held by the pledging financial institution in the Corporation's name. The remaining amount of approximately \$111,000 and \$669,000, respectively, was uninsured and uncollateralized at June 30, 2017 and 2016, respectively. The insured balances reflect guarantees from the FDIC in effect during June 30, 2017 and 2016.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - Investments

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

U.S. Government and U.S. Government Agencies: Comprised of bonds issued by the U.S. Treasury and the Federal Home Loan Bank. The fair values of U.S. Government securities are based on quoted market prices in active markets.

Certificates of Deposit: Valued based upon interest accumulated at year-end.

General Obligation Bonds: Valued at the principal balance outstanding.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Board believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - Investments - Continued

Ocean State Investment Pool Trust

At June 30, 2017 and 2016, the Corporation had investments consisting of \$9,695,452 and \$2,260,061, respectively, in the Ocean State Investment Pool Trust ("OSIP"), an investment pool established by the State General Treasurer. The Corporation's investment accounted for less than 5% of the total investment in OSIP at June 30, 2017 and 2016, respectively. Agencies, authorities, commissions, boards, municipalities, political subdivisions and other public units of the State may invest in OSIP. OSIP has met the criteria outlined in GASB Statement No. 79 - *Certain External Investment Pools and Pool Participants* to permit election to report its investments at amortized cost which approximates fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP transacts with its participants at a stable net asset value ("NAV") per share. Investments reported at the NAV are not subject to the leveling categorization as described above. There are no participant withdrawal limitations. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue, 2nd Floor, Warwick, RI 02886.

Interest Rate Risk

It is the Corporation's policy to limit the length of its investment maturities in order to manage the exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Corporation has managed its exposure to credit risk by investing in obligations that are issued by the U.S. Government or implicitly guaranteed by the U.S. Government, in accordance with State regulations.

The City of Central Falls ("City") General Obligation Bond was rated as Ba1 and Ba2 at June 30, 2017 and 2016, respectively. The City filed a Chapter 9 bankruptcy petition during fiscal year 2012. The State of Rhode Island has passed legislation to give priority to bond payments and has the ability to intercept aid to mitigate potential bondholder losses. Due to these factors, management has determined that an allowance for uncollectable general obligation bonds is not necessary at this time.

Concentration of Credit Risk

As a result of the State's policy to manage credit risk, the Corporation's investments are concentrated in U.S. Government guaranteed issues, municipal obligations and certificates of deposit.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - Investments - Continued

At June 30, 2017, the Corporation held the following investments:

		Fair Value <u>Hierarchy</u>
Maturities within fiscal year ending 2018:		
U.S. Treasury Notes	\$ 1,400,000	Level 1
Ocean State Investment Pool Trust	9,695,452	NAV
City of Central Falls General Obligation Bonds	165,000	Level 2
Certificates of Deposit	<u>1,001,418</u>	Level 1
Total Current Portion	<u>\$ 12,261,870</u>	
Maturities after fiscal year-end 2018:		
City of Central Falls General Obligation Bonds	<u>\$ 160,000</u>	Level 2

At June 30, 2016, the Corporation held the following investments:

		Fair Value <u>Hierarchy</u>
Maturities within fiscal year ending 2017:		
U.S. Treasury Bills	\$ 1,749,405	Level 1
Federal Home Loan Bank Consolidated Discount Notes	3,496,728	Level 1
Ocean State Investment Pool Trust	2,260,061	NAV
City of Central Falls General Obligation Bonds	85,000	Level 2
Certificates of Deposit	<u>1,901,717</u>	Level 1
Total Current Portion	<u>\$ 9,492,911</u>	
Maturities after fiscal year-end 2017:		
City of Central Falls General Obligation Bonds	<u>\$ 240,000</u>	Level 2

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 5 - Loans Receivable

Loans receivable as of the years ended June 30, are as follows:

