

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(A Component Unit of the State of Rhode Island)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019



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Photo: Brown University, Providence RI

**Prepared by:
Scott P. O'Malley
Chief Financial Officer**

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Comprehensive Annual Financial Report

June 30, 2020 and 2019

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INTRODUCTORY SECTION



December 14, 2020

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

We are pleased to submit to you the Comprehensive Annual Financial Report (“CAFR”) of the Rhode Island Health and Educational Building Corporation (the “Corporation”) for the fiscal year ended June 30, 2020.

The Corporation’s enabling legislation requires an independent audit be performed at least once each fiscal year by certified public accountants. Marcum LLP performed the audit for the fiscal year ended June 30, 2020 and has issued an unmodified opinion on the Corporation’s financial statements. The independent auditors’ report can be found in the financial section of this report.

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

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

PROFILE OF THE CORPORATION

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

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

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

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

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

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

FINANCING ASSISTANCE PROGRAMS

Bond Financing

This program provides financing for large capital requirements including real estate acquisitions, construction, and renovations. Tax-exempt bond financing is the Corporation's largest financing program. Bonds can be publicly sold or privately placed, bear a fixed or variable interest rate, and may include a credit enhancement such as a letter of credit or financial guaranty insurance. Eligible school districts within the state can take advantage of school housing aid reimbursements for debt service payments on their bonds. Reimbursement rates for school districts range from 35% to 95%, while the charter school reimbursement rate is 30%. The Corporation's bonds are typically secured by a pledge of and lien on all unrestricted borrower revenues as well as a first mortgage lien on specific property owned by the borrower. To date, the Corporation has completed 371 bond financings totaling over \$9.0 billion.

Equipment Lease Financing

This program provides an alternative tax-exempt financing for the purpose of purchasing capital equipment and associated improvements. Program documentation was updated and streamlined in fiscal year 2020, and the approval process was reduced to one board approval. Because less documentation and legal compliance is required, this program offers borrowers a faster, more cost-effective financing than executing a full bond issue. The lease is typically privately placed with one lending company. To date, the Corporation has completed 38 equipment lease financings totaling over \$178.9 million.

Direct Loan

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

Emergency Loan

This program was implemented in response to the COVID-19 pandemic and provides fixed rate loans to qualified borrowers for the payment of debt service on existing bonds issued by the Corporation. To qualify, the borrower must demonstrate financial distress directly related to the pandemic. The maximum amount of the loan is \$250,000 and the maximum loan term is five years. The interest rate is based on the AAA Municipal Market Data rate for similar term general obligation bonds. To date, the Corporation has made one emergency loan in the amount of \$151,000.

School Building Authority Capital Fund

This program, designed as an alternative to tax-exempt bond financing, provides upfront funding for public school projects. The program awards eligible school districts a portion of their total project costs in the form of a grant, based on the district's state housing aid reimbursement rate. The school district has the option of obtaining a loan from the SBACF to fund the remaining balance of the project costs.

FINANCING ASSISTANCE PROGRAMS (Continued)

School Building Authority Capital Fund (Continued)

Projects are limited to \$1 million and the loan term is not to exceed 10 years. To date, the School Building Authority Capital Fund has provided 4 loans totaling \$2.7 million and 52 grants totaling over \$51.4 million. In addition, the SBACF provides grants to school districts for technical assistance and guidance on facility assessment, demographics studies, enrollment forecasts, and developing a master plan as part of the program's Necessity of School Construction application process. To date the SBACF has provided 38 grants totaling over \$3.6 million for this purpose.

School Construction Bond ("PayGo")

Article 9 of the 2019 state budget provided for the issuance of \$250 million general obligation bonds by the State to support state housing aid on a pay-as-you-go basis. In November 2018 the issuance of the bonds was approved by voters. This program allows school districts to receive 15% of their state housing aid on a pay-as-you-go basis. As the administrator of state housing aid, the Corporation is also responsible for the administration of the School Construction Bond proceeds. The bond proceeds will be expended over a five year period, with no more than \$100 million issued in any one year. To date over \$168.1 million in Pay-Go grants has been awarded to school districts.

PROJECT APPROVAL PROCESS

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

CONDUIT ISSUER

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

REPORTING ENTITY

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

INTERNAL CONTROLS

Objectives

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

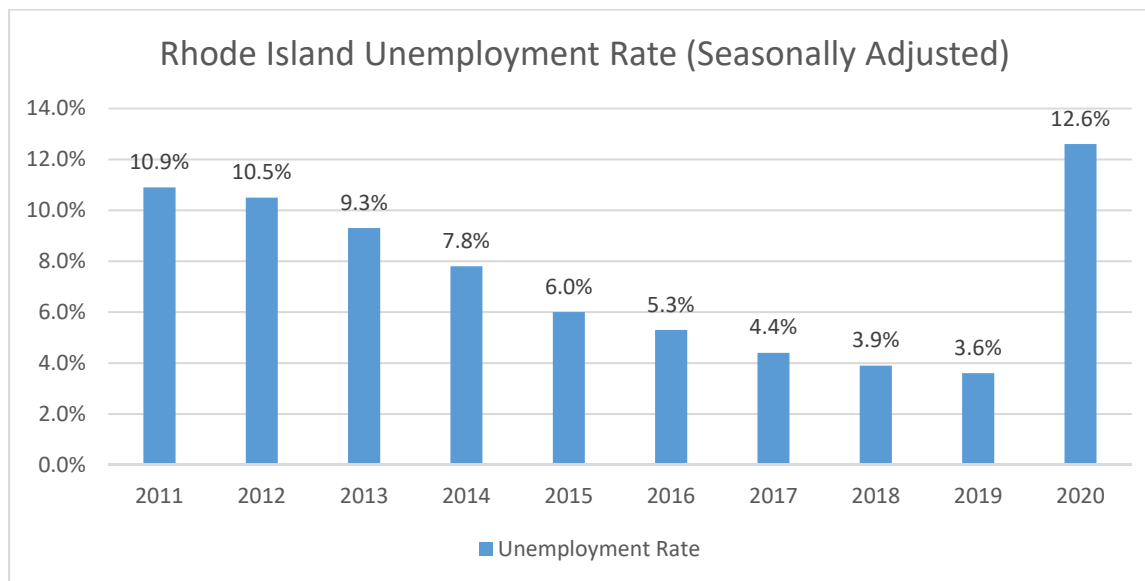
Limitations

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

ECONOMIC FACTORS AFFECTING THE CORPORATION

Unemployment

The graph below shows Rhode Island's unemployment rate steadily declining from 10.9% in 2011 to 3.6% in 2019. In 2020, the state's unemployment rate rose to 12.6% due to the COVID-19 pandemic. For comparison, the U.S. unemployment rate was 11.1% during the same period. Rhode Island currently has the second highest unemployment rate of the six New England states.

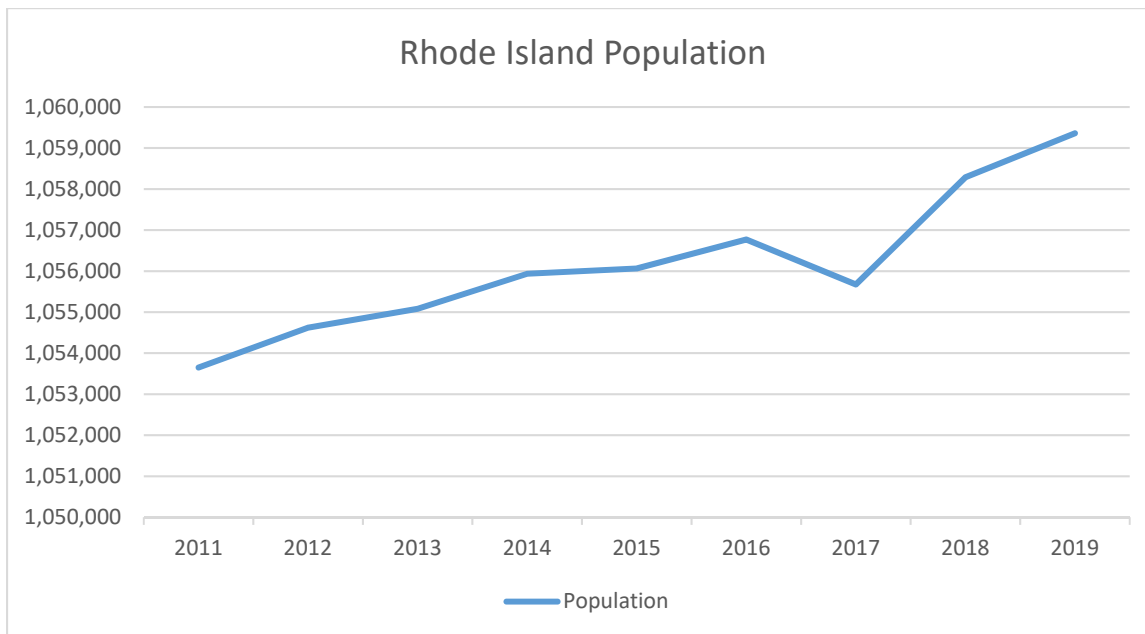


Source: RI Department of Labor and Training

ECONOMIC FACTORS AFFECTING THE CORPORATION (Continued)

Population

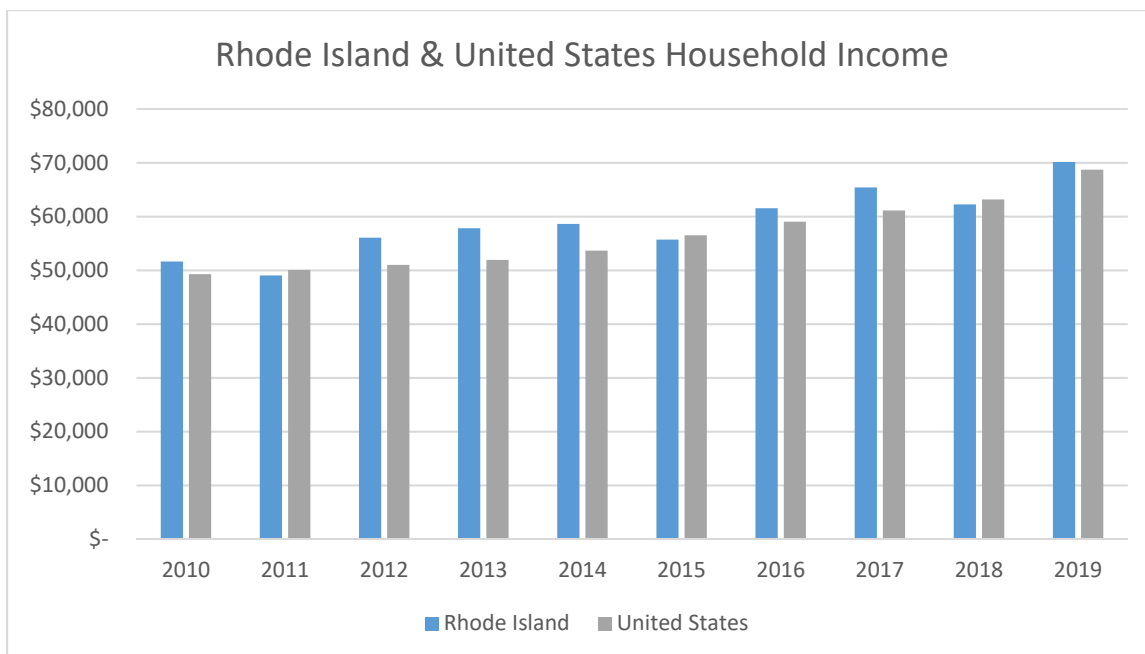
The graph below shows Rhode Island's population has increased from just under 1.054 million people in 2011 to over 1.059 million people in 2019.



