

**RHODE ISLAND HEALTH AND  
EDUCATIONAL BUILDING  
CORPORATION**

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

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**FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2017 AND 2016**

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

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

## **Financial Statements and Management's Discussion and Analysis**

**June 30, 2017 and 2016**

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## INDEPENDENT AUDITORS' REPORT

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

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of June 30, 2017 and 2016, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 12, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The schedule of statement of net position on page 39, schedule of statement of revenue, expenses and changes in net position on page 40 and the schedule of travel, entertainment and educational expenses on page 41, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of statement of net position, schedule of statement of revenue, expenses and changes in net position and schedule of travel, entertainment and educational expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of statement of net position, schedule of statement of revenue, expenses and changes in net position and the schedule of travel, entertainment and educational expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*O'Connor and Duen, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

September 29, 2017

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

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

## **Management's Discussion and Analysis**

**June 30, 2017 and 2016**

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

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

## **Management's Discussion and Analysis - Continued**

**June 30, 2017 and 2016**

### **FINANCIAL HIGHLIGHTS – FY 2017**

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

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

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

## **Management's Discussion and Analysis - Continued**

**June 30, 2017 and 2016**

### **FINANCIAL HIGHLIGHTS – FY 2016**

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



# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Management's Discussion and Analysis - Continued

June 30, 2017 and 2016

### FINANCIAL ANALYSIS

#### Condensed Statements of Net Position

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

#### Capital Assets

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

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

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

## **Management's Discussion and Analysis - Continued**

**June 30, 2017 and 2016**

### **Total Assets**

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

### **Total Liabilities**

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

### **Total Net Position**

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Management's Discussion and Analysis - Continued

June 30, 2017 and 2016

### Condensed Statements of Revenues, Expenses and Changes in Net Position

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

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

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

## **Management's Discussion and Analysis - Continued**

**June 30, 2017 and 2016**

### **Revenues**

#### Administrative Fees

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

#### State Appropriation & Other Income

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

#### Interest Income

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

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

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

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

## **Management's Discussion and Analysis - Continued**

**June 30, 2017 and 2016**

### **Expenses**

#### Financing

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

#### Personnel

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

#### Operating

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

#### Project Cost Grants

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

#### Payments to the State

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

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

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

## **Management's Discussion and Analysis - Continued**

**June 30, 2017 and 2016**

### **CONDUIT DEBT**

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

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

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

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

### **CONTACTING THE CORPORATION**

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Statements of Net Position

June 30, 2017 and 2016

### Assets

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

### Liabilities and Net Position

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

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,

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

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



# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Statements of Cash Flows

For the Years Ended June 30,

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

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

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

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

## **Notes to the Financial Statements**

**June 30, 2017 and 2016**

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

#### **Organization**

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

#### **School Building Authority Capital Fund**

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

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

#### **Basis of Presentation**

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

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

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

## **Notes to the Financial Statements - Continued**

**June 30, 2017 and 2016**

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

#### **Basis of Presentation - Continued**

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

#### **Revenue Recognition**

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

#### **Use of Estimates**

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

#### **Cash and Equivalents**

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

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

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

## **Notes to the Financial Statements - Continued**

**June 30, 2017 and 2016**

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

#### **Cash and Equivalents - Restricted**

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

#### **Investments**

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

#### **Accounts and Loans Receivable**

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

#### **Prepaid Expenses**

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

#### **Capital Assets**

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

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

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

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

## **Notes to the Financial Statements - Continued**

**June 30, 2017 and 2016**

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

#### *Deposits Held for Others*

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

#### *Project Costs Payable*

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

#### *Compensated Absences*

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

#### *Net Position*

Resources are classified for accounting purposes into the following categories:

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

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

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

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

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

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

## **Notes to the Financial Statements - Continued**

**June 30, 2017 and 2016**

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

#### *Tax Status*

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

#### *New Governmental Accounting Pronouncements*

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

### Note 2 - **Conduit Debt**

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 2 - Conduit Debt - Continued

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

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 2 - Conduit Debt - Continued

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



# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 2 - Conduit Debt - Continued

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 2 - Conduit Debt - Continued

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 2 - Conduit Debt - Continued

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

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

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

## **Notes to the Financial Statements - Continued**

**June 30, 2017 and 2016**

### **Note 3 - Cash and Equivalents**

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

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

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

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

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

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

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

## **Notes to the Financial Statements - Continued**

**June 30, 2017 and 2016**

### Note 4 - **Investments**

#### *Fair Value Hierarchy*

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

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

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

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

*General Obligation Bonds:* Valued at the principal balance outstanding.

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

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

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

## **Notes to the Financial Statements - Continued**

**June 30, 2017 and 2016**

### **Note 4 - Investments - Continued**

#### **Ocean State Investment Pool Trust**

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

#### **Interest Rate Risk**

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

#### **Credit Risk**

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

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

#### **Concentration of Credit Risk**

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 4 - **Investments - Continued**

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

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

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

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 5 - Loans Receivable

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

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



# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 6 - School Building Authority Capital Fund Loans Receivable

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

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

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 7 - Capital Assets

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

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 7 - Capital Assets - Continued

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

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

June 30, 2017 and 2016

### Note 8 - Commitments and Contingencies

#### Subsidy Program

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

#### Lease Commitment

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

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

**June 30, 2017 and 2016**

### Note 8 - Commitments and Contingencies - Continued

#### School Building Authority Capital Fund Commitments

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

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

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Notes to the Financial Statements - Continued

June 30, 2017 and 2016

### Note 8 - Commitments and Contingencies - Continued

#### School Building Authority Capital Fund Commitments - Continued

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

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

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

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

## **Notes to the Financial Statements - Continued**

**June 30, 2017 and 2016**

### **Note 9 - Net Position Designations**

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

#### **Self-Insurance**

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

#### **Operating Reserves**

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

#### **Financial Assistance Program**

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

#### **Debt Service Reserve**

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

### **Note 10 - Other Income**

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

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

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

## **Notes to the Financial Statements - Continued**

**June 30, 2017 and 2016**

### **Note 11 - Pension Plan**

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

### **Note 11 - Management's Acceptance of the Financial Statements**

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

#### **School Building Authority Capital Fund Awards**

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



## **SUPPLEMENTARY INFORMATION**

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

## Schedule of Statement of Net Position

June 30, 2017

### Assets

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

### Liabilities and Net Position

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

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

# RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

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

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

**For the Year Ended June 30, 2017**

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

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

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

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

## **Schedule of Travel, Entertainment and Educational Expenses**

**For the Year Ended June 30, 2017**

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

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

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

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

**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rhode Island Health and Educational Building Corporation (the "Corporation") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and we have issued our report thereon dated September 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

O'Connor and Duen, P.C.

**Certified Public Accountants  
Braintree, Massachusetts**

September 29, 2017