	<u>2017</u>	<u>2016</u>
In July 2003, the Corporation entered into a loan agreement with Newport County Community Mental Health Center for \$495,000. In May 2012, the loan was refinanced for \$348,527 and the new agreement stipulates monthly payments of \$4,452 including interest at 2.02% until maturity in May 2019.	\$ -	\$ 151,225
In November 2005, the Corporation entered into a loan agreement with the United Methodist Health Center for \$700,000. The agreement stipulates monthly payments of \$4,879 inclusive of interest at 4.40% until maturity in November 2015. In June 2015, the loan was refinanced for \$795,000 and the new agreement stipulates monthly payments of \$4,802 inclusive of interest at 2.50% until maturity in June 2025.	718,270	757,147
In July 2009, the Corporation entered into a loan agreement with Northwest Community Health Care for \$410,000. The agreement stipulates monthly payments of \$4,856 inclusive of interest at 3.25% until maturity in July 2017.	4,842	66,620
In December 2013, the Corporation entered into a loan agreement with Gateway Healthcare, Inc. for \$350,000. The agreement stipulates monthly payments of \$6,162 inclusive of interest of 2.18% until maturity in November 2018.	<u>103,066</u>	<u>173,928</u>
Total Loans Receivable	826,178	1,148,920
Less: Current Portion	<u>117,269</u>	<u>217,689</u>
Non-Current Loans Receivable	<u>\$ 708,909</u>	<u>\$ 931,231</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 6 - School Building Authority Capital Fund Loans Receivable

As discussed in Note 1, the Corporation is administrator of the School Building Authority Capital Fund which provides loans as a portion of the project costs, which are used for repairs of public school facilities. The awarded city, town or LEA will sign a loan agreement with the Corporation for the total cost of the project. Upon completion of the project the awardee will be responsible for repayment of their local share of the loan plus interest. The local share is determined by the Rhode Island Department of Education's education funding formula. The remaining costs are considered to be the city, town, or LEA's state portion and are deemed a grant.

SBACF loans receivable as of the years ended June 30, are as follows:

	<u>2017</u>	<u>2016</u>
In June 2016, the Corporation entered into a loan agreement with the Town of North Providence for \$218,000. The agreement stipulates annual payments ranging from \$43,404 to \$45,884 inclusive of interest at 0.94% until maturity in June 2021.	\$ 174,000	\$ 218,000
In June 2016, the Corporation entered into a loan agreement with the City of Providence for \$1,830,536. The agreement stipulates annual payments ranging from \$186,568 to \$215,466 inclusive of interest at 1.92% until maturity in June 2026.	1,830,536	1,830,536
In June 2016, the Corporation entered into a loan agreement with the City of Pawtucket for \$352,000. The agreement stipulates annual payments ranging from \$35,876 to \$41,433 inclusive of interest at 1.92% until maturity in June 2026.	<u>352,000</u>	<u>352,000</u>
Total SBACF Loans Receivable	2,356,536	2,400,536
Less: Current Portion	<u>480,508</u>	<u>262,254</u>
Non-Current SBACF Loans Receivable	<u>\$ 1,876,028</u>	<u>\$ 2,138,282</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - Capital Assets

Capital asset activity for the year ended June 30, 2017 is as follows:

	Estimated Lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital Assets:						
Office Equipment	5	\$ 18,246	\$ -	\$ -	\$ -	\$ 18,246
Computer Equipment	5	35,004	10,880	(13,329)	-	32,555
Furniture and Fixtures	5	<u>120,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,695</u>
Total Capital Assets		<u>173,945</u>	<u>10,880</u>	<u>(13,329)</u>	<u>-</u>	<u>171,496</u>
Less: Accumulated Depreciation						
Office Equipment		3,181	3,649	-	-	6,830
Computer Equipment		21,874	4,976	(13,329)	-	13,521
Furniture and Fixtures		<u>120,522</u>	<u>172</u>	<u>-</u>	<u>-</u>	<u>120,694</u>
Total Accumulated Depreciation		<u>145,577</u>	<u>8,797</u>	<u>(13,329)</u>	<u>-</u>	<u>141,045</u>
Capital Assets, Net		<u>\$ 28,368</u>	<u>\$ 2,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,451</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - Capital Assets - Continued

Capital asset activity for the year ended June 30, 2016 is as follows:

	Estimated Lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital Assets:						
Office Equipment	5	\$ 15,548	\$ 14,854	\$ (12,156)	\$ -	\$ 18,246
Computer Equipment	5	45,414	2,320	(12,730)	-	35,004
Furniture and Fixtures	5	<u>131,318</u>	<u>-</u>	<u>(10,623)</u>	<u>-</u>	<u>120,695</u>
Total Capital Assets		<u>192,280</u>	<u>17,174</u>	<u>(35,509)</u>	<u>-</u>	<u>173,945</u>
Less: Accumulated Depreciation						
Office Equipment		12,220	2,164	(11,203)	-	3,181
Computer Equipment		30,247	4,357	(12,730)	-	21,874
Furniture and Fixtures		<u>129,360</u>	<u>345</u>	<u>(9,183)</u>	<u>-</u>	<u>120,522</u>
Total Accumulated Depreciation		<u>171,827</u>	<u>6,866</u>	<u>(33,116)</u>	<u>-</u>	<u>145,577</u>
Capital Assets, Net		<u>\$ 20,453</u>	<u>\$ 10,308</u>	<u>\$ (2,393)</u>	<u>\$ -</u>	<u>\$ 28,368</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 8 - Commitments and Contingencies