Source: U.S. Census Bureau

Household Income

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



Source: U.S. Census Bureau

LONG-TERM FORECAST

For fiscal year 2021 the state budget is expected to allocate \$79.0 million for school housing aid. In addition, the \$250 million School Construction Bond program is expected to provide school construction aid over the next four years. Because School Construction Bond proceeds remain available to eligible school districts, the State has been allocating less funds toward the School Building Authority Capital Fund program.

Article 9 of the 2019 state budget specifies that the Corporation provide funding for limited personnel expenses of the School Building Authority. To offset this expense, the legislation allowed the Corporation to collect a one-time administrative fee from school districts when the Corporation provides their financing. The 2020 state budget legislation then significantly reduced the amount of the administrative fee the Corporation can collect from school districts. As a result of this restrictive legislation, the Corporation must use its own reserves to fund shortfalls created due to insufficient fee receipts from school districts. The Corporation is currently in the process of identifying alternate funding sources for these School Building Authority expenses.

The Corporation provides assistance to a large and diverse pool of borrowers operating within two important economic sectors, which makes it less likely to be affected by a significant decline in activity from any single borrower or sector. Healthcare and educational institutions have historically remained financially strong, even during periods of economic downturns. The Corporation anticipates it will continue to serve a significant role in assisting both healthcare and educational institutions with obtaining the financing needed for the construction and improvement of their facilities.

ACHIEVEMENTS

Through its tax-exempt bond financing program, the Corporation has provided bond financing to all 12 of the state's acute care hospitals, 12 assisted living facilities, 10 community healthcare centers, 33 of the state's 36 municipal school districts, all of the state's 11 post-secondary educational institutions, 10 charter schools, and 22 private schools.

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

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Rhode Island Health and Educational Building Corporation for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the fifth consecutive year the Corporation has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

ACHIEVEMENTS (Continued)

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

ACKNOWLEDGEMENTS

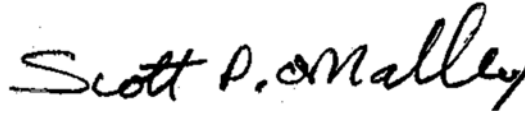
The Rhode Island Health and Educational Building Corporation works in collaboration with both the Rhode Island Department of Health and the Rhode Island Department of Education to provide financing to the state's healthcare and educational institutions.

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

Respectfully Submitted,



Kimberly W. Mooers
Executive Director



Scott P. O'Malley
Chief Financial Officer

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING
CORPORATION**

List of Directors, Staff, and Advisors

Board of Directors

Joseph R. Dewhirst, Chairman
Scott A. Davis, Vice Chairman
Ralph A. Palumbo, Treasurer
The Honorable Kevin B. Murphy, Member
Marcy Reyes, Member

Staff

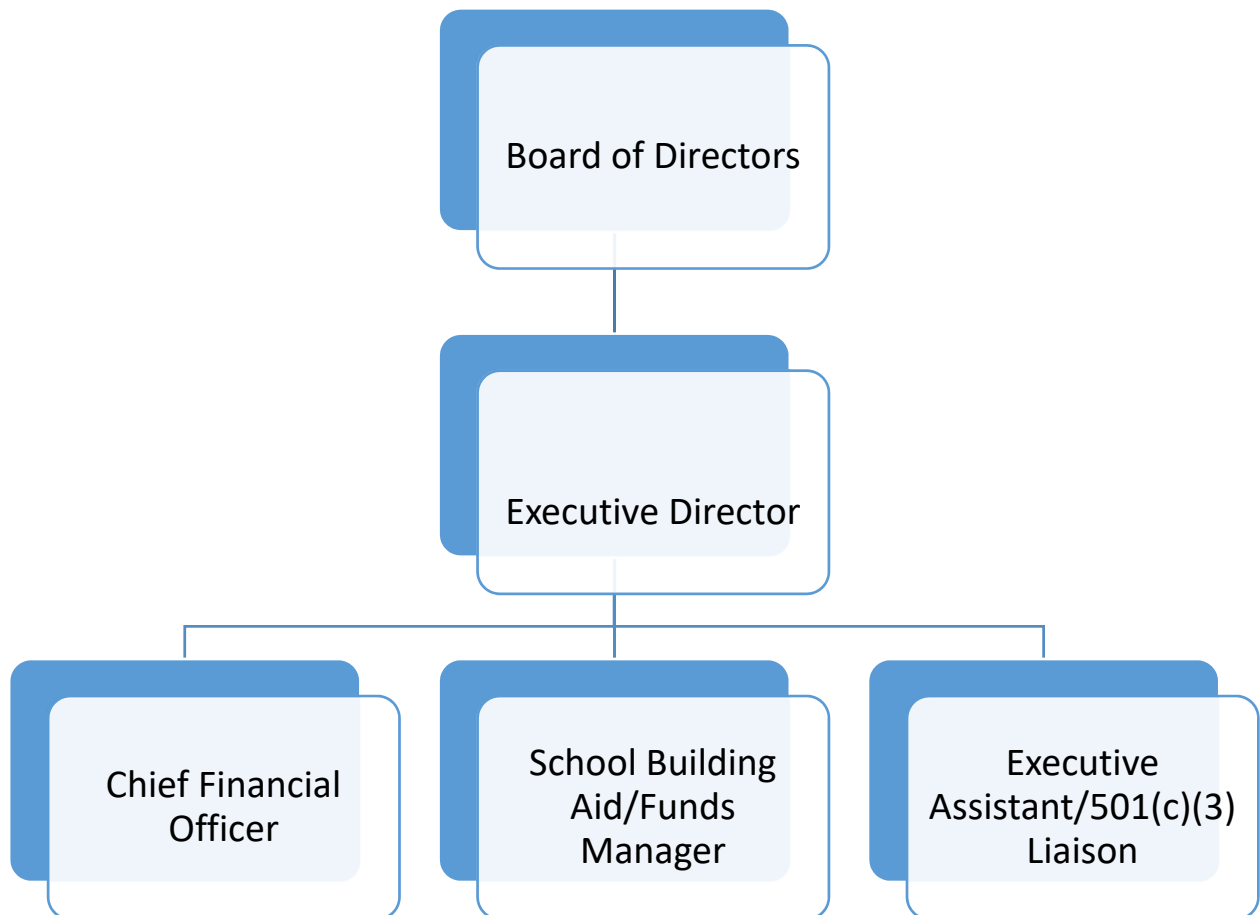
Kimberly W. Mooers, Executive Director
Scott P. O'Malley, Chief Financial Officer
Jennifer L. Almeida, School Building Aid/Funds Manager
Amy E. Zarek, Executive Assistant/501(c)(3) Liaison

Advisors

Moses Ryan LTD, General Counsel
Marcum LLP, Independent Auditors
Acacia Financial Group, Financial Advisors
Locke Lord LLP, Bond Counsel
Greenburg Traurig LLP, Bond Counsel
Partridge Snow & Hahn LLP, Bond Counsel
Hinckley Allen & Snyder LLP, Bond Counsel

**RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING
CORPORATION**

Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Rhode Island Health & Educational
Building Corporation**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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, 2020 and 2019, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Rhode Island Health and Educational Building Corporation, as of June 30, 2020 and 2019, 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 4-13 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 43-49 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 23, 2020 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 the effectiveness of Rhode Island Health and Educational Building Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhode Island Health and Educational Building Corporation's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
October 23, 2020

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis

June 30, 2020 and 2019

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, 2020 and 2019. 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, 2020 and 2019

FINANCIAL HIGHLIGHTS – FY 2020

- During FY 2020 the Corporation received a \$132,679 appropriation from the State of Rhode Island for the School Building Authority Capital Fund (“SBACF”) program.
- During FY 2020 the Corporation received \$26,852,644 from the State of Rhode Island for the School Construction Bond (“PayGo”) program.
- During FY 2020 the Corporation completed 11 bond financings totaling \$197,258,500 as compared to 15 bond financings completed during FY 2019 totaling \$245,677,000.
- During FY 2020 the Corporation transferred \$770,945 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 2020 are \$29,178,397, a decrease of \$5,634,265 or 16% over total assets for FY 2019.
- Cash and cash equivalents, funds on deposit with custodian, and investments for FY 2020 are \$22,493,290, a decrease of \$6,075,656 or 21% over cash and cash equivalents, funds on deposit with custodian, and investments for FY 2019.
- Operating revenues for FY 2020 are \$29,413,525, an increase of \$4,944,565 or 20% over operating revenues for FY 2019.
- Operating expenses for FY 2020 are \$35,400,413, an increase of \$18,992,994 or 116% over operating expenses for FY 2019.
- Change in net position for FY 2020 is \$(6,189,137), a decrease of \$13,916,954 or 180% over the change in net position for FY 2019.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

June 30, 2020 and 2019

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 \$7,163,472 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 \$34,812,662, an increase of \$10,856,435 or 45% over total assets for FY 2018.
- Cash and cash equivalents, funds on deposit with custodian, and investments for FY 2019 are \$28,568,946, an increase of \$7,609,412 or 36% over cash and cash equivalents, funds on deposit with custodian, 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, 2020 and 2019

FINANCIAL ANALYSIS

Condensed Summaries of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital assets, net	\$ 25,243	\$ 25,910	\$ 22,473
Other assets	<u>29,153,154</u>	<u>34,786,752</u>	<u>23,933,754</u>
Total assets	<u>29,178,397</u>	34,812,662	23,956,227
Other liabilities	<u>6,734,135</u>	<u>6,179,263</u>	<u>3,050,645</u>
Total liabilities	<u>6,734,135</u>	<u>6,179,263</u>	<u>3,050,645</u>
Net investment in capital assets	25,243	25,910	22,473
Restricted – School Building Authority Capital Fund	13,936,549	20,556,786	13,685,281
Unrestricted	<u>8,482,470</u>	<u>8,050,703</u>	<u>7,197,828</u>
Total net position	\$ <u>22,444,262</u>	\$ <u>28,633,399</u>	\$ <u>20,905,582</u>

Capital Assets

Capital assets decreased 3% during FY 2020 due to the net effect of the Corporation recording \$9,924 of depreciation, investing \$9,967 in capital assets, and disposing of \$710 of 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 disposing of \$2,370 of capital assets.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

June 30, 2020 and 2019

Capital Assets (Continued)

Neither the SBACF nor the PayGo programs are invested in capital assets.

