

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION
(A Component Unit of the State of Rhode Island)**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(A Component Unit of the State of Rhode Island)

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-12
Financial Statements	
Statements of Net Position.....	13-14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows.....	16-17
Notes to the Financial Statements	18-40
Supplementary Information	
Combining Statement of Net Position	41
Combining Statement of Revenues, Expenses and Changes in Net Position	42
Schedule of Travel, Entertainment and Educational Expenses	43-44
State of Rhode Island Required Format	
Attachment B - Statement of Net Position.....	45
Attachment C - Statement of Activities	46
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>	47-49
View of Responsible Officials and Planned Corrective Action	50

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Rhode Island Health and Educational Building Corporation (a component unit of the State of Rhode Island) (the "Corporation"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 Rhode Island Health and Educational Building Corporation, as of June 30, 2019 and 2018, 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 4-12 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 Rhode Island Health and Educational Building Corporation's basic financial statements. The combining statement of net position, combining statement of revenues, expenses and changes in net position, schedule of travel, entertainment and educational expenses and the State of Rhode Island required format on Pages 41-46 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 combining statement of net position, combining statement of revenues, expenses and changes in net position, schedule of travel, entertainment and educational expenses and the State of Rhode Island required format 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 October 10, 2019 on our consideration of Rhode Island Health and Educational Building 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 Rhode Island Health and Educational Building Corporation's internal control over financial reporting and compliance.

Marum LLP

Providence, RI
October 10, 2019

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis

June 30, 2019 and 2018

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, 2019 and 2018. 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)

Management's Discussion and Analysis - Continued

June 30, 2019 and 2018

FINANCIAL HIGHLIGHTS – FY 2019

- During FY 2019 the Corporation received a \$14,173,017 appropriation from the State of Rhode Island for the School Building Authority Capital Fund (“SBACF”) program.
- During FY 2019 the Corporation received a \$7,163,472 appropriation from the State of Rhode Island for the School Construction Bond (“PayGo”) program.
- During FY 2019 the Corporation completed 15 bond financings totaling \$245,677,000 as compared to 9 bond financings completed during FY 2018 totaling \$380,205,000.
- During FY 2019 the Corporation transferred \$737,734 to the State of Rhode Island’s general fund for the funding of limited personnel expenses of the School Building Authority.
- Total assets for FY 2019 are \$34,411,575, an increase of \$10,775,677 or 46% over total assets for FY 2018.
- Cash and investments for FY 2019 are \$28,167,859, an increase of \$7,528,654 or 36% over cash and investments for FY 2018.
- Operating revenues for FY 2019 are \$24,468,960, an increase of \$11,653,736 or 91% over operating revenues for FY 2018.
- Operating expenses for FY 2019 are \$16,407,419, an increase of \$1,761,189 or 12% over operating expenses for FY 2018.
- Change in net position for FY 2019 is \$7,727,817, an increase of \$15,273,943 or 202% over the change in net position for FY 2018.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

June 30, 2019 and 2018

FINANCIAL HIGHLIGHTS – FY 2018

- During FY 2018 the Corporation received a \$10,364,079 appropriation from the State of Rhode Island for the School Building Authority Capital Fund (“SBACF”) program.
- During FY 2018 the Corporation completed 9 bond financings totaling \$380,205,000 as compared to 16 bond financings completed during FY 2017 totaling \$878,908,000.
- During FY 2018 the Corporation transferred \$6,000,000 to the State of Rhode Island’s general fund.
- Total assets for FY 2018 are \$23,635,898, a decrease of \$7,035,957 or 23% over total assets for FY 2017.
- Cash and investments for FY 2018 are \$20,639,205, a decrease of \$6,694,155 or 24% over cash and investments for FY 2017.
- Operating revenues for FY 2018 are \$12,815,224, an increase of \$335,380 or 3% over operating revenues for FY 2017.
- Operating expenses for FY 2018 are \$14,646,230, a decrease of \$1,552,755 or 10% over operating expenses for FY 2017.
- Change in net position for FY 2018 is \$(7,546,126), a decrease of \$3,910,276 or 107% over the change in net position for FY 2017.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

June 30, 2019 and 2018

FINANCIAL ANALYSIS

Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Capital assets, net	\$ 25,910	\$ 22,473	\$ 30,451
Other assets	<u>34,385,665</u>	<u>23,613,425</u>	<u>30,641,404</u>
Total assets	<u>34,411,575</u>	<u>23,635,898</u>	<u>30,671,855</u>
Other liabilities	<u>5,778,176</u>	<u>2,730,316</u>	<u>2,220,147</u>
Total liabilities	<u>5,778,176</u>	<u>2,730,316</u>	<u>2,220,147</u>
Net investment in capital assets	25,910	22,473	30,451
Restricted for School Building Authority	3,000,000	-	-
Restricted – School Building Authority Capital Fund	20,556,786	13,685,281	16,052,632
Unrestricted	<u>5,050,703</u>	<u>7,197,828</u>	<u>12,368,625</u>
Total net position	\$ <u>28,633,399</u>	\$ <u>20,905,582</u>	\$ <u>28,451,708</u>

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

June 30, 2019 and 2018

Capital Assets

Capital assets increased 15% during FY 2019 due to the net effect of the Corporation recording \$9,187 of depreciation, investing \$14,994 in capital assets, and retiring of \$2,370 of capital assets.

Capital assets decreased 26% during FY 2018 due to the net effect of the Corporation recording \$9,568 of depreciation and investing \$1,590 in capital assets.

The SBACF program is not invested in capital assets.

Total Assets

Total assets increased \$10.8 million or 46% during FY 2019 due the Corporation's increase in cash equivalents of \$760,000, SBACF's increase in cash equivalents and appropriations receivable of \$3.7 million and \$1.2 million respectively, and the establishment of the PayGo program which held assets of \$5.0 million at year-end.

Total assets decreased \$7 million or 23% during FY 2018 due to the return of a \$1.4 million good-faith deposit and the transfer of \$6 million to the State of Rhode Island's general fund.

Total Liabilities

Total liabilities increased \$3.0 million or 112% during FY 2019 due to the net effect of a \$2.0 million decrease in the SBACF program's accrued project costs payable and the establishment of the PayGo program which had \$5.0 million of project costs payable at year-end.

Total liabilities increased \$0.5 million or 23% during FY 2018 due to the net effect of a \$1.8 million increase in the SBACF program's accrued project costs payable and the return of a \$1.4 million good-faith deposit received during FY 2017.

Total Net Position

As required by GASB 46, the Corporation's net position is classified as either net investment in capital assets, restricted 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 nature of these specifications, however, does 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)

Management's Discussion and Analysis - Continued

June 30, 2019 and 2018

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
Administrative fees	\$ 3,074,171	\$ 2,388,962	\$ 2,283,024
State appropriations	21,336,489	10,364,079	10,139,755
Interest earned on loans receivable	<u>58,300</u>	<u>62,183</u>	<u>57,065</u>
Total operating revenues	<u>24,468,960</u>	<u>12,815,224</u>	<u>12,479,844</u>
Operating expenses:			
Administrative	1,653,609	1,510,687	1,837,497
Project cost grants	14,680,380	12,875,975	14,352,691
Grants	-	250,000	-
Payment to local institution	64,243	-	-
Depreciation	<u>9,187</u>	<u>9,568</u>	<u>8,797</u>
Total operating expenses	<u>16,407,419</u>	<u>14,646,230</u>	<u>16,198,985</u>
Operating income (loss)	<u>8,061,541</u>	<u>(1,831,006)</u>	<u>(3,719,141)</u>
Non-operating revenues (expenses):			
Net investment income	168,150	173,221	65,626
Other income	210,454	89,560	-
Interest earned on restricted cash	27,776	22,099	17,665
Loss on disposal of capital assets	(2,370)	-	-
Payment to primary state government	<u>(737,734)</u>	<u>(6,000,000)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(333,724)</u>	<u>(5,715,120)</u>	<u>83,291</u>
Increase (decrease) in net position	7,727,817	(7,546,126)	(3,635,850)
Net position, at beginning of year	<u>20,905,582</u>	<u>28,451,708</u>	<u>32,087,558</u>
Net position, at end of year	<u>\$ 28,633,399</u>	<u>\$ 20,905,582</u>	<u>\$ 28,451,708</u>

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

June 30, 2019 and 2018

Revenues

Administrative Fees

Administrative fee revenue increased \$685,209 or 29% for FY 2019 due to the receipt of \$681,448 from school districts as one-time administrative fees. These revenues are restricted for the purpose of funding limited personnel expenses of the School Building Authority.