Subsidy Program

Under an Interest Rate Subsidy (the "Subsidy") Program, discontinued in 2002, the Corporation pledged to subsidize 1% of the interest charges of certain institutions' long-term debt. To fund this commitment, the Corporation reserved the estimated net present value of the Subsidy. As of June 30, 2017 and 2016, remaining commitments on existing Subsidies expiring through 2023 aggregate approximately \$80,200 and \$95,200, respectively.

Lease Commitment

During April 2016, the Corporation entered into a five-year operating lease agreement for office space expiring May 31, 2021. Rental expense for the fiscal years ended June 30, 2017 and 2016 was \$90,426 and \$95,654, respectively. Future minimum lease payments are as follows:

Years Ending <u>June 30,</u>	
2018	\$ 93,138
2019	95,933
2020	98,810
2021	<u>93,056</u>
	<u>\$ 380,937</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 8 - Commitments and Contingencies - Continued

School Building Authority Capital Fund Commitments

At June 30, 2017 and 2016, the School Building Authority Capital Fund had approximately \$12,322,000 and \$2,853,000, respectively, of uncommitted funds available for future project awards under its program. Project awards include grants and loans (see Note 1, *School Building Authority Capital Fund*, for additional information).

Grants and loans awarded (cumulative) and remaining unspent balances available for draw as of June 30, 2017, are as follows:

	Awarded			Balances Available		
	<u>Total</u>	<u>Grants</u>	<u>Loans</u>	<u>Total</u>	<u>Grants</u>	<u>Loans</u>
Barrington	\$ 22,750	\$ 22,750	\$ -	\$ 4,256	\$ 4,256	\$ -
Beacon Charter	67,500	67,500	-	-	-	-
Briston Warren	1,335,559	1,335,559	-	207,296	207,296	-
Burrville	562,366	562,366	-	23,695	23,695	-
Central Falls	469,468	469,468	-	29,481	29,481	-
Cranston	263,160	263,160	-	-	-	-
East Providence	268,770	268,770	-	-	-	-
Foster	104,786	104,786	-	48,804	48,804	-
Foster Gloucester	371,690	371,690	-	-	-	-
Kingston Hill						
Academy	24,375	24,375	-	18,712	18,712	-
Middletown	73,500	73,500	-	-	-	-
New Shoreham	20,300	20,300	-	20,300	20,300	-
North Providence	500,000	282,000	218,000	-	-	-
Pawtucket	6,769,670	6,417,670	352,000	2,890,107	2,883,045	7,062
Portsmouth	373,434	373,434	-	19,926	19,926	-
Providence	9,894,789	8,064,253	1,830,536	-	-	-
Tiverton	161,000	161,000	-	135,821	135,821	-
Woonsocket	621,192	621,192	-	332,718	332,718	-
	<u>\$ 21,904,309</u>	<u>\$ 19,503,773</u>	<u>\$ 2,400,536</u>	<u>\$ 3,731,116</u>	<u>\$ 3,724,054</u>	<u>\$ 7,062</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 8 - Commitments and Contingencies - Continued

School Building Authority Capital Fund Commitments - Continued

Grants and loans awarded (cumulative) and remaining unspent balances available for draw as of June 30, 2016, are as follows:

	<u>Awarded</u>			<u>Balances Available</u>		
	<u>Total</u>	<u>Grants</u>	<u>Loans</u>	<u>Total</u>	<u>Grants</u>	<u>Loans</u>
Barrington	\$ 22,750	\$ 22,750	\$ -	\$ 22,750	\$ 22,750	\$ -
Beacon Charter	67,500	67,500	-	67,500	67,500	-
Briston Warren	1,335,559	1,335,559	-	1,335,559	1,335,559	-
Burrville	562,366	562,366	-	562,366	562,366	-
Central Falls	469,468	469,468	-	469,468	469,468	-
Cranston	263,160	263,160	-	263,160	263,160	-
East Providence	268,770	268,770	-	61,520	61,520	-
Foster	104,786	104,786	-	95,305	95,305	-
Foster Gloucester	371,690	371,690	-	362,103	362,103	-
Kingston Hill						
Academy	24,375	24,375	-	18,712	18,712	-
Middletown	73,500	73,500	-	73,500	73,500	-
New Shoreham	20,300	20,300	-	20,300	20,300	-
North Providence	500,000	282,000	218,000	500,000	282,000	218,000
Pawtucket	4,212,440	3,860,440	352,000	2,872,055	2,520,055	352,000
Portsmouth	373,434	373,434	-	373,434	373,434	-
Providence	9,894,789	8,064,253	1,830,536	9,504,417	7,673,881	1,830,536
Tiverton	161,000	161,000	-	161,000	161,000	-
Woonsocket	621,192	621,192	-	598,717	598,717	-
	<u>\$ 19,347,079</u>	<u>\$ 16,946,543</u>	<u>\$ 2,400,536</u>	<u>\$ 17,361,866</u>	<u>\$ 14,961,330</u>	<u>\$ 2,400,536</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - Net Position Designations