Total Assets

Total assets decreased \$5.6 million or 16% during FY 2020 due to the net effect of the Corporation's increase in funds on deposit with custodian of \$3.3 million, the SBACF's decrease in funds on deposit with custodian and appropriations receivable of \$8.9 million and \$1.1 million respectively, and the PayGo program's decrease in funds on deposit with custodian of \$700,000 and an increase in amount due from state of \$1.9 million.

Total assets increased \$10.9 million or 45% during FY 2019 due to the Corporation's increase in cash and cash equivalents, funds on deposit with custodian, and investments of \$1 million, the SBACF's increase in funds on deposit with custodian 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 Liabilities

Total liabilities increased \$600,000 or 9% during FY 2020 due to the net effect of a \$3.1 million increase in the Corporation's payables, a \$1.1 million increase in the SBACF program's accrued project costs payable and a \$3.5 million decrease in the PayGo program's accrued project costs payable.

Total liabilities increased \$3.1 million or 103% 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 accrued project costs payable at year-end.

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 restricted 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, 2020 and 2019

Condensed Summaries of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Administrative fees	\$ 2,376,665	\$ 3,074,171	\$ 2,388,962
State appropriations	132,679	14,173,017	10,364,079
Transfer from State	26,852,644	7,163,472	-
Interest earned on loans receivable	<u>51,537</u>	<u>58,300</u>	<u>62,183</u>
Total operating revenues	<u>29,413,525</u>	<u>24,468,960</u>	<u>12,815,224</u>
Operating expenses:			
Administrative	1,371,295	1,653,609	1,510,687
Project cost grants	34,019,194	14,680,380	12,875,975
Grants	-	-	250,000
Payment to local institution	-	64,243	-
Depreciation	<u>9,924</u>	<u>9,187</u>	<u>9,568</u>
Total operating expenses	<u>35,400,413</u>	<u>16,407,419</u>	<u>14,646,230</u>
Operating (loss) income	<u>(5,986,888)</u>	<u>8,061,541</u>	<u>(1,831,006)</u>
Non-operating revenues (expenses):			
Interest income	114,714	168,150	173,221
Interest earned on funds on deposit with custodian	193,698	27,776	22,099
Other income	260,994	210,454	89,560
Loss on disposal of capital assets	(710)	(2,370)	-
Payment to primary state government	<u>(770,945)</u>	<u>(737,734)</u>	<u>(6,000,000)</u>
Total non-operating expenses	<u>(202,249)</u>	<u>(333,724)</u>	<u>(5,715,120)</u>
(Decrease) increase in net position	(6,189,137)	7,727,817	(7,546,126)
Net position, at beginning of year	<u>28,633,399</u>	<u>20,905,582</u>	<u>28,451,708</u>
Net position, at end of year	\$ <u>22,444,262</u>	\$ <u>28,633,399</u>	\$ <u>20,905,582</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, 2020 and 2019

Revenues

Administrative Fees

Administrative fee revenue decreased \$697,506 or 23% for FY 2020. A legislative change reduced the amount of the administrative fee the Corporation collects from school districts. This resulted in a decrease of \$609,608 or 89% for this revenue source for FY 2020. The revenues collected from school districts are restricted for the purpose of funding limited personnel expenses of the School Building Authority. Revenues from all other borrowers decreased \$87,898 or 4% for FY 2020.

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.

State Appropriation - SBACF

During FY 2020 the SBACF program received a \$132,679 appropriation from the State of Rhode Island, a decrease of \$14.0 million or 99% over FY 2019.

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.

Transfer from State - PayGo

During FY 2020 the PayGo program received \$26.9 million from the State of Rhode Island, an increase of \$19.7 million or 275% over FY 2019.

During FY 2019 the PayGo program received \$7.2 million from the State of Rhode Island, while there was no such funding 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, 2020 and 2019

Expenses

Administrative

Administrative expenses decreased \$282,314 or 17% during FY 2020 due to decreases in personnel related expenses of \$168,300, audit expenses of \$32,700, and miscellaneous expenses of \$34,500.

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.

Project Cost Grants - SBACF

During FY 2020, the SBACF program reported project cost grant expenses totaling \$11.8 million, an increase of \$4.3 million or 57% over FY 2019.

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

Project Cost Grants - PayGo

During FY 2020, the PayGo program reported project cost grant expenses totaling \$22.3 million, an increase of \$15.1 million or 211% over FY 2019.

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

Payments to the State

During FY 2020, the Corporation made payments to the State of Rhode Island's general fund totaling of \$770,945 to support limited personnel expenses of the School Building Authority, an increase of 4.5% over FY 2019.

During FY 2019, the Corporation made payments to the State of Rhode Island's general fund totaling of \$737,734 to support limited personnel expenses of the School Building Authority, while there were no such expenses in FY 2018. The Corporation did, however, transfer \$6.0 million to the State of Rhode Island's general fund to support the State's budget shortfall 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, 2020 and 2019

CONDUIT DEBT

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bonds Payable	\$ <u>3,120,499,858</u>	\$ <u>3,198,828,751</u>	\$ <u>3,151,194,380</u>

The Corporation issued \$197,258,500 of conduit debt during FY 2020. Of that amount, approximately \$105,220,830 was issued to finance new projects and \$92,037,670 was issued to refund prior bonds.

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.

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

FACTORS AFFECTING FUTURE OPERATIONS

The Corporation's financing activity has not been significantly affected by the COVID-19 pandemic. Due to the effects of the pandemic on the economy, the Corporation recently established an emergency loan program to assist borrowers who are unable to make debt service payments on their bonds. At June 30, 2020, only one borrower has requested a loan from this program. The Corporation is currently preparing to issue up to \$38 million of Public Schools Revenue Bonds and up to \$42 million of Higher Education Facility Revenue Bonds.

SBACF

The state has begun allocating less funding to the SBACF program due to more projects being funded through the PayGo Program.

PayGo

Of the \$250,000,000 bonds authorized by the Rhode Island General Assembly and approved by voters, \$100,000,000 has been issued at June 30, 2020. The bond proceeds are used to support state school housing aid on a pay-as-you-go basis. The Corporation is the administrator of this 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, 2020 and 2019

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, 2020 AND 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,886,055	\$ 7,525,327
Funds on deposit with custodian	14,607,235	20,963,619
Investments	--	80,000
Current portion of loans receivable	55,487	41,893
Current portion of School Building Authority Capital Fund loans receivable	477,447	511,905
Accounts receivable	93,619	9,675
Due from primary state government	4,212,775	3,387,904
Prepaid expenses	67,846	62,198
Accrued interest receivable	<u>17,774</u>	<u>21,367</u>
Total Current Assets	<u>27,418,238</u>	<u>32,603,888</u>
Non-Current Assets		
Loans receivable, net of current portion	614,629	595,605
School Building Authority Capital Fund loans receivable, net of current portion	1,120,287	1,587,259
Capital assets, net	<u>25,243</u>	<u>25,910</u>
Total Non-Current Assets	<u>1,760,159</u>	<u>2,208,774</u>
Total Assets	<u><u>\$ 29,178,397</u></u>	<u><u>\$ 34,812,662</u></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 NET POSITION (CONTINUED)

JUNE 30, 2020 AND 2019

	2020	2019
Liabilities and Net Position		
Current Liabilities		
Accrued expenses	\$ 73,310	\$ 93,364
Project costs and other commitments payable	6,437,603	5,748,693
Due to primary state government	223,222	222,206
Grants payable	<u>--</u>	<u>115,000</u>
Total Liabilities	<u>6,734,135</u>	<u>6,179,263</u>
Net Position		
Net investment in capital assets	25,243	25,910
Restricted - School Building Authority Capital Fund:		
Held for authorized projects	6,714,088	16,830,218
Available for future projects	7,222,461	3,726,568
Unrestricted	<u>8,482,470</u>	<u>8,050,703</u>
Total Net Position	<u>22,444,262</u>	<u>28,633,399</u>
Total Liabilities and Net Position	<u><u>\$ 29,178,397</u></u>	<u><u>\$ 34,812,662</u></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, 2020 AND 2019

	2020	2019
Operating Revenues		
Administration fees	\$ 2,376,665	\$ 3,074,171
State appropriations	132,679	14,173,017
Transfer from State	26,852,644	7,163,472
Interest earned on loans receivable	51,537	58,300
Total Operating Revenues	<u>29,413,525</u>	<u>24,468,960</u>
Operating Expenses		
Administrative	1,371,295	1,653,609
Project cost grants	34,019,194	14,680,380
Payment to local institution	--	64,243
Depreciation	9,924	9,187
Total Operating Expenses	<u>35,400,413</u>	<u>16,407,419</u>
Operating (Loss) Income	<u>(5,986,888)</u>	<u>8,061,541</u>
Non-Operating Revenues (Expenses)		
Interest income	114,714	168,150
Interest earned on funds on deposit with custodian	193,698	27,776
Other income	260,994	210,454
Loss on disposal of capital assets	(710)	(2,370)
Payment to primary state government	(770,945)	(737,734)
Total Non-Operating Expenses	<u>(202,249)</u>	<u>(333,724)</u>
(Decrease) Increase in Net Position	(6,189,137)	7,727,817
Net Position - Beginning of Year	<u>28,633,399</u>	<u>20,905,582</u>
Net Position - End of Year	<u><u>\$ 22,444,262</u></u>	<u><u>\$ 28,633,399</u></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, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received from institutions for administrative fees	\$ 2,292,721	\$ 3,091,625
Cash received from State - appropriations and transfers	26,160,452	17,948,585
Cash received from collections on loans receivable	543,333	150,000
Cash received from interest earned on loans receivable	55,130	41,733
Cash received from other sources	76,240	210,454
Payment for disbursement of loans receivable	(74,521)	--
Payment of project costs	(33,260,530)	(11,745,594)
Payment to local institution	--	(64,243)
Payment of employees for services	(479,393)	(687,510)
Payment to suppliers for goods and services	(917,604)	(1,001,042)
Net Cash (Used in) Provided by Operating Activities	<u>(5,604,172)</u>	<u>7,944,008</u>
Cash Flows Used in Non-Capital Financing Activities		
Payment to primary state government	<u>(769,929)</u>	<u>(515,528)</u>
Cash Flow Used in Capital and Related Financing Activity		
Purchase of capital assets	<u>(9,967)</u>	<u>(14,994)</u>
Cash Flows Provided by Investing Activities		
Proceeds from sale and maturities of investment securities	80,000	80,000
Investment income	<u>308,412</u>	<u>195,926</u>
Net Cash Provided by Investing Activities	<u>388,412</u>	<u>275,926</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(5,995,656)	7,689,412
Cash and Cash Equivalents - Beginning of Year	<u>28,488,946</u>	<u>20,799,534</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 22,493,290</u></u>	<u><u>\$ 28,488,946</u></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, 2020 AND 2019