Administrative fee revenue increased 5% for FY 2018 due to an increase in outstanding conduit debt of \$101.5 million or 3% when compared to FY 2017.

State Appropriations

During FY 2019 the SBACF program received a \$14.2 million appropriation from the State of Rhode Island, an increase of \$3.8 million or 37% over FY 2018.

During FY 2018 the SBACF program received a \$10.4 million appropriation from the State of Rhode Island, an increase of \$224,300 or 2% over FY 2017.

During FY 2019 the PayGo program received a \$7.1 million appropriation from the State of Rhode Island, while there was no such appropriation in FY 2018.

Expenses

Administrative

Administrative expenses increased \$142,922 or 9% during FY 2019 due to an increase in salary expenses of \$100,500 and an increase in audit expenses of \$36,500.

Administrative expenses decreased \$326,800 or 18% during FY 2018 due to a decrease in expenses related to providing financing.

Project Cost Grants

During FY 2019, the SBACF program reported project cost grant expenses of \$7.5 million, a decrease of \$5.4 million or 42% over FY 2018.

During FY 2018, the SBACF program reported project cost grant expenses of \$12.9 million, a decrease of \$1.5 million or 10% over FY 2017.

During FY 2019, the PayGo program reported project cost grant expenses to school districts totaling \$7.2 million, while there were no such expenses in FY 2018.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

June 30, 2019 and 2018

Corporation Grants

During FY 2018, the Corporation issued \$250,000 in grants to eligible non-profit institutions for the purposes of upgrading, improving, renovating and equipping their facilities.

Payments to the State

During FY 2019, the Corporation made a payment to the State of Rhode Island's general fund in the amount of \$737,734 million to support limited personnel expenses of the School Building Authority.

During FY 2018, the Corporation made a payment to the State of Rhode Island's general fund in the amount of \$6 million.

CONDUIT DEBT

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Bonds Payable	\$ <u>3,199,111,751</u>	\$ <u>3,151,194,380</u>	\$ <u>3,049,711,865</u>

The Corporation issued \$245,677,000 of conduit debt during FY 2019. Of that amount, approximately \$212,624,682 was issued to finance new projects and \$33,052,318 was issued to refund prior bonds.

The Corporation issued \$380,205,000 of conduit debt during FY 2018. Of that amount, approximately \$255,850,000 was issued to finance new projects and \$124,355,000 was issued to refund prior bonds.

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

FACTORS AFFECTING FUTURE FINANCING ACTIVITY

The Rhode Island General Assembly passed an Act in 2018 authorizing the issuance of \$250,000,000 bonds by the State to provide further assistance to cities and towns for school construction projects. In November 2018 the issuance of the bonds was approved by voters. The bond proceeds will be used to support state housing aid on a pay-as-you-go basis. The Corporation is the administrator of this new funding program.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

June 30, 2019 and 2018

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)

STATEMENTS OF NET POSITION

JUNE 30, 2019 AND 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,525,327	\$ 6,616,456
Cash and cash equivalents - restricted	20,562,532	13,862,749
Investments	80,000	80,000
Current portion of loans receivable	41,893	71,541
Current portion of School Building Authority Capital Fund loans receivable	511,905	295,681
Accounts receivable	9,675	27,129
Due from primary state government	3,387,904	--
Prepaid expenses	62,198	55,629
Accrued interest receivable	21,367	4,800
Total Current Assets	32,202,801	21,013,985
Non-Current Assets		
Loans receivable, net of current portion	595,605	637,499
School Building Authority Capital Fund loans receivable, net of current portion	1,587,259	1,881,941
Investments	--	80,000
Capital assets, net	25,910	22,473
Total Non-Current Assets	2,208,774	2,621,913
Total Assets	\$ 34,411,575	\$ 23,635,898

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)

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2019 AND 2018

	2019	2018
Liabilities and Net Position		
Current Liabilities		
Accrued expenses	\$ 93,364	\$ 121,738
Project cost grants payable	5,347,606	2,358,578
Due to primary state government	222,206	--
Grants payable	<u>115,000</u>	<u>250,000</u>
Total Liabilities	<u>5,778,176</u>	<u>2,730,316</u>
Net Position		
Net investment in capital assets	25,910	22,473
Restricted for School Building Authority	3,000,000	--
Restricted - School Building Authority Capital Fund:		
Held for authorized projects	16,830,218	12,736,145
Available for future projects	3,726,568	949,136
Unrestricted	<u>5,050,703</u>	<u>7,197,828</u>
Total Net Position	<u>28,633,399</u>	<u>20,905,582</u>
Total Liabilities and Net Position	<u>\$ 34,411,575</u>	<u>\$ 23,635,898</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)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating Revenues		
Administration fees	\$ 3,074,171	\$ 2,388,962
State appropriations	21,336,489	10,364,079
Interest earned on loans receivable	58,300	62,183
Total Operating Revenues	<u>24,468,960</u>	<u>12,815,224</u>
Operating Expenses		
Administrative	1,653,609	1,510,687
Project cost grants	14,680,380	12,875,975
Grants	--	250,000
Payment to local institution	64,243	--
Depreciation	9,187	9,568
Total Operating Expenses	<u>16,407,419</u>	<u>14,646,230</u>
Operating Income (Loss)	<u>8,061,541</u>	<u>(1,831,006)</u>
Non-Operating Revenues (Expenses)		
Net investment income	168,150	173,221
Other income	210,454	89,560
Interest earned on restricted cash	27,776	22,099
Loss on disposal of capital assets	(2,370)	--
Payment to primary state government	(737,734)	(6,000,000)
Total Non-Operating Expenses	<u>(333,724)</u>	<u>(5,715,120)</u>
Increase (Decrease) in Net Position	7,727,817	(7,546,126)
Net Position - Beginning of Year	<u>20,905,582</u>	<u>28,451,708</u>
Net Position - End of Year	<u>\$ 28,633,399</u>	<u>\$ 20,905,582</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)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Cash received from institutions for administrative fees	\$ 3,091,625	\$ 2,399,310
Cash received from State appropriation	17,948,585	10,364,079
Cash received from other sources	210,454	89,560
Payment of project cost grants	(11,826,352)	(11,104,580)
Payment to local institution	(64,243)	--
Payment of deposits held for others	--	(1,400,000)
Payment of employees for services	(687,510)	(516,688)
Payment to suppliers for goods and services	(1,001,042)	(1,106,827)
Net Cash Provided by (Used in) Operating Activities	<u>7,671,517</u>	<u>(1,275,146)</u>
Cash Flows Used in Non-Capital Financing Activities		
Payment to primary state government	(515,528)	(6,000,000)
Cash Flow Used in Capital and Related Financing Activity		
Purchase of capital assets	(14,994)	(1,590)
Cash Flows Provided by Investing Activities		
Proceeds from sale and maturities of investment securities	80,000	2,566,418
Disbursement of project cost loans payable	--	(7,062)
Collections on loans receivable	150,000	296,052
Interest earned on loans receivable	41,733	98,271
Net investment income	195,926	195,320
Net Cash Provided by Investing Activities	<u>467,659</u>	<u>3,148,999</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,608,654	(4,127,737)
Cash and Cash Equivalents - Beginning of Year	<u>20,479,205</u>	<u>24,606,942</u>
Cash and Cash Equivalents - End of Year	<u>\$ 28,087,859</u>	<u>\$ 20,479,205</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)