The Board of Directors of the Corporation (the "Board") has designated certain unrestricted net position of the Corporation for the years ended June 30, 2017 and 2016 as follows:

Self-Insurance

This designation was established to provide for the deductible exclusion for existing Corporation insurance policies. The Board designated \$1,000,000 of net position for self-insurance at June 30, 2017 and 2016.

Operating Reserves

This designation was established to provide for expenditures incurred as a result of operating contingencies. The Board designated \$2,250,000 of net position for operating reserves at June 30, 2017 and 2016.

Financial Assistance Program

This designation was established to provide eligible institutions with a grant or a direct loan for the funding of qualified projects. The Board designated \$6,500,000 of net position for financial assistance at June 30, 2017 and 2016.

Debt Service Reserve

This designation was established to provide a reserve available to make debt payments should the borrower not have sufficient funds. The Board designated \$2,000,000 of net position for debt service reserve at June 30, 2017 and 2016.

Note 10 - Other Income

Other income for the year ended June 30, 2016 consists of housing aid adjustments resulting from a bond refinancing. Pursuant to Rhode Island General Law 45-38.2-2, loan repayments, bond refinance interest savings and other payments received by the Corporation shall be deposited into the School Building Authority Capital Fund.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 11 - Pension Plan

The Corporation sponsors and contributes to the Rhode Island Health and Educational Building Corporation 403(b) Retirement Plan (the "Plan"), a defined contribution pension plan operated in accordance with Section 403(b) of the Internal Revenue Code and administered by the Vanguard Fiduciary Trust Company. The Board established the Plan and maintains the ability to amend the Plan's provisions, including employer contribution rates. All full-time employees of the Corporation enter the Plan after six months of service. The Corporation contributes 10% of participants' salaries and employee contributions are optional per the Plan documents. The Corporation's contributions to the Plan totaled \$42,908 and \$45,406 for the fiscal years ended June 30, 2017 and 2016, respectively.

Note 12 - Management's Acceptance of the Financial Statements

Management has evaluated subsequent events through September 29, 2017, the date for which the financial statements were made available for issuance. Management accepted the financial statements and did not identify any events subsequent to June 30, 2017, except for the item noted below, requiring disclosure in these financial statements.

School Building Authority Capital Fund Awards

During July and August 2017, the SBACF awarded approximately \$9.8 million of grants and \$342,000 of loans to an aggregate of five municipalities. At June 30, 2017, the resources to fund these grants were classified as restricted net position available for future SBACF projects.

SUPPLEMENTARY INFORMATION

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of Statement of Net Position

June 30, 2017

Assets

	<u>RIHEBC</u>	<u>SBACF</u>	<u>Total</u>
Current Assets:			
Cash and equivalents	\$ 645,380	\$ -	\$ 645,380
Cash and equivalents - restricted	-	14,266,110	14,266,110
Investments	12,261,870	-	12,261,870
Current portion of loans receivable	117,269	-	117,269
Current portion of School Building Authority Capital			
Fund loans receivable	-	480,508	480,508
Accounts receivable	37,477	-	37,477
Prepaid expenses	46,965	-	46,965
Accrued interest receivable	<u>16,657</u>	<u>24,231</u>	<u>40,888</u>
Total Current Assets	<u>13,125,618</u>	<u>14,770,849</u>	<u>27,896,467</u>
Non-Current Assets:			
Loans receivable, net of current portion	708,909	-	708,909
School Building Authority Capital Fund loans receivable	-	1,876,028	1,876,028
Investments	160,000	-	160,000
Capital assets, net	<u>30,451</u>	<u>-</u>	<u>30,451</u>
Total Non-Current Assets	<u>899,360</u>	<u>1,876,028</u>	<u>2,775,388</u>
Total Assets	<u>\$ 14,024,978</u>	<u>\$ 16,646,877</u>	<u>\$ 30,671,855</u>