	2020	2019
Reconciliation of Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities:		
Operating (loss) income	\$ (5,986,888)	\$ 8,061,541
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation	9,924	9,187
Other income	260,994	210,454
Changes in assets and liabilities:		
Accounts receivable	(83,944)	17,454
Due from primary government	(824,871)	(3,387,904)
Prepaid expenses	(5,648)	(6,569)
Accrued interest receivable	3,593	(16,567)
Loans receivable	468,812	150,000
Accrued expenses	(20,054)	(28,374)
Project costs and other commitments payable	688,910	3,069,786
Grants payable	(115,000)	(135,000)
Net Cash (Used in) Provided by Operating Activities	<u>\$ (5,604,172)</u>	<u>\$ 7,944,008</u>
 Cash and Cash Equivalents are made up of the following:		
Cash and equivalents	\$ 7,886,055	\$ 7,525,327
Funds on deposit with custodian	<u>14,607,235</u>	<u>20,963,619</u>
	<u>\$ 22,493,290</u>	<u>\$ 28,488,946</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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 (“SBACF”) 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 approved and granted by RIDE/SBA for the purpose of repairing public school facilities for local education authorities (“LEAs”). 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 years 2020 and 2019, \$650,000 and \$3,000,000 was awarded 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, 2020 AND 2019

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 (“PayGo”) 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. All transactions between RIHEBC, SBACF and PayGo have been properly eliminated 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, 2020 AND 2019

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 and transfers of bond proceeds for the funding of project costs. 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.

FUNDS ON DEPOSIT WITH CUSTODIAN

The Corporation's funds on deposit with custodian include cash deposits in a designated account 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, 2020 AND 2019

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, 2020 and 2019.

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, 2020 AND 2019

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, 2020 and 2019. Upon retirement or termination, employees are compensated for all accumulated unused vacation leave and 50% of all accumulated unused sick leave. At June 30, 2020 and 2019, compensated absences totaled approximately \$12,600 and \$4,400, respectively.

Balance at June 30, 2019	Additions	Retirements	Balance at June 30, 2020
\$ 4,400	\$ 18,200	\$ 10,000	\$ 12,600

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, 2020 and 2019.

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, 2020 AND 2019

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, 2022. Management has not yet completed its review of the requirements of this standard and its applicability.

GASB Statement No. 91, *Conduit Debt Obligations* is effective for the Corporation's fiscal year ending June 30, 2023. Management has not yet completed its review of the requirements of this standard and its applicability.

RECLASSIFICATIONS

Certain 2019 financial statement amounts have been reclassified to conform to the 2020 presentation. There is no change in the reported change in net position.

SUBSEQUENT EVENTS

Management has evaluated the activity of the Corporation occurring subsequent to June 30, 2020 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 as liabilities in the accompanying financial statements.

At June 30, 2020 and 2019, the bond issues and leases outstanding are as follows:

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, 2020 AND 2019

NOTE 2 - CONDUIT DEBT (CONTINUED)

Institution	Year Issued	Maturity Date	Outstanding Principal at June 30, 2020	Outstanding Principal at June 30, 2019
International Institute of RI, Inc.	2003	08/01/2033	\$ 1,390,000	\$ 1,475,000
Brown University, Series B	2003	09/01/2043	39,635,000	40,165,000
Kingston Hill Academy, Series A	2004	10/01/2029	--	1,765,000
Catholic School Pool Program, Series A	2005	04/01/2035	--	3,270,000
Meeting Street Center	2005	06/01/2035	5,145,000	5,780,000
Brown University, Series A	2005	05/01/2035	85,500,000	85,500,000
Public Schools Revenue Bonds, Series A	2007	05/15/2027	245,000	280,000
NRI Community Services, Inc.	2007	06/01/2037	2,355,000	2,450,000
Public Schools Revenue Bonds, Series B	2007	05/15/2027	645,000	715,000
CVS-Highlander Charter School	2007	09/01/2037	3,075,000	3,195,000
Public Schools Revenue Bonds, Series C	2007	05/15/2021	455,000	2,020,000
Providence Public Building Authority, Series B	2007	05/15/2021	1,400,000	2,820,000
Public Schools Revenue Bonds, Series D	2007	11/15/2027	2,410,000	2,660,000
The Learning Community Charter School	2007	02/01/2038	2,990,000	3,098,000
Home & Hospice Care of RI	2008	02/01/2038	--	8,004,500
Rhode Island School of Design, Series A & B	2008	08/15/2036	73,610,000	75,470,000
Bryant University	2008	06/01/2035	44,290,000	46,155,000
Roger Williams University, Series A	2008	11/15/2024	8,230,000	9,710,000
New England Institute of Technology	2008	03/01/2034	7,880,000	8,755,000
Public Schools Revenue Bonds, Series B	2008	05/15/2029	280,000	350,000
Roger Williams University, Series B	2008	11/15/2038	30,190,000	31,210,000
Board of Governors, Series B	2008	09/15/2024	3,830,000	3,830,000
Public Schools Revenue Bonds, Series A	2009	05/15/2024	1,700,000	2,130,000
Public Schools Revenue Bonds, Series B	2009	05/15/2021	75,000	150,000
Board of Governors, Series B	2009	09/15/2029	12,830,000	13,495,000
Brown University, Series A	2009	09/01/2039	--	70,795,000
Providence Public Building Authority, Series A	2009	06/15/2025	7,520,000	9,000,000
Board of Governors, Series A	2010	09/15/2040	19,380,000	19,960,000
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
Thundermist Health Center, Series A	2010	08/01/2020	2,101,958	2,308,708
Public Schools Revenue Bonds, Series C	2010	05/15/2026	2,025,000	2,275,000
Public Schools Revenue Bonds, Series D	2010	05/15/2025	1,697,000	1,994,000
Public Schools Revenue Bonds, Series E	2010	05/15/2025	3,342,000	3,925,000
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

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NOTE 2 - CONDUIT DEBT (CONTINUED)

Institution	Issued	Maturity Date	Outstanding Principal at June 30, 2020	Outstanding Principal at June 30, 2019
J. Arthur Trudeau Memorial Center	2010	12/01/2040	1,800,000	1,860,000
The Providence Community Health Centers, Inc., Series A	2010	06/01/2037	8,982,668	9,376,078
Public Schools Revenue Bonds, Series A	2011	05/15/2031	3,535,000	3,920,000
Roger Williams University	2011	11/15/2024	11,285,000	13,265,000
The Compass School, Series A & C	2011	06/28/2027	1,015,001	1,160,001
Public Schools Revenue Bonds, Series C	2011	05/15/2031	8,470,000	9,240,000
Blackstone Valley Community Health Care, Inc., Series A	2011	01/01/2022	5,412,870	5,562,222
Brown University, Series A	2011	09/01/2032	36,455,000	41,390,000
Steere House	2011	09/01/2036	4,115,000	4,300,000
Portsmouth Abbey School	2011	10/01/2031	--	4,145,000
Roger Williams University, Series B	2011	12/15/2029	7,520,000	8,100,000
Bryant University	2011	12/01/2031	--	17,215,000
Salve Regina University	2011	06/15/2031	14,795,000	16,000,000
Providence College	2012	11/01/2041	32,425,000	33,345,000
Public Schools Revenue Bonds, Series A	2012	05/15/2037	27,935,000	29,080,000
Immaculate Conception Catholic Regional School	2012	03/16/2032	3,818,750	4,143,750
Rhode Island School of Design	2012	06/01/2031	22,760,000	23,510,000
Rocky Hill School	2012	04/26/2022	2,452,428	2,544,990
Seven Hills Rhode Island, Inc., Series A	2012	05/31/2042	902,135	977,135
Rhode Island Blood Center	2012	09/29/2028	7,366,281	7,557,401
Brown University	2012	09/01/2022	118,240,000	118,240,000
Rhode Island School of Design, Series B	2012	08/15/2035	40,255,000	42,150,000
Care New England	2012	09/28/2019	--	749,019
Public Schools Revenue Bonds, Series B	2012	05/15/2032	10,475,000	11,170,000
The Kent Center, Inc.	2012	10/12/2022	3,907,637	4,028,503
Providence College, Series B & C	2012	11/01/2024	21,160,000	24,845,000
Scandinavian Home	2013	04/01/2040	3,509,267	3,626,031
Public Schools Revenue Bonds, Series A	2013	05/15/2033	4,955,000	5,340,000
Public Schools Revenue Bonds, Series B	2013	05/15/2033	6,935,000	7,780,000
Lifespan Obligated Group	2013	06/14/2020	--	7,501,934
Board of Education, Series A - D	2013	09/15/2024	22,250,000	26,815,000
Public Schools Revenue Bonds, Series C & D	2013	05/15/2033	21,445,000	23,095,000
Seven Hills Rhode Island, Inc.	2013	06/21/2043	1,268,831	1,323,998
Saint Elizabeth Manor, East Bay	2013	07/31/2043	6,910,628	7,077,577
Public Schools Revenue Bonds, Series E	2013	05/15/2028	410,000	465,000
The Wheeler School, Series B	2013	09/18/2028	123,853	403,330

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NOTE 2 - CONDUIT DEBT (CONTINUED)

