

**RHODE ISLAND HEALTH AND
EDUCATIONAL BUILDING
CORPORATION**
(a component unit of the State of Rhode Island)

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

JUNE 30, 2010 and 2009



**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(a component unit of the State of Rhode Island)

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

June 30, 2010 and 2009

C O N T E N T S

Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-6
Financial Statements:	
Statements of Net Assets	7
Statements of Revenues, Expenses, and Changes in Net Assets	8
Statements of Cash Flows	9
Notes to Financial Statements	10-26
Supplemental Information:	
Report on Schedule of Travel, Entertainment and Education Expenses	27
Schedule of Travel, Entertainment and Education Expenses	28
Independent Auditors' Report on Supplemental Information	29
Supplemental Information (Required by State of Rhode Island Controller's Office):	
Statements of Net Assets (Attachment B)	30
Statements of Revenues, Expenses and Changes in Net Assets (Attachment C)	31
Additional Reports:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32-33



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of Rhode Island Health and Educational Building Corporation (a component unit of the State of Rhode Island) as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Rhode Island Health and Educational Building Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rhode Island Health and Educational Building Corporation as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, September 14, 2010, on our consideration of Rhode Island Health and Educational Building Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing and not provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis (MD&A), on pages 3 to 6, is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

O'Connell & Drew, P.C.
Certified Public Accountants

September 14, 2010

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Management's Discussion and Analysis

The following discussion and analysis offers readers of Rhode Island Health and Educational Building Corporation's (the "Corporation's") financial statements a narrative overview of the financial position and activities of the Corporation for the fiscal year ended June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes, that are separately provided.

The Corporation provides tax-exempt bond and lease financing for private, non-profit, healthcare and educational institutions in the state of Rhode Island. The debt obligation and payment is the sole responsibility of the non-profit borrowing institution and is not the obligation of the Corporation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of three components: 1) the financial statements, 2) the notes to the financial statements and 3) other supplementary information.

The Financial Statements - The financial statements provide both long-term and short-term information about the Corporation's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

These statements are prepared in accordance with accounting principles generally accepted in the United States of America 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 Change in Net Assets. All assets and liabilities associated with the operations of the Corporation are included in the Statement of Net Assets.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

FINANCIAL HIGHLIGHTS

The Corporation's total net assets decreased \$670,493 (or 7%)

Cash and investments decreased \$108,711 (or 2%)

Operating revenues increased \$67,662 (or 3%)

Operating expenses increased \$498,396 (or 20%)

Change in net assets decreased \$476,335 (or 245%)

FINANCIAL ANALYSIS OF THE CORPORATION

The following table summarizes the Change in Net Assets between fiscal years ending June 30, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Fixed assets, net of accumulated depreciation	\$ 43,348	\$ 45,060	(4%)	\$ 38,437	17%
Other assets	<u>8,958,580</u>	<u>9,592,796</u>	(7%)	<u>9,915,501</u>	3%
Total assets	<u>9,001,928</u>	<u>9,637,856</u>	(7%)	<u>9,953,938</u>	3%
Other liabilities	<u>160,177</u>	<u>125,612</u>	28%	<u>247,536</u>	(49%)
Total liabilities	<u>160,177</u>	<u>125,612</u>	28%	<u>247,536</u>	(49%)
Investment in capital assets, Net of related debt	43,348	45,060	(4%)	38,437	17%
Undesignated	<u>8,798,403</u>	<u>9,467,184</u>	(7%)	<u>9,667,965</u>	(2%)
Total Net Assets	\$ <u>8,841,751</u>	\$ <u>9,512,244</u>	(7%)	\$ <u>9,706,402</u>	(2%)

GASB statement No. 34 guidelines, which provide the format for Management's Discussion and Analysis, do not allow the recognition of funds designated for specific purposes except under certain limited circumstances. However, the Corporation does designate funds for specific purposes and programs, currently in the amount of \$8,000,000.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

The following table summarizes the changes in Operating Income between fiscal years ending June 30, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Revenues					
Administrative fees	\$ 2,158,374	\$ 2,058,475	5%	\$ 1,979,254	4%
Interest income	<u>127,000</u>	<u>205,701</u>	(38%)	<u>369,160</u>	(44%)
Total Revenues	<u>2,285,374</u>	<u>2,264,176</u>	1%	<u>2,348,414</u>	(4)%
Expenses					
Personnel expenses	487,290	493,686	(1%)	379,590	30%
Operating expenses	314,156	308,490	2%	735,244	(59%)
Financing expenses	654,421	556,158	18%	760,944	(27%)
Contribution to the State	<u>1,500,000</u>	<u>1,100,000</u>	36%	_____	100%
Total Expenses	<u>2,955,867</u>	<u>2,458,334</u>	20%	<u>1,875,778</u>	31%
Change in Net Assets	\$ <u>(670,493)</u>	\$ <u>(194,158)</u>	(245%)	\$ <u>472,636</u>	(141%)

Operating Activities: The Corporation is limited to providing services only to qualified health care and educational institutions. Therefore, the Corporation anticipates fluctuations in revenues and expenses related to the providing of these services. The Corporation anticipates it will continue to serve a significant role in assisting both health care and educational institutions in constructing and improving their facilities.