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ 8,061,541	\$ (1,831,006)
Adjustments to reconcile net income (loss) to net cash		
Used in operating activities:		
Depreciation	9,187	9,568
Other income	210,454	89,560
Interest on loans receivable	(41,733)	(98,271)
Changes in assets and liabilities:		
Accounts receivable	17,454	10,348
Due from primary government	(3,387,904)	--
Prepaid expenses	(6,569)	(8,664)
Accrued interest receivable	(16,567)	36,088
Accrued expenses	(28,374)	(104,164)
Deposits held for others	--	(1,400,000)
Project cost grants payable	2,989,028	1,771,395
Grants payable	(135,000)	250,000
Net Cash Provided by (Used in) Operating Activities	\$ 7,671,517	\$ (1,275,146)
 Cash and Cash Equivalents are made up of the following:		
Cash and equivalents	\$ 7,525,327	\$ 6,616,456
Cash and equivalents - restricted	20,562,532	13,862,749
	\$ 28,087,859	\$ 20,479,205

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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Rhode Island Health and Educational Building Corporation (the “Corporation”, “RIHEBC”) is a component unit of the State of Rhode Island (the “State”) for financial reporting purposes. As such, the financial statements of the Corporation will be included in the State’s Comprehensive Annual Financial Report. The purpose of the Corporation is to aid eligible educational and healthcare institutions 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 (“SBACF”)

The State fiscal year 2016 budget legislation created the School Building Authority (“SBA”) within the Rhode Island Department of Education (“RIDE”). The purpose of the SBA is to manage the state’s school construction funding mechanisms as well as oversee school construction projects. To achieve its objective, the School Building Authority Capital Fund was established to address high priority projects in communities with limited financial resources. Under the provisions of Rhode Island General Law 45-38.2, 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 account records and the distribution and management of SBACF’s award program.

Awards are granted for the purpose of repairing public school facilities for local education authorities (“LEAs”) by RIDE and approved by the Corporation. Once approved, a portion of the project costs, based on the LEA’s state housing aid reimbursement rate, is provided as a grant. The LEA may also elect to fund the remaining share 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 LEAs.

For fiscal years 2019 and 2020 the SBACF is providing funds to LEAs for technical assistance and guidance on the Necessity of School Construction application process. These funds are available to every LEA. For fiscal year 2019, \$3,000,000 was provided to LEAs for this purpose. Costs are 100% state funded and provided on a pay-as-you-go basis.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SCHOOL CONSTRUCTION BOND (“PAYGO”)

The State fiscal year 2019 budget legislation authorized a \$250M Statewide School Construction Bond which was approved by voters in the November 2018 election. The bond proceeds allow RIDE/SBA to provide LEAs who have been approved for Necessity of School Construction, with upfront funding as opposed to waiting until their project is completed to receive state aid. LEAs will be offered 15% of the state share of their total approval on a pay-as-you-go basis. To receive reimbursement for projects costs, LEAs must submit invoices to RIDE who will substantiate the work. Once the invoice is approved, RIDE will then authorize RIHEBC to release funding directly to the LEA. LEAs have two years to spend PayGo awards.

BASIS OF PRESENTATION

The Corporation’s financial statements include RIHEBC, SBACF and PayGo and 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 (“GAAP”), as prescribed by the Governmental Accounting Standards Board (“GASB”). Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods or services is incurred, regardless of the timing of the related cash flows. No eliminations of transactions between RIHEBC, SBACF and PayGo were required in preparation of the financial statements.

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.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The principal operating revenues of the SBACF and PayGo are state appropriations. The Corporation's operating expenses consist predominantly of administrative expenses, while SBACF and PayGo expenses consist predominantly of project cost grant expenses, which are recognized as expended when the cost is incurred by the LEA. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These non-operating activities primarily consist of gains or losses relating to investments or disposals of capital assets and contributions made to the state.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP 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 CASH EQUIVALENTS

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

CASH AND CASH EQUIVALENTS - RESTRICTED

The Corporation's restricted cash and cash equivalents include cash deposits in a designated trust at financial institution(s) and institutional money market accounts and are designated for specific purposes as defined by the applicable state statute.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are stated at fair value or at amortized cost, which approximates fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income includes interest, dividends, realized and unrealized gains or losses. 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 dates of the Statements of Net Position, 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, 2019 and 2018.

CAPITAL ASSETS

Capital assets include furniture and fixtures, and office and computer equipment that have a useful life exceeding one year. 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.

PROJECT COSTS PAYABLE

Project costs payable represent the liability for amounts granted or loaned but not yet disbursed to recipients for their projects as of year-end.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018. Upon retirement or termination, employees are compensated for all accumulated unused vacation leave and 50% of all accumulated unused sick leave. At June 30, 2019 and 2018, compensated absences totaled approximately \$4,400 and \$63,000, respectively.

Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019
\$ 63,000	\$ 19,000	\$ 77,600	\$ 4,400

NET POSITION

Net position is classified 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. The Corporation has no debt related to its capital assets at June 30, 2019 and 2018.

Restricted: Those assets with restrictions on their use imposed by creditors, grantors, contributors, or laws and regulations of other governments or that are imposed by the government's own constitutional provisions or enabling legislation.

Unrestricted: Those assets, deferred outflows and inflows of resources, and liabilities that are not included in the determination of investment in capital assets or restricted net position.

In those instances where restricted and unrestricted resources are available, restricted amounts will be considered to have been spent first.

TAX STATUS

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

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENTLY ISSUED GOVERNMENTAL ACCOUNTING STANDARDS

GASB Statement No. 87, *Leases* is effective for the Corporation's fiscal year ending June 30, 2021. Management has not yet completed its review of the requirements of this standard and its applicability.

RECLASSIFICATIONS

Certain 2018 financial statement amounts have been reclassified to conform to the 2019 presentation. There is no change in the reported 2018 change in net position.

SUBSEQUENT EVENTS

Management has evaluated the activity of the Corporation occurring subsequent to June 30, 2019 and has concluded that no events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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.

At June 30, 2019 and 2018, the bond issues and leases outstanding are as follows:

Institution	Year Issued	Maturity Date	Outstanding Principal at June 30, 2019	Outstanding Principal at June 30, 2018
Johnson & Wales University	1999	04/01/2029	\$ --	\$ 3,080,000
International Institute of RI, Inc.	2003	08/01/2033	1,475,000	1,560,000
Brown University, Series B	2003	09/01/2043	40,165,000	40,680,000
Kingston Hill Academy, Series A	2004	10/01/2029	1,765,000	1,885,000
Catholic School Pool Program, Series A	2005	04/01/2035	3,270,000	3,430,000
Meeting Street Center	2005	06/01/2035	5,780,000	6,395,000
Brown University, Series A	2005	05/01/2035	85,500,000	85,500,000

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CONDUIT DEBT (CONTINUED)