Institution	Year Issued	Maturity Date	Outstanding Principal at June 30, 2020	Outstanding Principal at June 30, 2019
Roger Williams University, Series A	2013	11/15/2028	--	14,910,238
Providence Public Building Authority, Series A	2013	05/15/2024	17,010,000	22,870,000
Brown University	2013	09/01/2043	124,085,000	127,070,000
Public Schools Revenue Bonds, Series H	2013	05/15/2034	8,860,000	9,325,000
Public Schools Revenue Bonds, Series I	2013	11/15/2021	490,000	740,000
Public Schools Revenue Bonds, Series J	2013	05/15/2020	500,000	925,000
Public Schools Revenue Bonds, Series I	2013	11/15/2023	4,370,000	5,345,000
Bryant University	2014	06/01/2044	42,075,000	43,005,000
Portsmouth Abbey School	2014	07/01/2024	--	1,680,000
Public Schools Revenue Bonds, Series A	2014	05/15/2034	4,745,000	5,665,000
Public Schools Revenue Bonds, Series B	2014	05/15/2034	2,545,000	2,685,000
St. George's School, Series A - C	2014	09/01/2044	37,557,079	38,451,797
Times ² Academy, Inc.	2014	10/01/2026	5,118,599	6,036,303
Roger Williams University	2014	10/15/2035	12,544,722	13,154,238
The Pennfield School, Series A & B	2014	11/01/2039	3,602,140	3,734,705
Newport Hospital	2014	07/01/2029	14,391,000	15,619,000
Public Schools Revenue Bonds, Series C	2014	05/15/2034	6,180,000	6,520,000
Public Schools Revenue Bonds, Series A	2015	11/15/2020	1,130,000	2,245,000
Child and Family Services of Newport County	2015	04/30/2043	6,719,448	7,363,698
Salve Regina University, Series A - C	2015	05/01/2045	23,926,563	24,696,965
Providence Public Building Authority, Series A	2015	05/15/2028	108,455,000	120,210,000
Mercymount Country Day School	2015	05/01/2035	2,834,496	2,984,870
Providence College	2015	11/01/2045	38,400,000	40,350,000
South County Hospital Healthcare System	2015	09/15/2033	34,945,000	37,230,000
New England Institute of Technology	2015	09/01/2045	54,228,017	55,769,367
Public Schools Revenue Bonds, Series B	2015	05/15/2036	3,880,000	4,055,000
Saint Philomena School	2015	04/01/2035	1,513,617	1,596,049
Johnson & Wales University	2015	10/01/2030	21,881,806	23,618,847
Tamarisk, Inc.	2015	10/01/2040	8,126,404	8,406,126
Brown University	2015	09/01/2045	40,315,000	41,560,000
Bishop Hendricken High School, Series A & B	2015	04/01/2035	4,266,475	4,490,410
The Prout School	2015	04/01/2036	--	4,366,750
Providence Public Building Authority, Series B	2015	05/15/2035	8,430,000	8,870,000
Saint Elizabeth Home, East Greenwich	2015	12/01/2045	12,515,019	12,791,119
Public Schools Revenue Bonds, Series C - E	2015	05/15/2036	16,580,000	18,600,000
Moses Brown School, Series A & B	2016	06/01/2046	19,212,530	19,739,756

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NOTE 2 - CONDUIT DEBT (CONTINUED)

Institution	Year Issued	Maturity Date	Outstanding Principal at June 30, 2020	Outstanding Principal at June 30, 2019
Public Schools Revenue Bonds, Series A	2016	05/15/2029	69,650,000	76,920,000
Lifespan Obligated Group	2016	05/15/2039	212,085,000	225,610,000
Public Schools Revenue Bonds, Series B & C	2016	05/15/2036	5,965,000	6,430,000
Care New England, Series B	2016	09/01/2036	131,110,000	134,775,000
The Frassati Residence	2016	11/01/2029	4,905,627	5,329,504
Council on Postsecondary Education, Series A - C	2016	09/15/2036	81,270,000	84,610,000
Roger Williams University, Series A & B	2016	11/15/2031	6,023,920	6,460,940
New England Institute of Technology	2017	03/01/2040	32,876,403	34,098,639
Public Schools Revenue Bonds, Series A	2017	05/15/2034	55,105,000	57,840,000
Providence College	2017	11/01/2047	46,415,000	46,415,000
Public Schools Revenue Bonds, Series B	2017	05/15/2027	13,185,000	14,375,000
Public Schools Revenue Bonds, Series C	2017	05/15/2027	62,110,000	62,640,000
Public Schools Revenue Bonds, Series D	2017	05/15/2037	8,630,000	9,010,000
Public Schools Revenue Bonds, Series E	2017	05/15/2037	20,875,000	22,050,000
Public Schools Revenue Bonds, Series F	2017	05/15/2038	18,385,000	19,360,000
Brown University, Series A	2017	09/01/2047	141,125,000	141,125,000
Public Schools Revenue Bonds, Series G	2017	05/15/2042	32,155,000	36,655,000
Public Schools Revenue Bonds, Series H	2017	05/15/2038	4,675,000	4,840,000
Council on Postsecondary Education, Series A - D	2017	09/15/2047	123,165,000	123,190,000
Public Schools Revenue Bonds, Series I & J	2017	05/15/2032	14,280,000	15,030,000
Portsmouth Abbey School, Series A	2017	11/01/2037	--	7,600,000
Meeting Street, Series A	2017	12/01/2047	15,000,000	15,000,000
Public Schools Revenue Bonds, Series A	2018	05/15/2038	4,415,000	4,580,000
Public Schools Revenue Bonds, Series B	2018	05/15/2038	18,030,000	18,690,000
Rhode Island School of Design	2018	08/15/2048	54,950,000	54,950,000
Ocean State Assisted Living	2018	11/01/2031	8,181,000	8,621,000
Roger Williams University	2018	11/15/2039	8,666,170	5,480,188
St. Andrew's School, Series A & B	2018	07/01/2048	16,205,033	16,085,678
Council on Postsecondary Education, Series A & B	2018	09/15/2038	19,185,000	19,800,000
South County Hospital Healthcare System	2018	12/01/2028	1,542,651	1,542,651
Meeting Street	2018	12/01/2047	5,000,000	5,000,000
Achievement First Rhode Island, Inc., Series A & B	2019	02/01/2045	9,298,090	9,450,769
Public Schools Revenue Bonds, Series A	2019	05/15/2042	41,030,000	41,380,000
Blackstone Valley Prep	2019	05/01/2049	15,716,501	15,987,354
Saint Raphael Academy	2019	05/01/2049	3,065,287	3,116,978
Mount Saint Charles Academy	2019	05/01/2040	3,690,494	772,635

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NOTE 2 - CONDUIT DEBT (CONTINUED)

Institution	Year Issued	Maturity Date	Outstanding Principal at June 30, 2020	Outstanding Principal at June 30, 2019
Trinity Academy for the Performing Arts	2019	06/01/2050	6,500,000	4,250,000
Public Schools Revenue Bonds, Series B	2019	05/15/2039	17,975,000	17,975,000
Providence Public Building Authority, Series A	2019	05/15/2039	19,275,000	20,000,000
Brown University, Series A	2019	09/01/2029	54,560,000	--
Kingston Hill Academy	2019	08/01/2051	4,631,336	--
Public Schools Revenue Bonds, Series C	2019	05/15/2041	5,070,000	--
Public Schools Revenue Bonds, Series D	2019	05/15/2035	5,445,000	--
The Compass School	2019	10/01/2049	3,850,000	--
HopeHealth Hospice & Palliative Care	2019	11/01/2049	10,868,253	--
Roger Williams University	2019	11/15/2028	13,665,020	--
Bryant University	2019	12/06/2031	16,658,851	--
Public Schools Revenue Bonds, Series A	2020	05/15/2040	3,875,000	--
Portsmouth Abbey School, Series A - D	2020	06/01/2050	15,541,000	--
Public Schools Revenue Bonds, Series B	2020	05/15/2040	57,450,000	--
			<u>\$ 3,120,499,858</u>	<u>\$ 3,198,828,751</u>

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, 2020 pursuant to this statutory provision.

At June 30, 2020 and 2019, the carrying amounts of the Corporation's cash and cash equivalents were approximately \$7,886,000 and \$7,525,000, respectively, and the bank balances were approximately \$7,894,000 and \$7,545,000, 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.

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NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

CASH AND CASH EQUIVALENTS (CONTINUED)

Of the Corporation's cash and cash equivalents totaling approximately \$7,886,000 and \$7,525,000 at June 30, 2020 and 2019, respectively, \$7,630,338 and \$7,119,280, 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, 2020 and 2019, \$250,000 was covered by federal depository insurance. The remaining amount of approximately \$7,644,000 and \$7,295,000 was uninsured and uncollateralized at June 30, 2020 and 2019, respectively. The insured balances reflect FDIC insurance in effect during June 30, 2020 and 2019.

FUNDS ON DEPOSIT WITH CUSTODIAN

Funds on deposit with custodian at June 30, 2020 are as follows:

	FDIC Insured	Uninsured and Uncollateralized	Total
Cash deposits			
Bank Deposits - US Bank	\$ 250,000	\$ 6,265,769	\$ 6,515,769
Money market mutual funds	Investment Maturity in Days	Credit Ratings	Fair Value
First American US Treasury Money Market Class V (#3702)	48	Aaa-mf	\$ 4,379,721
First American Government Obligation Fund Class V (#3698)	43	Aaa-mf	3,711,745
			\$ 8,091,466
Total			\$ 14,607,235

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NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

FUNDS ON DEPOSIT WITH CUSTODIAN (CONTINUED)

Funds on deposit with custodian at June 30, 2019 are as follows:

Cash deposits	FDIC Insured	Uninsured and Uncollateralized	Total
Bank Deposits - US Bank	\$ 250,000	\$ 20,312,532	\$ 20,562,532
Money market mutual funds	Investment Maturity in Days	Credit Ratings	Fair Value
First American Government Obligation Fund Class V (#3698)	22	Aaa-mf	\$ 401,087
Total			<u>\$ 20,963,619</u>

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, 2020 and 2019.

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.

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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 that matured on May 5, 2020. The Obligation Bonds had no rating assigned to it at June 30, 2019. The City filed a Chapter 9 bankruptcy petition during fiscal year 2012. The State of Rhode Island 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, 2020, the Corporation did not hold any investments.