The Corporation generates revenue from semi-annual and annual administrative fees based on the outstanding principle amount of the bonds. The Corporation receives interest income on outstanding loans made to eligible institutions and on investments. Interest income on investments accrues to the benefit of the program for which the underlying source of income is designated.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(a component unit of the State of Rhode Island)

Management's Discussion and Analysis - Continued

CONDUIT DEBT

The Corporation issued \$304,200,000 of bonds during the fiscal year ending June 30, 2010. Of that amount, approximately \$245,065,000 was for new projects and \$59,135,000 was issued to refund or defease prior bonds.

The following table summarizes the changes in conduit debt for the fiscal years ending June 30, 2010, 2009 and 2008.

	<u>2010</u>	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Bonds Payable	\$ 2,744,708,841	\$ 2,600,179,582	6%	\$ 2,420,465,710	7%

COMMITMENTS TO THE STATE

The State of Rhode Island, in conjunction with approval of the State annual budget for fiscal year 2010 and Title 45, Chapter 38 of Rhode Island General Laws, included a provision that the Corporation transfer \$1,500,000 to the State on June 30, 2010.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designated 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 Rhode Island Health and Educational Building Corporation, 170 Westminster Street, Suite 1200, 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 Assets

June 30, 2010 and 2009

Assets

Current Assets:

Cash and equivalents	\$ 232,717	\$ 390,816
Current portion of investments	5,151,893	5,852,505
Current portion of loans receivable	736,968	1,138,208
Accounts receivable	49,947	83,258
Prepaid expenses	31,982	39,175
Accrued interest receivable	<u>7,858</u>	<u>8,305</u>
Total Current Assets	<u>6,211,365</u>	<u>7,512,267</u>

Non-Current Assets:

Loans receivable, net of current portion	1,997,215	2,080,529
Investments, net of current portion	750,000	-
Capital assets, net	<u>43,348</u>	<u>45,060</u>
Total Non-Current Assets	<u>2,790,563</u>	<u>2,125,589</u>

Total Assets

\$ 9,001,928 **\$ 9,637,856**

Liability and Net Assets

Liability:

Accrued expenses	<u>\$ 160,177</u>	<u>\$ 125,612</u>
------------------	-------------------	-------------------

Net Assets:

Invested in capital assets, net	43,348	45,060
Unrestricted	<u>8,798,403</u>	<u>9,467,184</u>

Total Net Assets

\$ 8,841,751 **\$ 9,512,244**

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 Assets

For the Years Ended June 30, 2010 and 2009

Operating Revenues:		
Administrative fees	\$ 2,158,374	\$ 2,058,475
Interest earned on loans receivable	<u>121,661</u>	<u>153,898</u>
Total Operating Revenues	<u>2,280,035</u>	<u>2,212,373</u>
Operating Expenses:		
Administrative	1,441,686	1,343,695
Depreciation	<u>12,381</u>	<u>11,976</u>
Total Operating Expenses	<u>1,454,067</u>	<u>1,355,671</u>
Operating Income	<u>825,968</u>	<u>856,702</u>
Non-Operating Revenues (Expenses)		
Payment to primary government	(1,500,000)	(1,100,000)
Loss on sale of assets	(1,800)	(2,663)
Net investment income	<u>5,339</u>	<u>51,803</u>
Total Non-Operating Revenues (Expenses)	<u>(1,496,461)</u>	<u>(1,050,860)</u>
Decrease in Net Assets	(670,493)	(194,158)
Net Assets, at Beginning of Year	<u>9,512,244</u>	<u>9,706,402</u>
Net Assets, at End of Year	<u>\$ 8,841,751</u>	<u>\$ 9,512,244</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, 2010 and 2009

Cash Flows from Operating Activities:		
Cash received from institutions for administrative fees	\$ 2,191,685	1,992,358
Cash received for interest on loans receivable	122,108	154,258
Payment of administrative expenses	<u>(1,399,928)</u>	<u>(1,476,261)</u>
Net Cash Applied to Operating Activities	<u>913,865</u>	<u>670,355</u>
Cash Flows from Non-Capital Financing Activity:		
Payment to primary government	<u>(1,500,000)</u>	<u>(1,100,000)</u>
Cash Flows from Capital and Related Financing Activity:		
Purchase of fixed assets	<u>(12,469)</u>	<u>(21,262)</u>
Cash Flows from Investing Activities:		
Purchases of investment securities	(41,434,971)	(27,283,751)
Proceeds from sale and maturities of investment securities	41,385,583	26,971,608
Issuance of loans receivable	(410,000)	(450,000)
Payments received on loans receivable	894,554	1,265,628
Net investment income	<u>5,339</u>	<u>51,803</u>
Net Cash Provided by Investing Activities	<u>440,505</u>	<u>555,288</u>
Net Increase (Decrease) in Cash and Equivalents	(158,099)	104,381
Cash and Equivalents, Beginning of Year	<u>390,816</u>	<u>286,435</u>
Cash and Equivalents, End of Year	<u>\$ 232,717</u>	<u>\$ 390,816</u>
Reconciliation of Net Operating Income to Net Cash Applied to Operating Activities:		
Net Operating Income	\$ 825,968	\$ 856,702
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	12,381	11,976
Changes in assets and liabilities:		
Accounts receivable	33,311	(66,117)
Prepaid expenses	7,193	(10,642)
Accrued interest receivable	447	360
Accrued liabilities	<u>34,565</u>	<u>(121,924)</u>
Net Cash Applied to Operating Activities	<u>\$ 913,865</u>	<u>\$ 670,355</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