Liabilities and Net Position

Current Liabilities:			
Accrued expenses	\$ 225,902	\$ -	\$ 225,902
Deposits held for other	1,400,000	-	1,400,000
Project cost grants payable	-	587,183	587,183
Project cost loans payable	<u>-</u>	<u>7,062</u>	<u>7,062</u>
Total Liabilities	<u>1,625,902</u>	<u>594,245</u>	<u>2,220,147</u>
Net Position:			
Net investment in capital assets	30,451	-	30,451
Restricted - School Building Authority Capital Fund:			
Loans receivable	-	7,062	7,062
Held for authorized projects	-	3,724,054	3,724,054
Available for future projects	-	12,321,516	12,321,516
Unrestricted	<u>12,368,625</u>	<u>-</u>	<u>12,368,625</u>
Total Net Position	<u>12,399,076</u>	<u>16,052,632</u>	<u>28,451,708</u>
Total Liabilities and Net Position	<u>\$ 14,024,978</u>	<u>\$ 16,646,877</u>	<u>\$ 30,671,855</u>

The accompanying notes are an integral part of the financial statements.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2017

	<u>RIHEBC</u>	<u>SBACF</u>	<u>Total</u>
Operating Revenues:			
Administrative fees	\$ 2,283,024	\$ -	\$ 2,283,024
Interest earned on loans receivable	<u>24,032</u>	<u>33,033</u>	<u>57,065</u>
Total Operating Revenues	<u>2,307,056</u>	<u>33,033</u>	<u>2,340,089</u>
Operating Expenses:			
Administrative	1,837,497	-	1,837,497
Project cost grants	-	14,352,691	14,352,691
Depreciation	<u>8,797</u>	<u>-</u>	<u>8,797</u>
Total Operating Expenses	<u>1,846,294</u>	<u>14,352,691</u>	<u>16,198,985</u>
Operating Income (Loss)	460,762	(14,319,658)	(13,858,896)
Non-Operating Revenue (Expenses):			
Net investment income	65,626	-	65,626
State appropriations	-	10,139,755	10,139,755
Interest earned on restricted cash	<u>-</u>	<u>17,665</u>	<u>17,665</u>
Total Non-Operating Revenues	<u>65,626</u>	<u>10,157,420</u>	<u>10,223,046</u>
Income (Loss) before Transfers	526,388	(4,162,238)	(3,635,850)
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	526,388	(4,162,238)	(3,635,850)
Net Position, at Beginning of Year	<u>11,872,688</u>	<u>20,214,870</u>	<u>32,087,558</u>
Net Position, at End of Year	<u>\$ 12,399,076</u>	<u>\$ 16,052,632</u>	<u>\$ 28,451,708</u>

The accompanying notes are an integral part of the financial statements.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island and Providence Plantations)

Schedule of Travel, Entertainment and Educational Expenses

For the Year Ended June 30, 2017

<u>Date</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
7/5/2017	Scott O'Malley	Parking - train	\$ 29.00

New England Municipal Finance Summit – Boston, Massachusetts, June 20, 2017

12/22/2016	Greater Providence Chamber of Commerce	Registration	<u>70.00</u>
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**Greater Providence Chamber of Commerce Legislative Luncheon –Providence, Rhode Island,
February 8, 2017**

TOTAL	\$ <u>99.00</u>
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The accompanying notes are an integral part of the financial statements.

STATISTICAL SECTION

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Statistical Section

This part of the Corporation's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Corporation's overall financial health.

Contents

Financial Trends

These schedules will help the reader understand how the Corporation's financial position has changed over time.

- Net Position by Component – Last Ten Fiscal Years
- Changes in Net Position – Last Ten Fiscal Years
- Operating Revenue by Component – Last Ten Fiscal Years
- Operating Expense by Component – Last Ten Fiscal Years

Revenue Capacity

These schedules will help the reader understand the Corporation's revenue sources and its ability to generate revenue.

- Ten Largest Revenue Sources – Current Year and Nine Years Ago
- Ten Largest Borrowers – Current Year and Nine Years Ago
- Direct Loans Issued – Last Ten Fiscal Years

Debt Capacity

These schedules will help the reader assess the affordability of the Corporation's current levels of outstanding debt. To better assess the Corporation's ability to issue additional debt, the reader would have to assess the additional debt capacity of the individual borrowers.