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>				

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NOTE 5 - LOANS RECEIVABLE

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

	2020	2019
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.	\$ 595,595	\$ 637,498
In May 2020, the Corporation entered into a loan agreement with The Pennfield School for a maximum draw of \$151,000, payable on demand. The agreement stipulates interest only payments for the initial 6 months, paid in arrears commencing in November 2020 until May 2021. Effective May 2021 the agreement stipulates monthly payments of \$6,357 inclusive of interest at 1% per annum, until maturity in April 2023.	74,521	--
Total Loans Receivable	670,116	637,498
Less Current Portion	55,487	41,893
Non-Current Loans Receivable	<u>\$ 614,629</u>	<u>\$ 595,605</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 loan (local share) plus interest. The local share is determined by RIDE's education funding formula. The remaining project costs (state share) are provided to the LEA as a grant.

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

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

	2020	2019
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.	\$ 43,000	\$ 86,000
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.	1,281,376	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.		
This loan was paid off in June 2020.	--	241,207
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.	273,358	307,528
Total SBACF Loans Receivable	1,597,734	2,099,164
Less Current Portion	477,447	511,905
Non-Current SBACF Loans Receivable	<u>\$ 1,120,287</u>	<u>\$ 1,587,259</u>

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NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	Estimated Lives (in Years)	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets					
Office equipment	5	\$ 18,246	\$ --	\$ (3,392)	\$ 14,854
Computer equipment	5	40,484	5,644	(9,381)	36,747
Furniture and fixtures	5	<u>120,695</u>	<u>4,323</u>	<u>(19,400)</u>	<u>105,618</u>
Total Capital Assets		<u>179,425</u>	<u>9,967</u>	<u>(32,173)</u>	<u>157,219</u>
Less Accumulated Depreciation					
Office equipment		13,789	2,971	(3,391)	13,369
Computer equipment		19,032	6,521	(8,673)	16,880
Furniture and fixtures		<u>120,694</u>	<u>432</u>	<u>(19,399)</u>	<u>101,727</u>
Total Accumulated Depreciation		<u>153,515</u>	<u>9,924</u>	<u>(31,463)</u>	<u>131,976</u>
Capital Assets, Net		<u>\$ 25,910</u>	<u>\$ 43</u>	<u>\$ (710)</u>	<u>\$ 25,243</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, 2020 AND 2019

NOTE 7 - CAPITAL ASSETS (CONTINUED)

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
Furniture 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>

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, 2020 and 2019 were \$0 and \$115,000, respectively. The Corporation did not authorize any new grants during fiscal year 2020.

**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, 2020 AND 2019

NOTE 9 - RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the World. The Corporation is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread. As of the date the financial statements were available to be issued, there was considerable uncertainty around the expected duration of this pandemic and the extent to which COVID-19 may impact the Corporation's financial condition or its operations.

NOTE 10 - 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, 2020 and 2019, remaining commitments on existing Subsidies expiring through 2024 aggregate approximately \$35,100 and \$50,100, 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, 2020 and 2019 was \$98,810 and \$96,166, respectively. Future minimum lease payments for the year ending June 30, 2021 total \$93,056.

SCHOOL BUILDING AUTHORITY CAPITAL FUND COMMITMENTS

At June 30, 2020 and 2019, the SBACF had approximately \$7,222,000 and \$3,727,000, 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, 2020 AND 2019

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

SCHOOL BUILDING AUTHORITY CAPITAL FUND COMMITMENTS (CONTINUED)

Grants and loans awarded in fiscal 2020 and remaining unspent (cumulative) balances available for draw as of June 30, 2020, are as follows:

	Awarded in Fiscal 2020			Cumulative Balances Available		
	Total	Grants	Technical Assistance	Total	Grants	Technical Assistance
Achievement First	\$ --	\$ --	\$ --	\$ 50,000	\$ --	\$ 50,000
Barrington	--	--	--	150,000	--	150,000
Bristol-Warren	--	--	--	464,999	314,999	150,000
Central Falls	--	--	--	2,764,292	2,764,292	--
Chariho	100,000	--	100,000	20,337	--	20,337
Coventry	--	--	--	50	--	50
East Greenwich	--	--	--	99,843	--	99,843
East Providence	100,000	--	100,000	100,000	--	100,000
Foster	--	--	--	5,045	--	5,045
Foster-Glocester	--	--	--	82,269	80,850	1,419
Kingston Hill Academy	--	--	--	50,000	--	50,000
Lincoln	--	--	--	31,065	31,065	--
Little Compton	--	--	--	59,757	9,757	50,000
Middletown	--	--	--	105,333	5,333	100,000
Narragansett	50,000	--	50,000	50,000	--	50,000
North Kingstown	--	--	--	150,000	--	150,000
North Providence	--	--	--	100,000	--	100,000
Paul Cuffee	50,000	--	50,000	50,000	--	50,000
Pawtucket	--	--	--	555,397	555,397	--
Providence	--	--	--	68,448	68,448	--
RI Nurses Institute	--	--	--	50,000	--	50,000
RISE Prep	50,000	--	50,000	119,923	69,923	50,000
Scituate	--	--	--	100,000	--	100,000
Tiverton	--	--	--	87,620	--	87,620
Warwick	150,000	--	150,000	150,000	--	150,000
West Warwick	150,000	--	150,000	593,659	443,659	150,000
Westerly	--	--	--	34,655	34,655	--
Woonsocket	--	--	--	621,396	471,396	150,000
	<u>\$ 650,000</u>	<u>\$ --</u>	<u>\$ 650,000</u>	<u>\$ 6,714,088</u>	<u>\$ 4,849,774</u>	<u>\$ 1,864,314</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, 2020 AND 2019

NOTE 10 - 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	Total	Grants	Technical Assistance
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
Burrillville	153,290	53,290	100,000	138,271	38,271	100,000
Central Falls	1,455,000	1,455,000	--	3,043,784	3,043,784	--
Charlton	370,270	370,270	--	370,270	370,270	--
Coventry	150,000	--	150,000	150,000	--	150,000
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>\$ 16,830,218</u>	<u>\$ 14,123,461</u>	<u>\$ 2,706,757</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, 2020 AND 2019

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2020 and 2019 due to the reimbursement nature of the program. The State provided funding to PayGo 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), PayGo reported transfers from state and related project cost expenses of \$7,163,472. This amount reflected LEA project costs incurred during fiscal 2019, as approved and reported by the SBA.

During fiscal 2020 the SBA awarded an additional \$77,978,910 of PayGo funds to 6 of the State's LEAs. For fiscal year 2020, PayGo reported transfers from state of \$26,852,644 and related project cost expenses of \$22,251,942. This amount reflected LEA project costs incurred during fiscal 2020, as approved and reported by the SBA. For fiscal 2020, PayGo also reported a transfer of \$4,769,542 to SBACF, representing unspent funds, pursuant to RIGL 45-38.2-4(e)(3), which states that any excess funds may be transferred to the SBACF in an amount not to exceed 5% of any amount of bonds issued in a given year.

NOTE 11 - 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, 2020 and 2019 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, 2020 and 2019.

OPERATING RESERVES

This designation was established to provide for expenditures incurred as a result of operating contingencies. The Board designated \$2,000,000 of net position for operating reserves at June 30, 2020 and 2019.

**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, 2020 AND 2019

NOTE 11 - NET POSITION DESIGNATIONS (CONTINUED)

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 \$1,500,000 and \$1,000,000 of net position for financial assistance at June 30, 2020 and 2019, respectively.

SCHOOL BUILDING AUTHORITY

In accordance with Article 9 of the fiscal 2019 Appropriations Act, the Corporation is required to pay certain limited personnel expenses of the School Building Authority. This designation was established for the purpose of funding differences between the fees generated from the issuance of school construction bonds and SBA personnel expenses. During fiscal 2019 the Board originally designated \$3,000,000 for this purpose. At June 30, 2020 and 2019 this designation was approximately \$2,321,000 and \$2,944,000 respectively.

NOTE 12 - STATE APPROPRIATION

During the year ended June 30, 2020, the SBACF received \$132,679 in state appropriations for the purpose of providing school facilities project cost funding to the LEAs.

NOTE 13 – TRANSFER FROM STATE

During the year ended June 30, 2020, PayGo received \$26,852,644 from the State of Rhode Island for the purpose of providing school facilities project cost funding to the LEAs.

NOTE 14 - OTHER INCOME

Other income for the year ended June 30, 2020 consists of excess funds for bond issue administrative expenses due to the refunding of conduit debt bonds. In addition, other income consists of investment earnings from the housing aid account. Pursuant to Rhode Island General Law 45-38.2-2, investment earnings and any other funds permitted by law which the corporation in its discretion shall determine appropriate shall be deposited into the School Building Authority Capital Fund.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 15 - CONTRIBUTION TO STATE

In accordance with Rhode Island General Law Section 16-105-7, the Corporation was required to contribute \$770,945 and \$737,734 to the State of Rhode Island during the years ended June 30, 2020 and 2019 for limited personnel costs of the School Building Authority.

NOTE 16 - 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 \$44,210 and \$53,184 for the fiscal years ended June 30, 2020 and 2019, 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, 2020

	RIHEBC	SBACF	PayGo	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 7,886,055	\$ --	\$ --	\$ 7,886,055
Funds on deposit with custodian	3,773,110	8,726,913	2,107,212	14,607,235
Current portion of loans receivable	55,487	--	--	55,487
Current portion of School Building Authority Capital Fund loan receivable	--	477,447	--	477,447
Accounts receivable	93,619	--	--	93,619
Due from primary state government	--	132,679	4,080,096	4,212,775
Internal balances	(184,754)	4,954,296	(4,769,542)	--
Prepaid expenses	67,846	--	--	67,846
Accrued interest receivable	--	17,774	--	17,774
Total Current Assets	<u>11,691,363</u>	<u>14,309,109</u>	<u>1,417,766</u>	<u>27,418,238</u>
Non-Current Assets				
Loans receivable, net of current portion	614,629	--	--	614,629
School Building Authority Capital Fund loans receivable, net of current portion	--	1,120,287	--	1,120,287
Capital assets, net	<u>25,243</u>	<u>--</u>	<u>--</u>	<u>25,243</u>
Total Non-Current Assets	<u>639,872</u>	<u>1,120,287</u>	<u>--</u>	<u>1,760,159</u>
Total Assets	<u>\$ 12,331,235</u>	<u>\$ 15,429,396</u>	<u>\$ 1,417,766</u>	<u>\$ 29,178,397</u>
Liabilities and Net Position				
Current Liabilities				
Accrued expenses	\$ 73,310	\$ --	\$ --	\$ 73,310
Project costs and other commitments payable	3,526,990	1,492,847	1,417,766	6,437,603
Due to primary state government	<u>223,222</u>	<u>--</u>	<u>--</u>	<u>223,222</u>
Total Liabilities	<u>3,823,522</u>	<u>1,492,847</u>	<u>1,417,766</u>	<u>6,734,135</u>
Net Position				
Net investment in capital assets	25,243	--	--	25,243
Restricted - School Building Authority Capital Fund:				
Held for authorized projects	--	6,714,088	--	6,714,088
Available for future projects	--	7,222,461	--	7,222,461
Unrestricted	<u>8,482,470</u>	<u>--</u>	<u>--</u>	<u>8,482,470</u>
Total Net Position	<u>8,507,713</u>	<u>13,936,549</u>	<u>--</u>	<u>22,444,262</u>
Total Liabilities and Net Position	<u>\$ 12,331,235</u>	<u>\$ 15,429,396</u>	<u>\$ 1,417,766</u>	<u>\$ 29,178,397</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, 2020