June 30, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies

Organization

Rhode Island Health and Educational Building Corporation (the "Corporation") was organized in 1966 as a Rhode Island non-business corporation with the name of Rhode Island Educational Building Corporation. In 1967, the Corporation was constituted as a public body corporation and agency of the State of Rhode Island General Assembly. Under this legislation, it was given powers to assist in providing financing for educational facilities for colleges and universities operating in Rhode Island. In 1968, the Corporation's name was changed to its present name and the Corporation's powers were expanded to enable it to assist hospitals in the State in the financing of health care facilities. Subsequent to 1968, the Corporation's powers have been expanded to provide financing to various types of non-profit organizations for facilities and other capital needs, as well as for financing the capital needs of the municipal school districts.

The Corporation is a component unit of the State of Rhode Island for financial reporting purposes. Accordingly, the Corporation's financial statements are included in the State of Rhode Island's Annual Financial Report.

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 principals generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

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.

The principal operating revenues of the Corporation are administrative fees relating to various bonds and notes outstanding and are recognized as revenue as of the periodic billing date. Operating expenses consist predominantly of administrative expense 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 gains or losses relating to investments or disposals of fixed assets.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

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

Basis of Presentation - Continued

The Corporation's financial statements are prepared in accordance with generally accepted accounting principals (GAAP). Governments are also required to follow applicable pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Net Assets

Resources are classified for accounting purposes into the following two net asset categories:

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

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

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.

Investments

Investments are stated at fair value. The Board of Directors approves all investments of the Corporation. The Board's policy is to invest in securities with a triple "A" credit rating and a maturity of less than ten years.

Accounts Receivable

Accounts 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 date, management is of the opinion that an allowance for doubtful accounts is not necessary.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies - Continued

Capital Assets

Capital assets include furniture and fixtures, office equipment 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 life 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.

Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is included in accrued expenses at June 30, 2010 and 2009. Upon retirement or termination, employees are compensated for all accumulated unused vacation leave. At June 30, 2010 and 2009, compensated absences totaled \$45,710 and \$52,379, respectively.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

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

New Governmental Accounting Pronouncement

GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is required for periods beginning after June 15, 2010. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The initial distinction that it makes is identifying amounts that are considered non-spendable. It also provides for additional classification as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Management of the Corporation is currently reviewing this Statement and has made no determination as to its impact on the financial statements.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform with the 2010 presentation.

Note 2 - **Conduit Debt**

Since its inception, the Corporation has issued various series of bonds and leases to finance capital expenditures for Rhode Island educational institutions, hospitals, and health care 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 reported in the accompanying financial statements.

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 2 - Conduit Debt - Continued

At June 30, 2010 and 2009, the bond issues and leases outstanding are as follows:

<u>Entity</u>	<u>Year</u>	<u>Maturity Date</u>	<u>Principal Balance at June 30, 2010</u>	<u>Principal Balance at June 30, 2009</u>
Providence College	1989	11/01/2012	\$ 760,630	\$ 1,056,570
Westerly Hospital	1994	07/01/2019	9,315,000	9,980,000
Johnson & Wales University	1996	04/01/2026	6,900,000	7,155,000
Tockwotton Home	1996	08/15/2022	3,685,000	3,870,000
Lifespan Obligated Group	1996	05/15/2026	53,960,000	54,585,000
Steere House	1997	07/01/2020	4,440,000	4,725,000
University of Rhode Island	1997	09/15/2023	1,460,000	1,530,000
Brown University	1998	09/01/2028	7,740,000	9,075,000
Roger Williams University	1998	11/15/2028	30,390,000	31,620,000
Roger Williams General Hospital	1998	07/01/2028	13,140,000	13,535,000
Newport Hospital	1999	07/01/2029	24,255,000	24,945,000
St. Andrew's School	1999	12/01/2029	7,145,000	7,375,000
St. Joseph Health Services	1999	10/01/2029	18,885,000	19,395,000
Johnson & Wales University	1999	04/01/2029	39,210,000	40,040,000
Salve Regina University	1999	03/15/2029	9,970,000	10,275,000
St. Antoine Residence, Series A	1999	11/15/2029	-	9,525,000
Roger Williams Realty Corporation	1999	08/01/2028	7,155,000	7,330,000
Moses Brown School	2000	03/01/2030	8,190,000	8,475,000
Roger Williams University	2000	11/15/2030	12,950,000	13,285,000
Bryant College	2001	12/01/2031	25,160,000	25,795,000
Portsmouth Abbey School	2001	10/01/2031	6,455,000	6,680,000
Ocean State Assisted Living	2001	07/01/2031	11,400,000	11,600,000
Rhode Island School of Design	2001	06/01/2031	27,575,000	27,635,000
Ballou Home	2001	12/01/2021	1,460,000	1,545,000
St. Mary Academy Bay View	2001	12/01/2031	2,805,000	2,875,000
Brown University, Series A & B	2001	09/01/2032	82,935,000	83,505,000
Bryant College	2002	06/01/2019	9,485,000	10,315,000
Lifespan	2002	08/15/2032	4,515,000	5,855,000
Salve Regina University	2002	03/15/2032	15,385,000	15,790,000
Board of Governors	2002	09/15/2022	6,300,000	6,655,000
Jewish Seniors Agency of RI	2002	12/01/2032	10,775,000	11,035,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 2 - Conduit Debt - Continued