Institution	Year Issued	Maturity Date	Outstanding Principal at June 30, 2019	Outstanding Principal at June 30, 2018
Public Schools Revenue Bonds, Series A	2007	05/15/2027	280,000	315,000
NRI Community Services, Inc.	2007	06/01/2037	2,450,000	2,540,000
Public Schools Revenue Bonds, Series B	2007	05/15/2027	715,000	775,000
CVS-Highlander Charter School	2007	09/01/2037	3,195,000	3,305,000
Public Schools Revenue Bonds, Series C	2007	05/15/2021	2,020,000	3,515,000
Providence Public Building Authority, Series B	2007	05/15/2028	2,820,000	4,185,000
Public Schools Revenue Bonds, Series D	2007	11/15/2027	2,660,000	2,895,000
The Learning Community Charter School	2007	02/01/2038	3,151,000	3,202,000
Home & Hospice Care of RI	2008	02/01/2038	8,004,500	8,284,500
Rhode Island School of Design, Series A & B	2008	08/15/2036	75,470,000	77,250,000
Bryant University	2008	06/01/2035	46,155,000	46,670,000
Roger Williams University, Series A	2008	11/15/2024	9,710,000	11,135,000
New England Institute of Technology	2008	03/01/2034	8,755,000	9,595,000
Public Schools Revenue Bonds, Series B	2008	05/15/2029	350,000	425,000
Roger Williams University, Series B	2008	11/15/2038	31,210,000	32,190,000
Board of Governors, Series B	2008	09/15/2034	3,830,000	3,830,000
Public Schools Revenue Bonds, Series A	2009	05/15/2024	2,130,000	2,560,000
Public Schools Revenue Bonds, Series B	2009	05/15/2021	150,000	225,000
Board of Governors, Series B	2009	09/15/2029	13,495,000	14,125,000
Brown University, Series A	2009	09/01/2039	70,795,000	70,795,000
Providence Public Building Authority, Series A	2009	06/15/2025	9,000,000	10,480,000
Board of Governors, Series A	2010	09/15/2040	19,960,000	20,525,000
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	470,000	940,000
Thundermist Health Center, Series A	2010	08/01/2020	2,308,708	2,515,458
Public Schools Revenue Bonds, Series C	2010	05/15/2026	2,275,000	2,505,000
Public Schools Revenue Bonds, Series D	2010	05/15/2025	1,994,000	2,278,000
Public Schools Revenue Bonds, Series E	2010	05/15/2025	3,925,000	4,487,000
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	2,090,000	2,150,000
The Providence Community Health Centers, Inc., Series A	2010	06/01/2037	9,376,078	9,757,304
Public Schools Revenue Bonds, Series A	2011	05/15/2031	3,920,000	4,305,000
Roger Williams University	2011	11/15/2024	13,265,000	15,160,000
The Compass School, Series A & C	2011	06/28/2027	1,160,001	1,265,001
Public Schools Revenue Bonds, Series C	2011	05/15/2031	9,240,000	10,010,000
Blackstone Valley Community Health Care, Inc., Series A	2011	01/01/2022	5,562,222	5,435,413

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CONDUIT DEBT (CONTINUED)

Institution	Year Issued	Maturity Date	Outstanding Principal at June 30, 2019	Outstanding Principal at June 30, 2018
Brown University, Series A	2011	09/01/2032	41,390,000	46,160,000
Steere House	2011	09/01/2036	4,300,000	4,473,000
Portsmouth Abbey School	2011	10/01/2031	4,145,000	4,435,000
Ocean State Assisted Living	2011	11/01/2031	--	8,925,000
Roger Williams University, Series B	2011	12/15/2029	8,100,000	8,655,000
Bryant University	2011	12/01/2031	17,215,000	18,165,000
Salve Regina University	2011	06/15/2031	16,000,000	18,535,000
Providence College	2012	11/01/2041	33,345,000	34,240,000
Public Schools Revenue Bonds, Series A	2012	05/15/2037	29,080,000	30,180,000
Immaculate Conception Catholic Regional School	2012	03/16/2032	4,143,750	4,468,750
Rhode Island School of Design	2012	06/01/2031	23,510,000	24,245,000
Rocky Hill School	2012	04/26/2022	2,544,990	2,644,650
Seven Hills Rhode Island, Inc., Series A	2012	05/31/2042	977,135	3,223,000
Rhode Island Blood Center	2012	09/29/2028	7,557,401	7,744,242
Brown University	2012	09/01/2022	118,240,000	118,240,000
Rhode Island School of Design, Series B	2012	08/15/2035	42,150,000	43,940,000
Care New England	2012	09/28/2019	749,019	2,230,591
Public Schools Revenue Bonds, Series B	2012	05/15/2032	11,170,000	11,850,000
The Kent Center, Inc.	2012	10/12/2022	4,028,503	4,146,128
Providence College, Series B & C	2012	11/01/2024	24,845,000	28,385,000
Bryant University	2013	06/30/2019	--	1,175,000
Scandinavian Home	2013	04/01/2040	3,626,031	3,738,857
Public Schools Revenue Bonds, Series A	2013	05/15/2033	5,340,000	5,725,000
Public Schools Revenue Bonds, Series B	2013	05/15/2033	7,780,000	8,630,000
Lifespan Obligated Group	2013	06/14/2020	7,501,934	14,880,869
Board of Education, Series A - D	2013	09/15/2024	26,815,000	31,220,000
Public Schools Revenue Bonds, Series C & D	2013	05/15/2033	23,095,000	24,745,000
Seven Hills Rhode Island, Inc.	2013	06/21/2043	1,323,998	1,379,165
Saint Elizabeth Manor, East Bay	2013	07/31/2043	7,077,577	7,480,827
Public Schools Revenue Bonds, Series E	2013	05/15/2028	465,000	555,000
The Wheeler School, Series B	2013	09/18/2028	403,330	1,374,753
Roger Williams University, Series A	2013	11/15/2028	14,910,238	16,221,688
Providence Public Building Authority, Series A	2013	05/15/2024	22,870,000	30,725,000
St. Andrew's School	2013	06/01/2043	--	15,390,000
Brown University	2013	09/01/2043	127,070,000	129,925,000
Public Schools Revenue Bonds, Series H	2013	05/15/2034	9,325,000	9,780,000
Public Schools Revenue Bonds, Series I	2013	11/15/2021	740,000	995,000
Public Schools Revenue Bonds, Series J	2013	05/15/2020	925,000	1,835,000
Public Schools Revenue Bonds, Series I	2013	11/15/2023	5,345,000	6,280,000

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CONDUIT DEBT (CONTINUED)

Institution	Year Issued	Maturity Date	Outstanding Principal at June 30, 2019	Outstanding Principal at June 30, 2018
Bryant University	2014	06/01/2044	43,005,000	43,890,000
Portsmouth Abbey School	2014	07/01/2024	1,680,000	1,706,250
Public Schools Revenue Bonds, Series A	2014	05/15/2034	5,665,000	6,565,000
Public Schools Revenue Bonds, Series B	2014	05/15/2034	2,685,000	2,825,000
St. George's School, Series A, B & C	2014	09/01/2044	38,451,797	38,823,763
Times ² Academy, Inc.	2014	10/01/2026	6,036,303	6,982,142
Roger Williams University	2014	10/15/2035	13,154,238	13,744,303
The Pennfield School, Series A & B	2014	11/01/2039	3,734,705	3,865,269
Newport Hospital	2014	07/01/2029	15,619,000	16,813,000
Public Schools Revenue Bonds, Series C	2014	05/15/2034	6,520,000	6,850,000
Public Schools Revenue Bonds, Series A	2015	11/15/2020	2,245,000	3,340,000
Child and Family Services of Newport County	2015	04/30/2043	7,363,698	7,652,498
Salve Regina University, Series A, B & C	2015	05/01/2045	24,696,965	25,453,027
Providence Public Building Authority, Series A	2015	05/15/2028	120,210,000	131,625,000
Mercymount Country Day School	2015	05/01/2035	2,984,870	3,131,024
Providence College	2015	11/01/2045	40,350,000	42,200,000
South County Hospital Healthcare System	2015	09/15/2033	37,230,000	39,435,000
New England Institute of Technology	2015	09/01/2045	55,769,367	57,841,823
Public Schools Revenue Bonds, Series B	2015	05/15/2036	4,055,000	4,230,000
Saint Philomena School	2015	04/01/2035	1,596,049	1,676,472
Johnson & Wales University	2015	10/01/2030	23,618,847	25,319,476
Tamarisk, Inc.	2015	10/01/2040	8,406,126	8,677,585
Brown University	2015	09/01/2045	41,560,000	42,755,000
Bishop Hendricken High School, Series A & B	2015	04/01/2035	4,490,410	4,707,999
The Prout School	2015	04/01/2036	4,366,750	4,571,750
Saint Raphael Academy	2015	04/01/2036	--	4,420,000
Providence Public Building Authority, Series B	2015	05/15/2035	8,870,000	9,300,000
Saint Elizabeth Home, East Greenwich	2015	12/01/2045	12,791,119	13,578,476
Public Schools Revenue Bonds, Series C - E	2015	05/15/2036	18,600,000	20,610,000
Moses Brown School, Series A, B & C	2016	06/01/2046	19,739,756	20,051,000
Public Schools Revenue Bonds, Series A	2016	05/15/2029	76,920,000	83,940,000
Lifespan Obligated Group	2016	05/15/2039	225,610,000	238,490,000
Public Schools Revenue Bonds, Series B & C	2016	05/15/2036	6,430,000	6,875,000
Care New England, Series B	2016	09/01/2036	134,775,000	138,265,000
The Frassati Residence	2016	11/01/2029	5,329,504	5,738,375
Saint Antoine Residence	2016	11/01/2018	--	490,648