- Conduit Financings – Last Ten Fiscal Years
- Total Public School Debt, Rhode Island Resident Population, and Debt Per Capita – Last Ten Fiscal Years
- Total Public School Debt (Primary and Secondary Schools), Student Enrollment, and Debt Per Student – Last Ten Fiscal Years
- Total Public School Debt (State Colleges and Universities), Student Enrollment, and Debt Per Student – Last Ten Fiscal Years

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Statistical Section - Continued

Debt Capacity - Continued

- Total Healthcare Debt, Rhode Island Resident Population, and Debt Per Capita – Last Ten Fiscal Years

Operating Information

These schedules will help the reader understand the operations and structure of the Corporation as it relates to the services it provides and the activities it performs.

- Full-Time Employees by Program – Last Ten Fiscal Years

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Corporation's financial activities take place.

- State of Rhode Island Demographics – Last Ten Fiscal Years
- State of Rhode Island Principal Employers – Current Year and Nine Years Ago

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Net Position by Component

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Net Position</u>
2017	\$ 30,451	\$ 16,052,632	\$ 12,368,625	28,451,708
2016	28,368	20,214,870	11,844,320	32,087,558
2015	20,453	-	12,012,392	12,032,845
2014	11,264	-	11,205,891	11,217,155
2013	14,581	-	10,356,518	10,371,099
2012	24,349	-	9,425,966	9,450,315
2011	33,496	-	8,718,783	8,752,279
2010	43,348	-	8,798,403	8,841,751
2009	45,060	-	9,467,184	9,512,244
2008	38,437	-	9,667,965	9,706,402

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Changes in Net Position

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Operating Revenues</u>	<u>Total Operating Expenses</u>	<u>Operating Income (Loss)</u>	<u>Total Non-Operating Revenues (Expenses)</u>	<u>Change in Net Position</u>
2017	\$ 2,340,089	\$ 16,198,985	\$ (13,858,896)	\$ 10,223,046	\$ (3,635,850)
2016	2,465,402	3,644,763	(1,179,361)	21,234,074	20,054,713
2015	2,341,668	1,562,949	778,719	36,971	815,690
2014	2,375,744	1,575,482	800,262	45,794	846,056
2013	2,357,318	1,476,615	880,703	40,082	920,785
2012	2,267,346	1,612,274	655,072	42,965	698,037
2011	2,273,428	1,404,124	869,304	(958,776)	(89,472)
2010	2,280,035	1,454,067	825,968	(1,496,461)	(670,493)
2009	2,212,373	1,355,671	856,702	(1,050,860)	(194,158)
2008	2,143,058	1,874,685	268,373	204,263	472,636

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

Operating Revenue by Component

Last Ten Fiscal Years

Fiscal Year	Operating Revenues			Non-Operating Revenues				
	Administrative Fees	Interest on Loans Receivable	Total Operating Revenues	Net Investment Income	State Appropriations	Other Income	Interest on Restricted Cash	Total Revenues
2017	\$ 2,283,024	\$ 57,065	\$ 2,340,089	\$ 65,626	\$ 10,139,755	\$ -	\$ 17,665	\$ 12,563,135
2016	2,432,947	32,455	2,465,402	36,384	20,366,366	827,824	5,893	23,701,869
2015	2,306,840	34,828	2,341,668	38,834	-	-	-	2,380,502
2014	2,328,565	47,179	2,375,744	45,794	-	-	-	2,421,538
2013	2,284,034	73,284	2,357,318	40,082	-	-	-	2,397,400
2012	2,178,195	89,151	2,267,346	45,335	-	-	-	2,312,681
2011	2,171,449	101,979	2,273,428	43,472	-	-	-	2,316,900
2010	2,158,374	121,661	2,280,035	5,339	-	-	-	2,285,374
2009	2,058,475	153,898	2,212,373	51,803	-	-	-	2,264,176
2008	1,979,254	163,804	2,143,058	205,356	-	-	-	2,348,414

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

Operating Expense by Component

Last Ten Fiscal Years

Fiscal Year	Operating Expenses					Non-Operating Expenses		
	Personnel	General and Administrative	Financing	Grants	Total Operating Expenses	Loss on Disposal of Capital Assets	Contributions to the State of RI	Total Expenses
2017	\$ 633,622	\$ 360,498	\$ 852,174	\$ 14,352,691	\$ 16,198,985	\$ -	\$ -	\$ 16,198,985
2016	626,587	354,740	678,223	1,985,213	3,644,763	2,393	-	3,647,156
2015	599,622	309,556	653,771	-	1,562,949	1,863	-	1,564,812
2014	586,848	291,332	697,302	-	1,575,482	-	-	1,575,482
2013	561,248	270,862	644,505	-	1,476,615	-	-	1,476,615
2012	542,010	333,736	736,528	-	1,612,274	2,370	-	1,614,644
2011	522,148	315,467	566,509	-	1,404,124	2,248	1,000,000	2,406,372
2010	487,290	312,356	654,421	-	1,454,067	1,800	1,500,000	2,955,867
2009	493,686	305,827	556,158	-	1,355,671	2,663	1,100,000	2,458,334
2008	379,590	734,151	760,944	-	1,874,685	1,093	-	1,875,778