<u>Entity</u>	<u>Year</u>	<u>Maturity Date</u>	<u>Principal Balance at June 30, 2010</u>	<u>Principal Balance at June 30, 2009</u>
Paul Cuffee School	2002	08/01/2032	2,670,000	2,730,000
Salve Regina University, Series B	2002	03/15/2020	11,890,000	12,820,000
Johnson & Wales University	2003	04/01/2020	29,965,000	32,910,000
Board of Governors, Series A	2003	09/15/2013	1,490,000	1,825,000
Board of Governors, Series B & C	2003	09/15/2023	27,660,000	29,135,000
La Salle Academy	2003	07/01/2033	5,475,000	5,700,000
International Institute of R.I.	2003	08/01/2033	2,145,000	2,210,000
Providence College, Series A	2003	11/01/2024	54,295,000	56,335,000
St. George's School	2003	10/01/2033	14,750,000	15,280,000
Brown University, Series A & B	2003	09/01/2043	87,935,000	89,130,000
Roger Williams University	2003	11/15/2033	27,575,000	28,485,000
South County Hospital, Series B & C	2003	09/15/2033	12,670,000	12,960,000
Memorial Hospital	2003	07/01/2019	15,640,000	17,200,000
Thundermist Health Center	2004	02/01/2034	4,055,000	4,210,000
Newport Hospital	2004	03/01/2014	-	5,000,000
Pennfield School	2004	09/01/2034	4,625,000	4,750,000
Brown University	2004	09/01/2025	19,280,000	20,140,000
R.I. School of Design, Series D	2004	08/15/2035	54,730,000	55,700,000
The Groden Center A & B	2004	10/01/2029	3,910,000	4,040,000
Times ² , Inc.	2004	12/15/2024	14,700,000	15,680,000
Board of Governors, Series A	2004	09/15/2024	29,790,000	31,210,000
Kent County/Butler Hospitals	2004	12/29/2010	619,486	1,828,214
Board of Governors, Series A	2005	09/15/2020	2,145,000	2,300,000
Catholic School Pool Program	2005	04/01/2035	20,910,000	21,470,000
Meeting Street School	2005	06/01/2035	10,350,000	10,700,000
Board of Governors, Series B	2005	09/15/2025	1,700,000	1,780,000
Landmark Medical Center	2005	10/01/2019	-	11,745,000
Paul Cuffee School	2005	10/01/2015	840,000	980,000
Brown University, Series A	2005	05/01/2035	85,500,000	85,500,000
Board of Governors, Series C - G	2005	09/15/2035	79,390,000	81,670,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 2 - Conduit Debt - Continued

<u>Entity</u>	<u>Year</u>	<u>Maturity Date</u>	<u>Principal Balance at June 30, 2010</u>	<u>Principal Balance at June 30, 2009</u>
St. Joseph Health Services	2005	09/28/2012	3,065,983	4,222,959
Women and Infants Hospital	2005	12/16/2010	274,896	810,899
Roger Williams University	2005	11/29/2015	2,196,685	2,550,097
Lifespan Obligated Group, Series A	2006	05/15/2032	183,175,000	189,780,000
South County Hospital, Series A	2006	09/15/2035	41,595,000	52,000,000
Public Schools Pool Program	2006	05/15/2023	14,645,000	15,570,000
Catholic School Program	2006	04/01/2036	16,390,000	16,775,000
Kent County Memorial Hospital	2006	08/30/2013	1,889,847	2,380,444
Providence Public Bldg Authority	2006	05/15/2027	55,215,000	57,300,000
Roger Williams University, Series B	2006	11/15/2036	16,875,000	17,200,000
Child & Family Services of NC	2006	12/01/2036	10,900,000	10,900,000
Brown University	2006	11/30/2036	-	50,000,000
Public School Program, Series A	2007	05/15/2027	34,360,000	35,885,000
NRI Community Services, Inc.	2007	06/01/2037	3,140,000	3,200,000
Brown University	2007	09/01/2037	90,010,000	90,010,000
Women & Infants Hospital	2007	07/18/2012	787,911	1,080,399
Public School Program, Series B	2007	05/15/2027	17,975,000	18,725,000
CVS - Highlander Charter School	2007	09/01/2037	4,135,000	5,500,000
Public School Program, Series C	2007	05/15/2021	12,130,000	12,725,000
Providence Public Bldg Authority, Series A & B	2007	05/15/2028	85,845,000	89,330,000
St. George's School	2007	12/01/2010	4,000,000	4,000,000
St. Antoine Residence, Series A	2007	11/01/2029	8,620,000	8,845,000
Providence Public Bldg Authority, Series C	2007	05/15/2028	72,370,000	75,000,000
Public School Program, Series D	2007	11/15/2027	4,450,000	4,610,000
Home & Hospice Care of RI	2008	02/01/2038	12,340,000	12,600,000
Learning Community Charter School	2008	02/01/2038	3,894,000	3,965,000
Care New England, Series A & B	2008	09/01/2037	78,035,000	81,440,000
R.I. School of Design, Series A & B	2008	08/15/2036	90,155,000	91,980,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 2 - Conduit Debt - Continued