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CONDUIT DEBT (CONTINUED)

Institution	Year Issued	Maturity Date	Outstanding Principal at June 30, 2019	Outstanding Principal at June 30, 2018
Council on Postsecondary Education, Series A, B & C	2016	09/15/2036	84,610,000	87,780,000
Roger Williams University, Series A & B	2016	11/15/2031	6,460,940	6,886,345
New England Institute of Technology	2017	03/01/2040	34,098,639	35,299,292
Public Schools Revenue Bonds, Series A	2017	05/15/2034	57,840,000	57,980,000
Providence College	2017	11/01/2047	46,415,000	46,415,000
Public Schools Revenue Bonds, Series B	2017	05/15/2027	14,375,000	14,375,000
Public Schools Revenue Bonds, Series C	2017	05/15/2027	62,640,000	63,155,000
Public Schools Revenue Bonds, Series D	2017	05/15/2037	9,010,000	9,385,000
Public Schools Revenue Bonds, Series E	2017	05/15/2037	22,050,000	22,920,000
Public Schools Revenue Bonds, Series F	2017	05/15/2038	19,360,000	19,835,000
Brown University, Series A	2017	09/01/2047	141,125,000	141,125,000
Public Schools Revenue Bonds, Series G	2017	05/15/2042	36,655,000	36,655,000
Public Schools Revenue Bonds, Series H	2017	05/15/2038	4,840,000	5,000,000
Council on Postsecondary Education, Series A - D	2017	09/15/2047	123,190,000	123,215,000
Public Schools Revenue Bonds, Series I & J	2017	05/15/2032	15,030,000	15,660,000
Portsmouth Abbey School, Series A	2017	11/01/2037	7,600,000	7,917,667
Meeting Street, Series A	2017	12/01/2047	15,000,000	20,000,000
Public Schools Revenue Bonds, Series A	2018	05/15/2038	4,580,000	4,740,000
Public Schools Revenue Bonds, Series B	2018	05/15/2038	18,690,000	18,690,000
Rhode Island School of Design	2018	08/15/2048	54,950,000	--
Ocean State Assisted Living	2018	11/01/2031	8,621,000	--
Roger Williams University	2018	11/15/2039	5,480,188	--
St. Andrew's School, Series A & B	2018	07/01/2048	16,085,678	--
Council on Postsecondary Education, Series A & B	2018	09/15/2038	19,800,000	--
South County Hospital Healthcare	2018	12/01/2028	1,542,651	--
Meeting Street	2018	12/01/2047	5,000,000	--
Achievement First Rhode Island, Inc., Series A & B	2019	02/01/2045	9,450,769	--
Public Schools Revenue Bonds, Series A	2019	05/15/2042	41,380,000	--
Blackstone Valley Prep	2019	05/01/2049	15,987,354	--
Saint Raphael Academy	2019	05/01/2049	3,116,978	--
Mount Saint Charles Academy	2019	05/01/2040	772,635	--
Trinity Academy for the Performing Arts	2019	06/01/2050	4,250,000	--
Public Schools Revenue Bonds, Series B	2019	05/15/2039	17,975,000	--
Providence Public Building Authority, Series A	2019	05/15/2039	20,000,000	--
			<u>\$ 3,199,111,751</u>	<u>\$ 3,151,194,380</u>

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 - CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS

In accordance with Chapter 35-10.1 of the Rhode Island General Laws dealing with Public Finance, depository institutions 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. None of the cash deposits of the Corporation were required to be collateralized at June 30, 2019 pursuant to this statutory provision

At June 30, 2019 and 2018, the carrying amounts of the Corporation's cash and cash equivalents were approximately \$7,525,000 and \$6,616,000, respectively, and the bank balances were approximately \$7,545,000 and \$6,665,000, respectively. 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 the 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. The Corporation does not have a policy for custodial credit risk associated with deposits.

Of the Corporation's cash and cash equivalents totaling approximately \$7,525,000 and \$6,616,000 at June 30, 2019 and 2018, respectively, \$7,119,280 and \$6,359,097, respectively, was invested in the Ocean State Investment Pool Trust ("OSIP"). OSIP is an investment pool established by the State of Rhode Island General Treasurer for the purpose of investing funds of, and funds under the custody of agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State. 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.

Of the bank balances at June 30, 2019 and 2018, \$250,000 was covered by federal depository insurance. The remaining amount of approximately \$7,295,000 and \$6,415,000 was uninsured and uncollateralized at June 30, 2019 and 2018, respectively. The insured balances reflect FDIC insurance in effect during June 30, 2019 and 2018.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

CASH AND CASH EQUIVALENTS - RESTRICTED

At June 30, 2019 and 2018, the Corporation had restricted cash and cash equivalents balances of approximately \$20,563,000 and \$13,863,000, respectively, invested in US Bank money market deposit accounts. The Corporation's restricted cash and cash equivalents include cash deposits designated for school construction drawdowns related to SBACF and PayGo, as well as for limited personnel expenses of the School Building Authority. The bank balances were approximately \$20,481,000 and \$13,863,000 at June 30, 2019 and 2018, respectively, of which \$250,000 was covered by federal depository insurance. The remaining balance of approximately \$20,231,000 and \$13,613,000 was uninsured and uncollateralized at June 30, 2019 and 2018, respectively. The Corporation has suffered no losses in connection with its banking activity.

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. 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, 2019 and 2018.

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.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 - INVESTMENTS (CONTINUED)

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 is a private bond issuance, and as such, no rating has been assigned at June 30, 2019 and 2018. 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.

At June 30, 2019, the Corporation held the following investments:

	Fair Value	Fair Value Hierarchy	Interest Rate	Maturity	Rating
City of Central Falls General Obligation Bonds	\$ 80,000	Level 2	5.39%	5/5/2020	N/A
Total investments	<u>\$ 80,000</u>				
Investments, current portion:					
City of Central Falls General Obligation Bonds	\$ 80,000				
Total current portion	<u>80,000</u>				
Total investments, June 30, 2019	<u>\$ 80,000</u>				

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 - INVESTMENTS (CONTINUED)

At June 30, 2018, the Corporation held the following investments:

	<u>Fair Value</u>	Fair Value Hierarchy	Interest Rate	Maturity	Rating
City of Central Falls General Obligation Bonds	\$ 160,000	Level 2	5.39%	5/5/2020	N/A
Total investments	<u>\$ 160,000</u>				
Investments, current portion:					
City of Central Falls General Obligation Bonds	\$ 80,000				
Total current portion	80,000				
Investments, non-current portion:					
City of Central Falls General Obligation Bonds	<u>80,000</u>				
Total investments, June 30, 2018	<u>\$ 160,000</u>				

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 - LOANS RECEIVABLE

Corporation's loans receivable as of the years ended June 30, are as follows:

	2019	2018
<p>In November 2005, the Corporation entered into a loan agreement with Aldersbridge Communities (f/k/a United Methodist Healthcare 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.</p>	\$ 637,498	\$ 678,395
<p>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. The loan matured in November 2018.</p>	--	30,645
<p>Total Loans Receivable</p>	637,498	709,040
<p>Less Current Portion</p>	<u>41,893</u>	<u>71,541</u>
<p>Non-Current Loans Receivable</p>	<u>\$ 595,605</u>	<u>\$ 637,499</u>