	RIHEBC	SBACF	PayGo	Total
Operating Revenues				
Administration fees	\$ 2,376,665	\$ --	\$ --	\$ 2,376,665
State appropriations	--	132,679	--	132,679
Transfer from State	--	--	26,852,644	26,852,644
Interest earned on loans receivable	15,718	35,819	--	51,537
Total Operating Revenues	<u>2,392,383</u>	<u>168,498</u>	<u>26,852,644</u>	<u>29,413,525</u>
Operating Expenses				
Administrative	1,371,295	--	--	1,371,295
Project cost grants	--	11,767,252	22,251,942	34,019,194
Depreciation	9,924	--	--	9,924
Total Operating Expenses	<u>1,381,219</u>	<u>11,767,252</u>	<u>22,251,942</u>	<u>35,400,413</u>
Operating Income (Loss)	<u>1,011,164</u>	<u>(11,598,754)</u>	<u>4,600,702</u>	<u>(5,986,888)</u>
Non-Operating Revenues (Expenses)				
Interest income	114,714	--	--	114,714
Interest earned on funds on deposit with custodian	637	24,221	168,840	193,698
Other income	76,240	184,754	--	260,994
Loss on disposal of capital assets	(710)	--	--	(710)
Transfer from (to) other program	--	4,769,542	(4,769,542)	--
Payment to primary state government	(770,945)	--	--	(770,945)
Total Non-Operating Revenues (Expenses)	<u>(580,064)</u>	<u>4,978,517</u>	<u>(4,600,702)</u>	<u>(202,249)</u>
Increase (Decrease) in Net Position	431,100	(6,620,237)	--	(6,189,137)
Net Position - Beginning of Year	<u>8,076,613</u>	<u>20,556,786</u>	<u>--</u>	<u>28,633,399</u>
Net Position - End of Year	<u>\$ 8,507,713</u>	<u>\$ 13,936,549</u>	<u>\$ --</u>	<u>\$ 22,444,262</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, 2020

**Women in Public Finance Summer Chat & Chow - Providence, RI
July 16, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
8/13/2019	Kimberly Mooers	Meal	\$ 69.02
8/13/2019	Kimberly Mooers	Mileage	2.73
			<u>71.75</u>

**PBN's 25 over Fifty-Five Awards Program - Providence, RI
August 22, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
8/13/2019	Kimberly Mooers	Registration	125.00
10/3/2019	Kimberly Mooers	Mileage	25.62
			<u>150.62</u>

**Greater Providence Chamber of Commerce Economic Outlook Luncheon
Providence, RI - September 18, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
8/13/2019	Kimberly Mooers	Registration	75.00
8/8/2019	Scott O'Malley	Registration	75.00
			<u>150.00</u>

**Moody's Healthcare and Higher Education Briefing - Boston, MA
September 19, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
10/3/2019	Kimberly Mooers	Parking, Mileage	<u>33.40</u>

**National Association of Health & Educational Facilities Finance Authorities
Portland, ME - September 23-24, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
8/13/2019	Kimberly Mooers	Registration	450.00
10/3/2019	Kimberly Mooers	Lodging, Meals, Transportation	884.72
			<u>1,334.72</u>

See independent auditors' report on supplementary information.

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

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

FOR THE YEAR ENDED JUNE 30, 2020

**RI Office of the General Treasurer/RIHEBC Fall Municipal Training Conference
Warwick, RI - October 21, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
10/17/2019	Pranzi	Beverage Service	1,551.90
1/3/2020	Kimberly Mooers	Mileage	16.35
			<u>1,568.25</u>

**Women in Public Finance Inaugural Professional Development Series - Boston, MA
October 29, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
1/3/2020	Kimberly Mooers	Mileage	13.08
1/3/2020	Kimberly Mooers	Parking	42.00
			<u>55.08</u>

**PBN's Fall Healthcare Summit - Providence, RI
October 30, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
10/3/2019	Kimberly Mooers	Registration	65.00
1/3/2020	Kimberly Mooers	Mileage	11.99
			<u>76.99</u>

**Women in Public Finance Holiday Party - Boston, MA
December 5, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
1/3/2020	Kimberly Mooers	Mileage	28.34
1/3/2020	Kimberly Mooers	Parking	14.00
			<u>42.34</u>

**RIHEBC Year-End Event - Providence, RI
December 11, 2019**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
12/11/2019	Layali	Food	<u>840.00</u>

See independent auditors' report on supplementary information.

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

FOR THE YEAR ENDED JUNE 30, 2020

**Greater Providence Chamber of Commerce Legislative Luncheon
Providence, RI - February 12, 2020**

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
1/3/2020	GPCC	Registration	80.00
1/3/2020	GPCC	Registration	80.00
			<u>160.00</u>

Mileage/Miscellaneous - July 1, 2019 - June 30, 2020

<u>Date Paid</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
8/13/2019	Kim Mooers	Mileage (July)	2.72
8/13/2019	Kim Mooers	Lunch (T. Afonso)	49.84
9/17/2019	Jenn Almeida	Online Training	47.96
10/3/2019	Kim Mooers	Mileage (Aug.-Sept.)	52.41
1/3/2020	Kim Mooers	Lunch (staff)	65.71
1/3/2020	Kim Mooers	Lunch (C. Lopes)	17.80
1/3/2020	Kim Mooers	Mileage/Parking (Oct.-Dec.)	50.78
6/2/2020	Kim Mooers	Staff outing (lunch, RISD)	109.06
6/2/2020	Kim Mooers	Mileage/Parking (Jan.-Mar.)	50.55
			<u>446.83</u>

Total \$ 4,929.98

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, 2020

Statement of Net Position

Attachment B

Assets

Current assets:

Cash and cash equivalents \$ 7,886,055

Receivables 644,327

Restricted assets:

Funds on deposit with custodian 14,607,235

Due from primary government 4,212,775

Other assets 67,846

Total current assets 27,418,238

Noncurrent assets:

Receivables 1,734,916

Capital assets - depreciable, net 25,243

Total noncurrent assets 1,760,159

Total assets 29,178,397

Liabilities

Current liabilities:

Accounts payable 6,437,603

Due to primary government 223,222

Accrued expenses 73,310

Total current liabilities 6,734,135

Total liabilities 6,734,135

Net Position

Net investment in capital assets 25,243

Restricted for:

School Building Authority Capital Fund 13,936,549

Unrestricted 8,482,470

Total net position \$ 22,444,262

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, 2020

Statement of Activities

Attachment C

Expenses	\$ 35,401,123
Program revenues:	
Charges for services	2,428,202
Operating grants and contributions	<u>26,985,323</u>
Total program revenues	<u>29,413,525</u>
 Net revenues (expenses)	 <u>(5,987,598)</u>
General revenues:	
Interest and investment earnings	308,412
Miscellaneous revenue	<u>260,994</u>
Total general revenues	<u>569,406</u>
 Payment to primary state government	 <u>(770,945)</u>
 Change in net position	 (6,189,137)
 Total net position - beginning	 <u>28,633,399</u>
 Total net position - ending	 <u><u>\$ 22,444,262</u></u>

See independent auditors' report on supplementary information.

STATISTICAL SECTION

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Statistical Section Contents

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

Contents

Financial Trends

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

- Net Position by Component – Last Ten Fiscal Years
- Changes in Net Position – Last Ten Fiscal Years
- Total Revenues by Component – Last Ten Fiscal Years
- Total Expenses by Component – Last Ten Fiscal Years

Revenue Capacity

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

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

Debt Capacity

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

- Conduit Debt Issued – Last Ten Fiscal Years
- Conduit Debt Outstanding – Last Ten Fiscal Years

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Statistical Section Contents (Continued)

Operating Information

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

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

Demographic and Economic Information

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

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

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Net Position by Component

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Net Position</u>
2020	\$ 25,243	\$ 13,936,549	\$ 8,482,470	\$ 22,444,262
2019	25,910	20,556,786	8,050,703	28,633,399
2018	22,473	13,685,281	7,197,828	20,905,582
2017	30,451	16,052,632	12,368,625	28,451,708
2016	28,368	20,214,870	11,844,320	32,087,558
2015	20,453	-	12,012,392	12,032,845
2014	11,264	-	11,205,891	11,217,155
2013	14,581	-	10,356,518	10,371,099
2012	24,349	-	9,425,966	9,450,315
2011	33,496	-	8,718,783	8,752,279

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Changes in Net Position

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Operating Revenues</u>	<u>Total Operating Expenses</u>	<u>Operating Income (Loss)</u>	<u>Total Non-Operating Revenues (Expenses)</u>	<u>Change in Net Position</u>
2020	\$ 29,413,525	\$ 35,400,413	\$ (5,986,888)	\$ (202,249)	\$ (6,189,137)
2019	24,468,960	16,407,419	8,061,541	(333,724)	7,727,817
2018	12,815,224	14,646,230	(1,831,006)	(5,715,120)	(7,546,126)
2017	12,479,844	16,198,985	(3,719,141)	83,291	(3,635,850)
2016	22,831,768	3,644,763	19,187,005	867,708	20,054,713
2015	2,341,668	1,562,949	778,719	36,971	815,690
2014	2,375,744	1,575,482	800,262	45,794	846,056
2013	2,357,318	1,476,615	880,703	40,082	920,785
2012	2,267,346	1,612,274	655,072	42,965	698,037
2011	2,273,428	1,404,124	869,304	(958,776)	(89,472)