<u>Entity</u>	<u>Year</u>	<u>Maturity Date</u>	<u>Principal Balance at June 30, 2010</u>	<u>Principal Balance at June 30, 2009</u>
Bryant University	2008	06/01/2035	49,990,000	50,305,000
Providence College	2008	11/01/2036	17,785,000	18,200,000
Public School Pool Program	2008	05/15/2029	88,285,000	91,330,000
Roger Williams University, Series A	2008	11/15/2024	20,905,000	21,940,000
N.E. Institute of Technology	2008	03/01/2034	15,210,000	15,795,000
Public School Pool Program, Series B	2008	05/15/2029	23,475,000	24,350,000
Roger Williams University, Series B	2008	11/15/2038	38,000,000	38,000,000
Board of Governors, Series A & B	2008	09/15/2034	37,935,000	37,935,000
Public School Pool Program, Series A	2009	05/15/2024	6,000,000	6,000,000
Lifespan	2009	05/15/2039	114,985,000	114,985,000
Public School Pool Program, Series B	2009	05/15/2021	860,000	940,000
Public School Pool Program, Series C	2009	05/15/2029	24,060,000	24,910,000
Board of Governors, Series A & B	2009	09/15/2029	28,520,000	28,520,000
Public School Pool Program, Series D	2009	05/15/2029	15,930,000	16,100,000
Kent Country Memorial Hospital	2009	12/22/2014	4,019,403	-
St. Antoine Residence	2009	11/01/2018	9,135,000	-
City of Providence Qualified School Bonds	2009	06/15/2025	22,320,000	-
Brown University, Series A	2009	09/01/2039	70,795,000	-
City of Woonsocket, Series E	2009	05/15/2034	74,000,000	-
N.E Institute of Technology	2010	03/01/2040	40,000,000	-
Public School Revenue Bonds, Series A	2010	05/15/2027	12,575,000	-
Public School Revenue Bonds, Series B	2010	05/02/2012	4,250,000	-
Board of Governors, Series A	2010	09/15/2040	24,005,000	-
Board of Governors, Series B	2010	09/15/2040	42,695,000	-
Total			<u>\$ 2,744,708,841</u>	<u>\$ 2,600,179,582</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 3 - **Investments**

At June 30, 2010, the Corporation held the following investments:

<u>Description</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury Bill	July 22, 2010	\$ 699,987
U.S. Treasury Bills	December 16, 2010	1,968,593
Federal Home Loan Bank	July 28, 2010	500,000
Federal Home Loan Bank	November 26, 2010	999,200
Federal Home Loan Bank	December 1, 2010	984,113
Public School Revenue Bonds, Series B - Central Falls	Various	<u>750,000</u>
		<u>\$ 5,901,893</u>
	Less: Current Portion	<u>5,151,893</u>
	Long-Term Investments	<u>\$ 750,000</u>

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. All of these obligations have a rating of AAA.

The Public School Revenue Bonds, Series B - Central Falls have a rating of B3.

Concentration of Credit Risk

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

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 3 - Investments - Continued

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Corporation's investments may not be returned. The Corporation does not have a formal policy addressing custodial credit risk for investments.

Note 4 - Net Asset Designations

The Board of Directors of the Corporation (the "Board") has designated certain unrestricted net assets of the Corporation for the year ended June 30, 2010 and 2009 as follows:

Self Insurance

The designation was established to provide for the deductible exclusion for existing Corporation insurance policies. At both June 30, 2010 and 2009, the Board designated net assets for self-insurance was \$1,000,000.

Operating Reserves

This designation was established to provide for expenditures incurred as a result of operating contingencies. At both June 30, 2010 and 2009, the Board designated net assets for operating reserve was \$1,000,000.

Financial Assistance Program

The Board designated \$6,000,000 of net assets for this program at both June 30, 2010 and 2009.