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 the repairs of public school facilities. The awarded 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 (loan) share of the award plus interest. The local share is determined by RIDE's education funding formula. The remaining costs are considered to be the LEA's state portion and are deemed a grant.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - SCHOOL BUILDING AUTHORITY CAPITAL FUND LOANS RECEIVABLE (CONTINUED)

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

	2019	2018
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.	\$ 86,000	\$ 130,000
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.	1,464,429	1,464,429
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.	241,207	275,665
In December 2017, the Corporation entered into a loan agreement with the City of Providence for \$341,698. The agreement stipulates annual payments ranging from \$34,973 to \$41,397 inclusive of interest at 2.35% until maturity in June 2027.	<u>307,528</u>	<u>307,528</u>
Total SBACF Loans Receivable	2,099,164	2,177,622
Less Current Portion	<u>511,905</u>	<u>295,681</u>
Non-Current SBACF Loans Receivable	<u>\$ 1,587,259</u>	<u>\$ 1,881,941</u>

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	Estimated Lives (in Years)	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets					
Office equipment	5	\$ 18,246	\$ --	\$ --	\$ 18,246
Computer equipment	5	33,390	14,994	(7,900)	40,484
Furnity and fixtures	5	<u>120,695</u>	<u>--</u>	<u>--</u>	<u>120,695</u>
 Total Capital Assets		 <u>172,331</u>	 <u>14,994</u>	 <u>(7,900)</u>	 <u>179,425</u>
Less Accumulated Depreciation					
Office equipment		10,479	3,310	--	13,789
Computer equipment		18,685	5,877	(5,530)	19,032
Furniture and fixtures		<u>120,694</u>	<u>--</u>	<u>--</u>	<u>120,694</u>
 Total Accumulated Depreciation		 <u>149,858</u>	 <u>9,187</u>	 <u>(5,530)</u>	 <u>153,515</u>
 Capital Assets, Net		 <u>\$ 22,473</u>	 <u>\$ 5,807</u>	 <u>\$ (2,370)</u>	 <u>\$ 25,910</u>

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2018 is as follows:

	Estimated Lives (in Years)	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets					
Office equipment	5	\$ 18,246	\$ --	\$ --	\$ 18,246
Computer equipment	5	32,555	1,590	(755)	33,390
Furniture and fixtures	5	<u>120,695</u>	<u>--</u>	<u>--</u>	<u>120,695</u>
Total Capital Assets		<u>171,496</u>	<u>1,590</u>	<u>(755)</u>	<u>172,331</u>
Less Accumulated Depreciation					
Office equipment		6,830	3,649	--	10,479
Computer equipment		13,521	5,919	(755)	18,685
Furniture and fixtures		<u>120,694</u>	<u>--</u>	<u>--</u>	<u>120,694</u>
Total Accumulated Depreciation		<u>141,045</u>	<u>9,568</u>	<u>(755)</u>	<u>149,858</u>
Capital Assets, Net		<u>\$ 30,451</u>	<u>\$ (7,978)</u>	<u>\$ --</u>	<u>\$ 22,473</u>

NOTE 8 - GRANT PROGRAM

In June 2018, the Corporation authorized the funding of grants to certain not-for-profit entities in the amount of \$250,000. Amounts payable at June 30, 2019 and 2018 were \$115,000 and \$250,000, respectively. The Corporation did not authorize any new grants during fiscal year 2019. Grants awarded during fiscal 2018 were as follows:

Grantee	Award
Blackstone Valley Community Health Center	\$ 100,000
Tomorrow Fund	80,000
Visiting Nurses of Hope Health	35,000
Child & Family	25,000
Saint Antoine Community	<u>10,000</u>
Total	<u>\$ 250,000</u>

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 9 - 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, 2019 and 2018, remaining commitments on existing Subsidies expiring through 2024 aggregate approximately \$50,100 and \$65,100, respectively.

LEASE COMMITMENT

In May 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, 2019 and 2018 was \$96,166 and \$92,906, respectively. Future minimum lease payments are as follows:

Years Ending June 30,

2020	\$ 98,810
2021	<u>93,056</u>
	<u>\$ 191,866</u>

SCHOOL BUILDING AUTHORITY CAPITAL FUND COMMITMENTS

At June 30, 2019 and 2018, the SBACF had approximately \$3,727,000 and \$949,000, 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).

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

SCHOOL BUILDING AUTHORITY CAPITAL FUND COMMITMENTS (CONTINUED)

Grants and loans awarded in fiscal 2019 and remaining unspent (cumulative) balances available for draw as of June 30, 2019, are as follows:

	Awarded in Fiscal 2019				Cumulative Balances Available			
	Total	Grants	Technical Assistance	Loans	Total	Grants	Technical Assistance	Loans
Achievement First	\$ 50,000	\$ --	\$ 50,000	\$ --	\$ 50,000	\$ --	\$ 50,000	\$ --
Barrington	150,000	--	150,000	--	150,000	--	150,000	--
Beacon Charter	50,000	--	50,000	--	--	--	--	--
Bristol-Warren	464,999	314,999	150,000	--	464,999	314,999	150,000	--
Burrilville	153,290	53,290	100,000	--	138,271	38,271	100,000	--
Coventry	150,000	--	150,000	--	150,000	--	150,000	--
Central Falls	1,455,000	1,455,000	--	--	3,043,784	3,043,784	--	--
Charlton	370,270	370,270	--	--	370,270	370,270	--	--
Cranston	308,860	158,860	150,000	--	308,860	158,860	150,000	--
Cumberland	100,000	--	100,000	--	35,000	--	35,000	--
East Greenwich	150,000	--	150,000	--	150,000	--	150,000	--
Exeter-West Greenwich	100,000	--	100,000	--	100,000	--	100,000	--
East Providence	--	--	--	--	146,330	146,330	--	--
Foster	50,000	--	50,000	--	50,000	--	50,000	--
Foster-Glocester	130,850	80,850	50,000	--	102,607	80,850	21,757	--
Jamestown	9,065	9,065	--	--	9,065	9,065	--	--
Johnston	157,434	7,434	150,000	--	157,434	7,434	150,000	--
Kingston Hill Academy	50,000	--	50,000	--	50,000	--	50,000	--
Lincoln	152,500	52,500	100,000	--	152,500	52,500	100,000	--
Little Compton	225,000	175,000	50,000	--	225,000	175,000	50,000	--
Middletown	125,430	25,430	100,000	--	108,532	8,532	100,000	--
Newport	100,000	--	100,000	--	100,000	--	100,000	--
North Kingstown	211,093	61,093	150,000	--	211,093	61,093	150,000	--
North Providence	100,000	--	100,000	--	100,000	--	100,000	--
Pawtucket	3,377,357	3,277,357	100,000	--	3,378,306	3,378,306	--	--
Portsmouth	100,000	--	100,000	--	100,000	--	100,000	--
Providence	3,587,929	3,537,929	50,000	--	3,587,929	3,537,929	50,000	--
RI Nurses Institute	50,000	--	50,000	--	50,000	--	50,000	--
RISE Prep	69,923	69,923	--	--	69,923	69,923	--	--
Scituate	100,000	--	100,000	--	100,000	--	100,000	--
Skip Nowell Academy	50,000	--	50,000	--	50,000	--	50,000	--
South Kingstown	324,999	174,999	150,000	--	324,999	174,999	150,000	--
Tiverton	100,000	--	100,000	--	100,000	--	100,000	--
Trinity Academy	50,000	--	50,000	--	--	--	--	--
West Warwick	1,043,200	1,043,200	--	--	1,043,200	1,043,200	--	--
Westerly	224,666	174,666	50,000	--	224,666	174,666	50,000	--
Woonsocket	150,000	--	150,000	--	1,427,450	1,277,450	150,000	--
	<u>\$ 14,041,865</u>	<u>\$ 11,041,865</u>	<u>\$ 3,000,000</u>	<u>\$ --</u>	<u>\$ 16,830,218</u>	<u>\$ 14,123,461</u>	<u>\$ 2,706,757</u>	<u>\$ --</u>

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

SCHOOL BUILDING AUTHORITY CAPITAL FUND COMMITMENTS (CONTINUED)