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Total Revenues by Component

Last Ten Fiscal Years

Fiscal Year	Operating Revenues					Non-Operating Revenues			
	Administrative Fees	Interest on Loans Receivable	State Appropriations	Transfer from State	Total Operating Revenues	Net Investment Income	Other Income	Interest on Funds on Deposit with Custodian	Total Revenues
2020	\$ 2,376,665	\$ 51,537	\$ 132,679	\$ 26,852,644	\$ 29,413,525	\$ 114,714	\$ 260,994	\$ 193,698	\$ 29,982,931
2019	3,074,171	58,300	14,173,017	7,163,472	24,468,960	168,150	210,454	27,776	24,875,340
2018	2,388,962	62,183	10,364,079	-	12,815,224	173,221	89,560	22,099	13,100,104
2017	2,283,024	57,065	10,139,755	-	12,479,844	65,626	-	17,665	12,563,135
2016	2,432,947	32,455	20,366,366	-	22,831,768	36,384	827,824	5,893	23,701,869
2015	2,306,840	34,828	-	-	2,341,668	38,834	-	-	2,380,502
2014	2,328,565	47,179	-	-	2,375,744	45,794	-	-	2,421,538
2013	2,284,034	73,284	-	-	2,357,318	40,082	-	-	2,397,400
2012	2,178,195	89,151	-	-	2,267,346	45,335	-	-	2,312,681
2011	2,171,449	101,979	-	-	2,273,428	43,472	-	-	2,316,900

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Total Expenses by Component

Last Ten Fiscal Years

Fiscal Year	Operating Expenses					Non-Operating Expenses		
	Administrative	Payment to Local Institution	Project Cost Grants	RIHEBC Grants	Total Operating Expenses	Loss on Disposal of Capital Assets	Payment to State	Total Expenses
2020	\$ 1,381,219	\$ -	\$ 34,019,194	\$ -	\$ 35,400,413	\$ 710	\$ 770,945	\$ 36,172,068
2019	1,662,796	64,243	14,680,380	-	16,407,419	2,370	737,734	17,147,523
2018	1,520,255	-	12,875,975	250,000	14,646,230	-	6,000,000	20,646,230
2017	1,846,294	-	14,352,691	-	16,198,985	-	-	16,198,985
2016	1,659,550	-	1,985,213	-	3,644,763	2,393	-	3,647,156
2015	1,562,949	-	-	-	1,562,949	1,863	-	1,564,812
2014	1,575,482	-	-	-	1,575,482	-	-	1,575,482
2013	1,476,615	-	-	-	1,476,615	-	-	1,476,615
2012	1,612,274	-	-	-	1,612,274	2,370	-	1,614,644
2011	1,404,124	-	-	-	1,404,124	2,248	1,000,000	2,406,372

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Ten Largest Revenue Sources

Current Year and Nine Years Ago

<u>Payor</u>	<u>FY 2020 Rank</u>	<u>% of Revenue</u>	<u>FY 2011 Rank</u>	<u>% of Revenue</u>
Brown University	1	26.56%	1	20.35%
University of Rhode Island	2	11.27%	3	11.63%
Lifespan	3	9.27%	2	16.19%
Rhode Island School of Design	4	8.07%	4	7.81%
Providence College	5	5.82%	9	3.23%
Care New England	6	5.51%	6	3.98%
Bryant University	7	4.39%	7	3.87%
Roger Williams University	8	4.20%	5	6.66%
New England Institute of Technology	9	4.07%	10	2.53%
Town of Lincoln	10	2.41%		
Johnson & Wales University			8	3.50%

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Ten Largest Borrowers

Current Year and Nine Years Ago

<u>Borrower</u>	<u>FY 2020 Rank</u>	<u>Amount of Borrowing</u>	<u>FY 2011 Rank</u>	<u>Amount of Borrowing</u>
Town of Lincoln	1	\$ 57,450,000	*	
Brown University	2	54,560,000	1	50,000,000
Portsmouth Abbey School	3	17,990,000	*	
Bryant University	4	17,300,000	*	
Roger Williams University	5	14,518,500	3	26,410,000
HopeHealth	6	11,000,000	*	
Kingston Hill Academy	7	6,200,000	*	
City of Warwick	8	5,445,000	13	4,212,000
Town of Jamestown	9	5,070,000	*	
Town of S Kingstown	10	3,875,000	*	
Tockwotton Home			2	41,900,000
City of Providence			4	21,945,000
Chariho Reginal School District			5	14,697,000
Providence Community Health Centers			6	12,115,000
Care New England			7	12,000,000
Town of E Providence			8	11,732,000
Town of Westerly			9	11,496,000
Town of E Greenwich			10	10,635,000

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

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

Direct Loans Issued

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Number of Loans</u>	<u>Amount</u>
2020	1	\$ 151,000
2019	0	-
2018	0	-
2017	0	-
2016	0	-
2015	1	795,000
2014	1	350,000
2013	1	1,000,000
2012	1	348,527
2011	0	-

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

Conduit Debt Issued

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Number of Financings</u>	<u>Bonds - New Projects</u>	<u>Bonds - Refunding</u>	<u>Equipment Leases</u>	<u>Total</u>
2020	11	\$ 105,220,830	\$ 92,037,670	\$ -	\$ 197,258,500
2019	15	212,624,682	33,052,318	-	245,677,000
2018	9	255,850,000	124,355,000	-	380,205,000
2017	16	172,485,000	706,423,000	-	878,908,000
2016	16	220,054,207	126,885,793	-	346,940,000
2015	13	51,838,000	259,469,000	-	311,307,000
2014	17	308,908,085	170,071,915	-	478,980,000
2013	16	208,152,713	207,017,287	60,000,000	475,170,000
2012	21	151,533,183	198,021,817	-	349,555,000
2011	18	203,482,000	41,500,000	-	244,982,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Conduit Debt Outstanding

Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<u>Education</u>										
Colleges & Universities										
State	\$ 281,910,000	\$ 291,700,000	\$ 280,695,000	\$ 213,620,000	\$ 229,255,000	\$ 238,630,000	\$ 247,670,000	\$ 311,535,000	\$ 268,665,000	\$ 276,230,000
Private	1,326,626,472	1,378,484,422	1,360,870,954	1,347,398,291	1,327,699,312	1,247,807,774	1,217,693,976	1,197,804,215	1,215,112,851	1,093,971,212
Primary & Secondary Schools										
Public	825,329,000	813,329,000	784,375,000	754,386,000	707,389,000	726,402,000	766,106,000	693,941,000	653,041,000	642,102,000
Private	140,828,182	146,766,698	151,159,347	127,764,595	148,665,279	137,240,712	120,502,413	111,637,491	121,426,233	100,806,000
Charter	53,584,527	46,417,427	18,199,143	20,496,837	22,111,692	26,102,605	27,663,000	29,357,000	31,138,000	32,700,000
Total Education Debt	\$ 2,628,278,181	\$ 2,676,697,547	\$ 2,595,299,444	\$ 2,463,665,723	\$ 2,435,120,283	\$ 2,376,183,091	\$ 2,379,635,389	\$ 2,344,274,706	\$ 2,289,383,084	\$ 2,145,809,212
<u>Healthcare</u>										
Hospitals	\$ 394,073,651	\$ 423,027,604	\$ 450,114,460	\$ 474,406,299	\$ 538,322,420	\$ 563,636,932	\$ 619,314,519	\$ 593,774,200	\$ 564,448,007	\$ 569,590,525
Health Centers	49,885,081	48,952,243	52,677,708	55,572,687	59,947,930	61,776,767	63,524,766	65,657,315	60,811,284	40,490,479
Assisted Living/Skilled Nursing Facilities	48,262,945	50,151,357	53,102,768	56,067,156	99,738,785	88,312,046	99,064,000	93,373,000	90,587,000	94,785,000
Total Healthcare Debt	\$ 492,221,677	\$ 522,131,204	\$ 555,894,936	\$ 586,046,142	\$ 698,009,135	\$ 713,725,745	\$ 781,903,285	\$ 752,804,515	\$ 715,846,291	\$ 704,866,004
 Total Debt	 \$ 3,120,499,858	 \$ 3,198,828,751	 \$ 3,151,194,380	 \$ 3,049,711,865	 \$ 3,133,129,418	 \$ 3,089,908,836	 \$ 3,161,538,674	 \$ 3,097,079,221	 \$ 3,005,229,375	 \$ 2,850,675,216

The Corporation's debt is not considered debt of the State of Rhode Island. See Note 2 in the basic financial statements for more information.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

Full-Time Employees by Program

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>RIHEBC Administrative</u>	<u>School Housing Aid</u>	<u>Total</u>
2020	3	1	4
2019	3	1	4
2018	4	1	5
2017	4	1	5
2016	4	1	5
2015	4	1	5
2014	4	1	5
2013	4	1	5
2012	4	1	5
2011	4	1	5

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

State of Rhode Island Demographics

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in millions)</u>	<u>Personal Income Per Capita</u>	<u>Unemployment Rate</u>
2020	-	\$ -	\$ -	12.6%
2019	1,059,361	59,707.2	56,362	3.6%
2018	1,058,287	57,603.7	54,431	3.9%
2017	1,055,673	55,574.7	52,644	4.4%
2016	1,056,770	53,530.2	50,655	5.3%
2015	1,056,065	52,739.2	49,939	6.0%
2014	1,055,936	50,863.3	48,169	7.8%
2013	1,055,081	48,772.6	46,226	9.3%
2012	1,054,621	48,810.3	46,282	10.5%
2011	1,053,649	47,067.0	44,670	10.9%

Source:

Population - US Census Bureau.

Personal Income - Bureau of Economic Analysis.

Unemployment Rate - RI Department of Labor and Training.

Note: Population and personal income information for 2020 unavailable at time of printing.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

State of Rhode Island Principal Employers

Current Year and Nine Years Ago

<u>Employer</u>	<u>2019 Rank</u>	<u>Number of Employees</u>	<u>2010 Rank</u>	<u>Number of Employees</u>
State of Rhode Island	1	13,722	1	13,050
Lifespan Corp.	2	13,165	2	12,477
CVS Health Corp.	3	8,300	4	6,300
Care New England	4	6,295	3	6,878
Citizens Financial Group	5	5,100	7	5,300
General Dynamics Electric Boat	6	4,595	16	2,036
City of Providence	7	4,243	6	5,351
Brown University	8	4,147	8	4,142
Naval Undersea Warfare Center	9	3,373	11	2,758
Fidelity Investments	10	3,200	12	2,700
Diocese of Providence			5	6,157
Bank of America			9	3,500
United States Postal Service			10	2,933

Source:

2019 Data - Providence Business News, *2020 Book of Lists*.

2010 Data - Providence Business News, *2011 Book of Lists*.

Note: Information for 2020 unavailable at time of printing.

COMPLIANCE SECTION

**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, 2020, 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 23, 2020.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rhode Island 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*.

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 23, 2020