Note 5 - Cash and Equivalents

Custodial credit risk is associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the Corporation would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). It is the Corporation's policy to limit its exposure to custodial risk for deposits by maintaining deposit accounts in several institutions in order to maximize coverage by the FDIC. Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. At June 30, 2010 and 2009, the carrying

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 5 - Cash and Equivalents - Continued

amount of the Corporation's deposits, which reflect outstanding checks, was \$232,717 and \$390,816, respectively. At June 30, 2010 and 2009, the Corporation had total deposits of \$267,877 and \$395,600, all of which was covered by the FDIC. These bank balances reflect FDIC insurance and guarantee programs in effect during 2010 and 2009.

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum insure or pledge collateral equal to one hundred percent (100%) of the deposits, which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2010 and 2009, the Corporation's had no uninsured or uncollateralized deposits.

Note 6 - Loans Receivable

Loans receivable at year end June 30, are as follows:

	<u>2010</u>	<u>2009</u>
In January 2001, the Corporation entered into a loan agreement with Health Center of South County for \$250,000. The agreement stipulates monthly payments of \$2,083 plus interest at 6.04% until maturity in January, 2010.	\$ -	\$ 41,667
In February 2003, the Corporation entered into a loan agreement with VNA of Care New England for \$340,000. The agreement stipulates monthly payments of \$4,687 including interest at 4.25% until maturity in February, 2010.	-	32,347
In July 2003, the Corporation entered into a loan agreement with Newport County Community Mental Health Center for \$495,000. This		

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 6 - Loans Receivable - Continued

	<u>2010</u>	<u>2009</u>
<p>agreement stipulates monthly payments of \$4,851 including interest at 3.31% until maturity in July, 2013.</p>	\$ 170,405	\$ 222,045
<p>In August 2003, the Corporation entered into a loan agreement with Northwest Community Health Services for \$286,000. This agreement stipulates monthly payments of \$4,301 including interest at 2.65% until maturity in August, 2009.</p>	-	8,573
<p>In February 2004, the Corporation entered into a loan agreement with Harmony Hill School for \$500,000. This agreement stipulates monthly payments of \$5,141 including interest at 4.33% until maturity in February, 2014.</p>	208,816	260,252
<p>In June 2004, the Corporation entered into a loan agreement with Kent County Visiting Nurse Association for \$300,000. This agreement stipulates monthly payments of \$3,141 including interest of 4.72% until maturity in July, 2014.</p>	139,739	167,584
<p>In July 2004, the Corporation entered into a loan agreement with Northwest Community Health Care for \$400,000. The agreement stipulates monthly payments of interest only, at 3.98% in the amount of \$1,327 until the principal is payable in full at maturity in July, 2009.</p>	-	400,000
<p>In July 2009, the Corporation entered into a loan agreement with Northwest Community Health Care for \$410,000. The agreement stipulates monthly</p>		

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 6 - Loans Receivable - Continued

	<u>2010</u>	<u>2009</u>
payments of \$4,856 including interest at 3.25% until the principal is payable in full at maturity in July, 2017.	\$ 368,238	\$ -
In October 2005, the Corporation entered into loan agreement with the City of East Providence \$525,000. The agreement stipulates semi-annual payments of principal and interest at 4.583% until maturity in October, 2012.	245,000	320,000
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 including interest at 4.40% until maturity in November, 2015.	559,362	592,505
In May 2006, the Corporation entered into a loan agreement with the Board of Governors for Higher Education for \$800,000. The agreement, stipulates monthly payments of \$8,388 including interest at 4.75% until maturity in May, 2016.	518,281	592,395
In March 2008, the Corporation entered into a loan agreement with Northwest Community Health Health Care for \$300,000. Under the agreement, \$150,000 was advanced in April 2008 and the remaining \$150,000 was advanced in July 2008. This agreement stipulates monthly payments of interest only, until the principal is payable in full at maturity in March, 2013.	300,000	300,000

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 6 - Loans Receivable - Continued

	<u>2010</u>	<u>2009</u>
<p>In February 2009, the Corporation entered into a loan agreement with The Providence Center, Inc. for \$300,000. The agreement stipulates monthly payments of \$5,391 including interest at 3.00% until maturity in February, 2014.</p>	\$ <u>224,342</u>	\$ <u>281,369</u>
Total Loans Receivable	2,734,183	3,218,737
Less: Current Portion	<u>736,968</u>	<u>1,138,208</u>
Long-Term Loans Receivable	\$ <u>1,997,215</u>	\$ <u>2,080,529</u>

Note 7 - Commitments and Contingencies

The Corporation has pledged to various institutions an Interest Rate Subsidy under its Financial Assistance Program. Upon approval by the Board, the Corporation will subsidize 1% of the interest charges of an eligible institution's long-term debt. Upon granting the Interest Rate Subsidy, the Corporation deposits a lump sum of the estimated net present value required for the term of the Subsidy into a separate money market account in order to properly fund the account. As of June 30, 2002, the Board instituted a moratorium on future interest rate subsidies. As of June 30, 2010 and 2009, the Interest Rate Subsidies awarded by the Board are as follows:

In January 1997, the Board authorized an agreement with the East Bay Mental Health Center, Inc. for a term of not greater than 15 years. The Board authorized a deposit of no more that \$45,000 to cover the award.