Grants and loans awarded in fiscal 2018 and remaining unspent (cumulative) balances available for draw as of June 30, 2018, are as follows:

	Awarded in Fiscal 2018			Cumulative Balances Available		
	Total	Grants	Loans	Total	Grants	Loans
Central Falls	\$ 5,576,688	\$ 5,576,688	\$ --	\$ 2,462,289	\$ 2,462,289	\$ --
Charlho	274,500	274,500	--	259,082	259,082	--
East Providence	913,283	913,283	--	377,238	377,238	--
Foster-Glocester	15,510	15,510	--	15,510	15,510	--
North Providence	144,596	144,596	--	51,825	51,825	--
Pawtucket	3,160,823	3,160,823	--	4,359,220	4,359,220	--
Providence	7,779,929	7,438,231	341,698	3,120,662	3,120,662	--
Scituate	36,887	36,887	--	36,887	36,887	--
Woonsocket	3,307,786	3,307,786	--	2,053,432	2,053,432	--
	<u>\$ 21,210,002</u>	<u>\$ 20,868,304</u>	<u>\$ 341,698</u>	<u>\$ 12,736,145</u>	<u>\$ 12,736,145</u>	<u>\$ --</u>

SCHOOL CONSTRUCTION BOND PROGRAM

Project awards consist of capital grants awarded by the SBA utilizing proceeds from general obligation bonds issued by the State. PayGo does not show a net position at June 30, 2019 due to the reimbursement nature of the program. The State provided appropriations to the Corporation only as needed to meet current disbursement requirements.

During fiscal 2019 the SBA awarded \$95,388,561 of PayGo funds to 34 of the State's LEAs. For fiscal year 2019 (the first year of the PayGo program), the Corporation reported state appropriations and related project cost expenses of \$7,163,472. This amount reflected LEA project costs incurred to date as approved and reported by the SBA.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 - 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, 2019 and 2018 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, 2019 and 2018.

OPERATING RESERVES

This designation was established to provide for expenditures incurred as a result of operating contingencies. The Board designated \$2,000,000 and \$2,250,000 of net position for operating reserves at June 30, 2019 and 2018.

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 \$1,000,000 and \$1,750,000 of net position for financial assistance at June 30, 2019 and 2018, respectively.

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 \$0 and \$2,000,000 of net position for debt service reserve at June 30, 2019 and 2018.

NOTE 11 - STATE APPROPRIATION

During the year ended June 30, 2019, the SBACF and PayGo received \$14,173,017 and \$7,163,472, respectively, in State Appropriations for the purpose of providing school facilities project cost funding to the LEAs.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 12 - OTHER INCOME

Other income for the year ended June 30, 2019 consists of investment earnings from the housing aid account. Pursuant to Rhode Island General Law 45-38.2-7, any other funds permitted by law which the corporation in its discretion shall determine shall be deposited into the School Building Authority Capital Fund.

NOTE 13 - CONTRIBUTION TO STATE

In accordance with Rhode Island General Law Section 16-105-7, the Corporation was required to contribute \$737,734 to the State of Rhode Island during the year ended June 30, 2019 for limited personnel costs of the School Building Authority.

NOTE 14 - 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 \$53,184 and \$47,697 for the fiscal years ended June 30, 2019 and 2018, respectively.

SUPPLEMENTARY INFORMATION

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(A Component Unit of the State of Rhode Island)

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2019

	RIHEBC	SBACF	PayGo	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 7,525,327	\$ --	\$ --	\$ 7,525,327
Cash and cash equivalents - restricted	165,919	17,598,282	2,798,331	20,562,532
Investments	80,000	--	--	80,000
Current portion of loans receivable	41,893	--	--	41,893
Current portion of School Building Authority Capital Fund loan receivable	--	511,905	--	511,905
Accounts receivable	9,675	--	--	9,675
Due from primary state government	--	1,224,432	2,163,472	3,387,904
Prepaid expenses	62,198	--	--	62,198
Accrued interest receivable	656	20,711	--	21,367
Total Current Assets	<u>7,885,668</u>	<u>19,355,330</u>	<u>4,961,803</u>	<u>32,202,801</u>
Non-Current Assets				
Loans receivable, net of current portion	595,605	--	--	595,605
School Building Authority Capital Fund loans receivable, net of current portion	--	1,587,259	--	1,587,259
Capital assets, net	25,910	--	--	25,910
Total Non-Current Assets	<u>621,515</u>	<u>1,587,259</u>	<u>--</u>	<u>2,208,774</u>
Total Assets	<u>\$ 8,507,183</u>	<u>\$ 20,942,589</u>	<u>\$ 4,961,803</u>	<u>\$ 34,411,575</u>
Liabilities and Net Position				
Current Liabilities				
Accrued expenses	\$ 93,364	\$ --	\$ --	\$ 93,364
Project cost grants payable	--	385,803	4,961,803	5,347,606
Due to primary state government	222,206	--	--	222,206
Grants payable	115,000	--	--	115,000
Total Liabilities	<u>430,570</u>	<u>385,803</u>	<u>4,961,803</u>	<u>5,778,176</u>
Net Position				
Net investment in capital assets	25,910	--	--	25,910
Restricted for School Building Authority program	3,000,000	--	--	3,000,000
Restricted - School Building Authority Capital Fund:				
Held for authorized projects	--	16,830,218	--	16,830,218
Available for future projects	--	3,726,568	--	3,726,568
Unrestricted	5,050,703	--	--	5,050,703
Total Net Position	<u>8,076,613</u>	<u>20,556,786</u>	<u>--</u>	<u>28,633,399</u>
Total Liabilities and Net Position	<u>\$ 8,507,183</u>	<u>\$ 20,942,589</u>	<u>\$ 4,961,803</u>	<u>\$ 34,411,575</u>

See independent auditors' report on supplementary information.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

FOR THE YEAR ENDED JUNE 30, 2019

	RIHEBC	SBACF	PayGo	Total
Operating Revenues				
Administration fees	\$ 3,074,171	\$ --	\$ --	\$ 3,074,171
State appropriations	--	14,173,017	7,163,472	21,336,489
Interest earned on loans receivable	16,891	41,409	--	58,300
Total Operating Revenues	<u>3,091,062</u>	<u>14,214,426</u>	<u>7,163,472</u>	<u>24,468,960</u>
Operating Expenses				
Administrative	1,653,609	--	--	1,653,609
Project cost grants	--	7,516,908	7,163,472	14,680,380
Payment to local institution	--	64,243	--	64,243
Depreciation	9,187	--	--	9,187
Total Operating Expenses	<u>1,662,796</u>	<u>7,581,151</u>	<u>7,163,472</u>	<u>16,407,419</u>
Operating Income	<u>1,428,266</u>	<u>6,633,275</u>	<u>--</u>	<u>8,061,541</u>
Non-Operating Revenues (Expenses)				
Net investment income	168,150	--	--	168,150
Other income	--	210,454	--	210,454
Interest earned on restricted cash	--	27,776	--	27,776
Loss on disposal of capital assets	(2,370)	--	--	(2,370)
Payment to primary state government	(737,734)	--	--	(737,734)
Total Non-Operating Revenues (Expenses)	<u>(571,954)</u>	<u>238,230</u>	<u>--</u>	<u>(333,724)</u>
Increase in Net Position	856,312	6,871,505	--	7,727,817
Net Position - Beginning of Year	<u>7,220,301</u>	<u>13,685,281</u>	<u>--</u>	<u>20,905,582</u>
Net Position - End of Year	<u>\$ 8,076,613</u>	<u>\$ 20,556,786</u>	<u>\$ --</u>	<u>\$ 28,633,399</u>

See independent auditors' report on supplementary information.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

SCHEDULE OF TRAVEL, ENTERTAINMENT AND EDUCATIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

**National Association of Health & Educational Facilities Finance Authorities -
Denver, CO - September 12 - 14, 2018**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
10/2/2018	Scott O'Malley	Registration	\$ 450.00
10/2/2018	Scott O'Malley	Airfare, Lodging, Meals, Transportation	2,023.51
10/11/2018	Kimberly Mooers	Airfare, Lodging, Meals, Transportation	1,266.26
			<u>3,739.77</u>