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Ten Largest Revenue Sources

Current Year and Nine Years Ago

<u>Payor</u>	<u>FY 2017 Rank</u>	<u>% of Revenue</u>	<u>FY 2008 Rank</u>	<u>% of Revenue</u>
Brown University	1	27.57%	1	19.26%
Lifespan	2	11.95%	2	12.87%
University of Rhode Island	3	8.73%	3	9.07%
Rhode Island School of Design	4	6.57%	4	8.96%
Care New England	5	6.11%	6	5.50%
Providence College	6	6.04%	8	4.05%
New England Institute of Technology	7	5.09%	13	1.51%
Bryant University	8	5.00%	9	4.01%
Roger Williams University	9	4.42%	5	6.09%
Salve Regina University	10	2.13%	11	2.38%
Johnson & Wales University			7	4.43%
South County Hospital			10	3.29%

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Ten Largest Borrowers

Current Year and Nine Years Ago

<u>Borrower</u>	<u>FY 2017 Rank</u>	<u>Amount of Borrowing</u>	<u>FY 2008 Rank</u>	<u>Amount of Borrowing</u>
Lifespan	1	\$ 265,470,000	*	
Care New England	2	138,265,000	3	84,940,000
University of Rhode Island	3	88,510,000	*	
Town of Barrington	4	63,480,000	21	735,000
City of Woonsocket	5	58,965,000	*	
Providence College	6	46,415,000	8	18,200,000
New England Institute of Technology	7	36,450,000	*	
Foster-Glocester Regional School District	8	26,305,000	5	31,580,000
Town of Tiverton	9	25,540,000	11	10,580,000
City of Pawtucket	10	23,615,000	15	4,760,000
Rhode Island School of Design			2	93,780,000
City of Providence			1	166,470,000
Bryant University			4	50,420,000
Town of Cumberland			6	30,000,000
Town of North Smithfield			6	30,000,000
Home & Hospice Care of RI			9	12,600,000
Bristol-Warren Regional School District			10	12,200,000

* Indicates no bonds were issued on behalf of borrower during the FY.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

Direct Loans Issued

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Number of Loans</u>	<u>Amount</u>
2017	0	\$ -
2016	0	-
2015	1	795,000
2014	1	350,000
2013	1	1,000,000
2012	1	348,527
2011	0	-
2010	1	410,000
2009	1	300,000
2008	2	650,000

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION
BUILDING CORPORATION**

Conduit Financings

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Number of Financings</u>	<u>Bonds - New Projects</u>	<u>Bonds - Refunding</u>	<u>Equipment Leases</u>	<u>Total</u>
2017	16	\$ 172,261,080	\$ 706,646,920	\$ -	\$ 878,908,000
2016	15	187,635,000	112,395,000	-	300,030,000
2015	13	74,477,207	273,959,793	-	348,437,000
2014	18	318,688,085	170,071,915	-	488,760,000
2013	14	129,450,000	167,480,000	60,000,000	356,930,000
2012	21	215,590,896	237,559,104	-	453,150,000
2011	18	218,127,000	41,500,000	-	259,627,000
2010	10	243,457,350	56,317,650	4,425,000	304,200,000
2009	11	257,960,000	73,160,000	-	331,120,000
2008	16	353,155,000	227,090,000	1,500,000	581,745,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Total Public School Debt, Rhode Island Resident Population, and Debt per Capita

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Public School Outstanding Debt</u>	<u>Population</u>	<u>Outstanding Debt Per Capita</u>
2017	\$ 988,502,837	-	\$ -
2016	958,755,692	1,056,426	908
2015	991,134,605	1,055,607	939
2014	1,041,439,000	1,054,480	988
2013	1,034,833,000	1,053,033	983
2012	952,844,000	1,052,901	905
2011	951,032,000	1,052,451	904
2010	884,129,000	1,053,337	839
2009	730,440,000	1,053,646	693
2008	640,930,000	1,055,003	608

Source:

Population - US Census Bureau.