In May 1997, the Board authorized an agreement with the Urban Collaborative Accelerated Program (UCAP) for a term of not greater that 15 years. The Board authorized a deposit of no more than \$100,000 to cover the award.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 8 - Capital Assets

Capital asset activity for the year ended June 30, 2010 is as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital Assets						
Office Equipment	5	\$ 20,833	\$ -	\$ -	\$ -	\$ 20,833
Computer Equipment	5	48,488	12,469	(9,987)	-	50,970
Furniture and Fixtures	5	<u>127,994</u>	-	-	-	<u>127,994</u>
Total capital assets		<u>197,315</u>	<u>12,469</u>	<u>(9,987)</u>	-	<u>199,797</u>
Less: accumulated depreciation:						
Office Equipment		11,117	2,159	-	-	13,276
Computer Equipment		23,091	7,635	(8,187)	-	22,539
Furniture and Fixtures		<u>118,047</u>	<u>2,587</u>	-	-	<u>120,634</u>
Total accumulated depreciation		<u>152,255</u>	<u>12,381</u>	<u>(8,187)</u>	-	<u>156,449</u>
Capital Assets, Net		\$ <u>45,060</u>	\$ <u>88</u>	\$ <u>(1,800)</u>	\$ -	\$ <u>43,348</u>

Capital asset activity for the year ended June 30, 2009 is as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital Assets						
Office Equipment	5	\$ 17,619	\$ 10,795	\$ (7,581)	\$ -	\$ 20,833
Computer Equipment	5	55,512	6,001	(13,025)	-	48,488
Furniture and Fixtures	5	<u>123,528</u>	<u>4,466</u>	-	-	<u>127,994</u>
Total capital assets		<u>196,659</u>	<u>21,262</u>	<u>(20,606)</u>	-	<u>197,315</u>
Less: accumulated depreciation:						
Office Equipment		15,422	2,083	(6,388)	-	11,117
Computer Equipment		27,073	7,573	(11,555)	-	23,091
Furniture and Fixtures		<u>115,727</u>	<u>2,320</u>	-	-	<u>118,047</u>
Total accumulated depreciation		<u>158,222</u>	<u>11,976</u>	<u>(17,943)</u>	-	<u>152,255</u>
Capital Assets, Net		\$ <u>38,437</u>	\$ <u>9,286</u>	\$ <u>(2,663)</u>	\$ -	\$ <u>45,060</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 9 - Lease Commitment

The Corporation has entered into an operating lease for office space expiring December 31, 2012. Rental expense for the fiscal year ended June 30, 2010 and 2009 was \$105,830 and \$100,621, respectively. Lease agreement payments subsequent to June 30, 2010 are as follows:

Years Ending <u>June 30,</u>	
2011	\$ 106,800
2012	109,200
2013	<u>55,200</u>
	\$ <u>271,200</u>

Note 10 - 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 \$36,380 and \$36,582 for the fiscal year ended June 30, 2010 and 2009, respectively.

Note 11 - Risks and Uncertainties

The Corporation is involved in various claims and lawsuits, both for and against the Corporation, arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlements of such claims and lawsuits would not be material to the Corporation's financial position.

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**
(a component unit of the State of Rhode Island)

Notes to the Financial Statements - Continued

June 30, 2010 and 2009

Note 12 - **Subsequent Events**

In July 2010, the State of Rhode Island advised the Corporation that, under Title 45, Chapter 38 of Rhode Island General Laws, it was requesting a payment to the general fund of \$1,000,000. This has been included in the Corporation's budget for the fiscal year ending 2011.

SUPPLEMENTAL INFORMATION

**Report on Schedule of Travel, Entertainment
and Educational Expenses**



Report on Schedule of Travel, Entertainment and Educational Expenses

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

Pursuant to Section 35-7-14 of the General Laws of the State of Rhode Island, each public agency is required to prepare and maintain documentation for all travel, entertainment, and education expenses. The Corporation complies with the "Travel Regulations," issued by the Rhode Island Department of Administration as revised March 1978 and updated February 1986. The Corporation's total travel, entertainment, and educational expenses for the year ended June 30, 2010 totaled \$8,164. A detailed analysis of travel, entertainment and educational expenses is attached, in compliance with guidelines issued by the Auditor General's office. The information contained above, concerning the Corporation's travel, entertainment and education expenses, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

O'Connor & Drew, P.C.
Certified Public Accountants

September 14, 2010

**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, 2010

**National Association of Health and Educational Facilities Finance Authorities
Chicago, Illinois - September 23 - 25, 2009**

<u>Date</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
09/09/2009	NAHEFFA	Registration	\$ 575.00
09/28/2009	Robert Donovan	Airfare, Meals, Lodging	<u>1,128.89</u>
			<u>1,703.89</u>

**Municipal Securities Rulemaking Board Conference
Washington, D.C. - January 8, 2010**

<u>Date</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
12/21/2009	Robert Donovan	Airfare	<u>1,218.20</u>