**RI Infrastructure Summit - Providence, RI
September 17, 2018**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
10/11/2018	Kimberly Mooers	Parking	<u>15.00</u>

**Women in Public Finance 22nd Annual Conference - Boston, MA
October 4 - 5, 2018**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
10/11/2018	Kimberly Mooers	Registration	90.00
12/5/2018	Kimberly Mooers	Mileage (2 days)	34.34
			<u>124.34</u>

**Moody's New England State and Local Government Regional Briefing - Boston, MA
October 25, 2018**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
12/8/2018	Kimberly Mooers	Parking, Mileage	<u>65.98</u>

**PBN's Fall Healthcare Summit - Providence RI
October 30, 2018**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
10/11/2018	Kimberly Mooers	Registration	<u>60.00</u>

**MassDevelopment Conference - Boston, MA
November 27, 2018**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
12/5/2018	Kimberly Mooers	Parking, Mileage, Meal	<u>96.73</u>

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**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

**SCHEDULE OF TRAVEL, ENTERTAINMENT AND EDUCATIONAL EXPENSES
(CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2019

Retirement Event in Honor of Robert E. Donovan - December 13, 2018

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
12/5/2018	Kimberly Mooers	Deposit	500.00
12/20/2018	Kimberly Mooers	Food, Taxes, Gratuity	1,994.80
	Tom Moses	Reimbursement	<u>(1,250.00)</u>
			<u>1,244.80</u>

**Greater Providence Chamber of Commerce, Legislative Luncheon - Providence, RI
January 31, 2018**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
1/3/2019	Kimberly Mooers	Registration	75.00
1/3/2019	Scott O'Malley	Registration	<u>75.00</u>
			<u>150.00</u>

**National Association of Health & Educational Facilities Finance Authorities - Austin, TX
March 25 - 27, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
4/2/2019	Kimberly Mooers	Registration	450.00
4/2/2019	Kimberly Mooers	Airfare, Lodging, Meals, Transportation	<u>1,509.86</u>
			<u>1,959.86</u>

**Eastern Association of College and University Business Officers - Boston, MA
March 20 - 22, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
4/2/2019	Kimberly Mooers	Registration	575.00
4/2/2019	Kimberly Mooers	Parking	<u>25.00</u>
			<u>600.00</u>

Mileage - July 1, 2018 - June 30, 2019

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
10/11/2018	Kimberly Mooers	Mileage (Aug./Sep.)	84.48
12/5/2018	Kimberly Mooers	Mileage (Oct.)	35.97
2/26/2019	Kimberly Mooers	Mileage/Parking (Jan./Feb.)	78.90
4/2/2019	Kimberly Mooers	Mileage (March)	64.31
4/29/2019	Jenn Almeida	Mileage (Dec.-Feb.)	42.18
7/9/2019	Kimberly Mooers	Mileage/Parking (Apr.-Jun.)	<u>53.42</u>
			<u>359.26</u>

Total \$ 8,415.74

See independent auditors' report on supplementary information.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2019

Statement of Net Position

Attachment B

Assets

Current assets:

Cash and cash equivalents	\$ 7,525,327
Investments	80,000
Receivables	584,840
Restricted assets:	
Cash and cash equivalents	20,562,532
Due from primary government	3,387,904
Other assets	62,198
Total current assets	<u>32,202,801</u>

Noncurrent assets:

Receivables	2,182,864
Capital assets - depreciable, net	25,910
Total noncurrent assets	<u>2,208,774</u>
Total assets	<u>34,411,575</u>

Liabilities

Current liabilities:

Accounts payable	5,462,606
Due to primary government	222,206
Accrued expenses	93,364
Total current liabilities	<u>5,778,176</u>
Total liabilities	<u>5,778,176</u>

Net Position

Net investment in capital assets	25,910
Restricted for:	
School Building Authority	3,000,000
School Building Authority Capital Fund	20,556,786
Unrestricted	5,050,703
Total net position	<u>\$ 28,633,399</u>

See independent auditors' report on supplementary information.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT

FOR THE YEAR ENDED JUNE 30, 2019

Statement of Activities

Attachment C

Expenses	\$ 16,409,789
Program revenues:	
Charges for services	3,132,471
Operating grants and contributions	<u>21,336,489</u>
Total program revenues	<u>24,468,960</u>
Net revenues	<u>8,059,171</u>
General revenues:	
Interest and investment earnings	195,926
Miscellaneous revenue	<u>210,454</u>
Total general revenues	<u>406,380</u>
Payment to primary state government	<u>(737,734)</u>
Change in net position	7,727,817
Total net position - beginning	<u>20,905,582</u>
Total net position - ending	<u><u>\$ 28,633,399</u></u>

See independent auditors' report on supplementary information.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLINACE 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

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 (a component unit of the State of Rhode Island) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Rhode Island Health and Educational Building Corporation's basic financial statements, and have issued our report thereon dated October 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rhode Island Health and Educational Building 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 Rhode Island Health and Educational Building Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Rhode Island Health and Educational Building 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. We consider the deficiency described below to be a material weakness. 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, described below, that we consider to be a material weakness.

State Appropriation to School Building Authority Capital Fund (SBACF)

Condition: Revenue recognized in the SBACF for the year ended June 30, 2019 was understated by \$1.224 million. A proposed adjustment to the financial statements and underlying accounting records was provided to management for recording this year-end accrual, and management has agreed to record the entry to correct the matter.

Criteria: Information and Communications is a recognized key component of a sound system of internal control. As the SBACF is managed by the Rhode Island Department of Education (RIDE), with the support of the Corporation for assigned administrative duties, effective and consistent communication between RIDE and the Corporation is imperative to help ensure that all activity of the SBACF, including activity and funding between the parties, is properly reflected in the accounting records and ultimately in its financial statements.

Cause: Ineffective communication between RIDE and the Corporation regarding the transfer of fiscal 2018-19 appropriated funds occurring subsequent to year-end resulted in the revenue being omitted from SBACF and Corporation's accounting records.

Effect: This omission caused the recorded revenue from state appropriations to be understated by \$1.224 million for the year ended June 30, 2019.

Recommendation: We recommend that personnel at RIDE and the Corporation ensure that timely and effective communication of all financial matters required to be reflected in the SBACF financial statements occur on an ongoing basis, with periodic reconciliations of inter-entity activity being performed on at least a quarterly basis, and a formal agreement on state appropriation revenue being prepared at each year-end date. Such procedures will mitigate the risk that errors relating to funding transfers and inter-entity activity will occur without being corrected in a timely manner.

View of Responsible Officials: See Management's response included herein.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rhode Island Health and Educational Building 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Rhode Island Health and Educational Building Corporation's Response to Findings

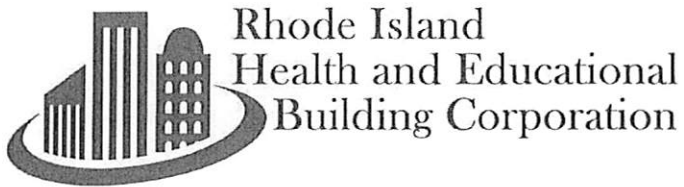
Rhode Island Health and Educational Building Corporation's response to the finding identified in our audit is included in this reporting package. Rhode Island Health and Educational Building Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Marcum LLP

Providence, RI
October 10, 2019



View of Responsible Officials and Planned Corrective Action:

Due to year-end commitments, the Corporation's bank statements are not reviewed in as timely a manner as in other months. As a result, the Corporation's auditors found a \$1.2 million transfer on the State's payment system that had not yet been discovered by the Corporation. The bank statement showing the transfer was in fact reviewed by the Corporation within a week of the auditor's discovery. The Corporation will put procedures in place to ensure that transfers from the State are communicated to the Corporation in a timelier manner.