Note: Population information for 2017 unavailable at time of printing.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Total Public School Debt (Primary and Secondary Schools), Student Enrollment, and Debt per Student

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Public School Outstanding Debt</u>	<u>Enrollment</u>	<u>Outstanding Debt Per Student</u>
2017	\$ 774,882,837	142,142	\$ 5,451
2016	729,500,692	142,014	5,137
2015	752,504,605	141,959	5,301
2014	793,769,000	142,008	5,590
2013	723,298,000	142,481	5,076
2012	684,179,000	142,854	4,789
2011	674,802,000	143,793	4,693
2010	601,039,000	145,118	4,142
2009	507,880,000	145,342	3,494
2008	445,860,000	148,474	3,003

Source:

Enrollment - RI Department of Education.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Total Public School Debt (State Colleges and Universities), Student Enrollment, and Debt per Student

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Public School Outstanding Debt</u>	<u>Enrollment</u>	<u>Outstanding Debt Per Student</u>
2017	\$ 213,620,000	39,352	\$ 5,428
2016	229,255,000	41,381	5,540
2015	238,630,000	41,320	5,775
2014	247,670,000	42,786	5,789
2013	311,535,000	43,204	7,211
2012	268,665,000	43,254	6,211
2011	276,230,000	43,224	6,391
2010	283,090,000	43,412	6,521
2009	222,560,000	42,601	5,224
2008	195,070,000	41,503	4,700

Source:

Enrollment - RI Board of Education.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Total Healthcare Debt, Rhode Island Resident Population, and Debt per Capita

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Healthcare Outstanding Debt</u>	<u>Population</u>	<u>Outstanding Debt Per Capita</u>
2017	\$ 586,046,142	-	\$ -
2016	698,009,135	1,056,426	661
2015	716,035,745	1,055,607	678
2014	784,263,285	1,054,480	744
2013	755,214,515	1,053,033	717
2012	718,301,291	1,052,901	682
2011	707,366,004	1,052,451	672
2010	667,932,526	1,053,337	634
2009	713,112,915	1,053,646	677
2008	622,122,129	1,055,003	590

Source:
Population - US Census Bureau.

Note: Population information for 2017 unavailable at time of printing.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

Full-Time Employees by Program

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>RIHEBC Administrative</u>	<u>School Housing Aid</u>	<u>Total</u>
2017	4	1	5
2016	4	1	5
2015	4	1	5
2014	4	1	5
2013	4	1	5
2012	4	1	5
2011	4	1	5
2010	4	1	5
2009	4	1	5
2008	4	1	5

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

State of Rhode Island Demographics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Personal Income Per Capita</u>	<u>Unemployment Rate</u>
2017	-	\$ -	\$ -	4.2%
2016	1,056,426	53,272,444	50,427	5.4%
2015	1,055,607	52,525,608	49,759	6.0%
2014	1,054,480	50,451,415	47,845	7.7%
2013	1,053,033	48,771,792	46,316	9.2%
2012	1,052,901	48,601,350	46,159	10.5%
2011	1,052,451	46,640,595	44,316	10.9%
2010	1,053,337	45,023,318	42,744	11.2%
2009	1,053,646	43,131,954	40,936	11.3%
2008	1,055,003	44,285,471	41,977	7.5%

Source:

Population - US Census Bureau.

Personal Income - Bureau of Economic Analysis.

Unemployment Rate - RI Department of Labor and Training.

Note: Population and personal income information for 2017 unavailable at time of printing.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

State of Rhode Island Principal Employers

Current Year and Nine Years Ago

<u>Employer</u>	<u>2016 Rank</u>	<u>Number of Employees</u>	<u>2007 Rank</u>	<u>Number of Employees</u>
State of Rhode Island	1	14,500	1	15,000
Lifespan	2	12,050	2	11,022
Care New England	3	8,500	3	6,521
CVS Health Corp.	4	7,800	5	5,770
City of Providence	5	5,800	7	5,362
Citizens Bank N.A.	6	5,318	6	5,500
General Dynamics Electric Boat	7	5,068	19	2,000
Brown University	8	4,000	8	4,044
Fidelity Investments	8	4,000		
Diocese of Providence	10	3,500	4	6,200
Bank of America			9	3,000
City of Warwick			10	2,900

Source:

2016 Data - Providence Business News, *2017 Book of Lists*.

2007 Data - Providence Business News, *2008 Book of Lists*.

Note: Information for 2017 unavailable at time of printing.

COMPLIANCE SECTION



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

To the Board of Directors of
Rhode Island Health and Educational Building Corporation
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 Rhode Island Health and Educational Building Corporation (the "Corporation") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and we have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

September 29, 2017