**Build America Bonds/Healthcare Reform Conference
Chicago, Illinois - January 19 - 20, 2010**

<u>Date</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
01/20/2010	Robert Donovan	Airfare, Meals	712.49
03/17/2010	NAHEFFA	Registration	<u>200.00</u>
			<u>912.49</u>

**National Association of Health and Educational Facilities Finance Authorities
Washington, D.C. - March 22 - 24, 2010**

<u>Date</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
02/25/2010	NAHEFFA	Registration	850.00
03/10/2010	Robert Donovan	Airfare, Meals, Lodging	1,633.71
03/25/2010	Scott O'Malley	Airfare, Meals, Lodging	<u>1,585.78</u>
			<u>4,069.49</u>

Miscellaneous

<u>Date</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
01/28/2010	Greater Providence Chamber	Legislative Luncheon	60.00
02/24/2010	Greater Providence Chamber	Congressional Breakfast	80.00
04/08/2010	Greater Providence Chamber	Economic Outlook Luncheon	<u>120.00</u>
			<u>260.00</u>

TOTAL \$ 8,164.07



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Governors for Higher Education
State of Rhode Island

Our report on our audit of the basic financial statements of Rhode Island Health and Educational Building Corporation for the years ended June 30, 2010 and 2009 appears on pages 1 and 2. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained on pages 30-31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'Connor & Drew, P.C.
Certified Public Accountants

September 14, 2010

**RHODE ISLAND HEALTH AND EDUCATIONAL
BUILDING CORPORATION**

(a Component Unit of the State of Rhode Island)

Statements of Net Assets

June 30, 2010 and 2009

<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 232,717	\$ 390,816
Investments	5,151,893	5,852,505
Receivables	794,773	1,229,771
(Receivables allowance)	-	-
Restricted assets:		
Cash and cash equivalents	-	-
Investments	-	-
Other assets	-	-
Due from primary government	-	-
Due from other component units	-	-
Due from other governments	-	-
Inventories	-	-
Other assets	-	-
Total Current Assets	<u>6,211,365</u>	<u>7,512,267</u>
Noncurrent Assets:		
Investments	750,000	
Receivables	1,997,215	2,080,529
(Receivables allowance)	-	-
Restricted assets:		
Cash and cash equivalents	-	-
Investments	-	-
Other assets	-	-
Due from other component units	-	-
Capital assets - nondepreciable	-	-
Capital assets - depreciable (net)	43,348	45,060
Other assets, net of amortization	-	-
Total Noncurrent Assets	<u>2,790,563</u>	<u>2,125,589</u>
Total Assets	<u>\$ 9,001,928</u>	<u>\$ 9,637,856</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Cash overdraft	\$ -	\$ -
Accounts payable	-	-
Due to primary government	-	-
Due to other component units	-	-
Due to other governments	-	-
Deferred revenue	-	-
Other liabilities	160,177	125,612
Current portion of long-term debt	-	-
Total Current Liabilities	<u>160,177</u>	<u>125,612</u>
Noncurrent Liabilities:		
Due to primary government	-	-
Due to other governments	-	-
Deferred revenue	-	-
Due to other component units	-	-
Net pension obligation	-	-
Notes payable	-	-
Loans payable	-	-
Obligations under capital leases	-	-
Other liabilities	-	-
Compensated absences	-	-
Bonds payable	-	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>160,177</u>	<u>125,612</u>
Net assets		
Invested in capital assets, net of related debt	43,348	45,060
Restricted for:		
Debt	-	-
Other	-	-
Other nonexpendable	-	-
Unrestricted	8,798,403	9,467,184
Total Net Assets	<u>\$ 8,841,751</u>	<u>\$ 9,512,244</u>

RHODE ISLAND HEALTH AND EDUCATIONAL BUILDING CORPORATION

(a Component Unit of the State of Rhode Island)

Statement of Revenues, Expenses and Changes in Net Assets

June 30, 2010 and 2009

Operating Revenues:		
Charges for services	\$ 2,158,374	\$ 2,058,475
Interest income on loans	121,661	153,898
Interest on investments	-	-
Net increase (decrease) in fair value of investments	-	-
Other operating income	-	-
Total Operating Revenues	2,280,035	2,212,373
Operating Expenses:		
Personal services	1,038,012	949,436
Supplies, materials, and services	-	-
Interest expense	-	-
Grants, scholarships and contract programs	-	-
Depreciation, depletion and amortization	12,381	11,976
Other operating expenses	403,674	394,259
Total Operating Expenses	1,454,067	1,355,671
Operating Income (Loss)	825,968	856,702
Nonoperating Revenues (Expenses):		
Interest revenue	8,268	76,407
Grants	-	-
Payments (to) from primary government	(1,500,000)	(1,100,000)
Gain (loss) on sale of property	(1,800)	(2,663)
Interest expense	-	-
Payments (to) from other component units	-	-
Net increase (decrease) in fair value of investments	(2,929)	(24,604)
Other nonoperating revenue (expenses)	-	-
Total Nonoperating Revenue (Expenses)	(1,496,461)	(1,050,860)
Income (Loss) Before Contributions	(670,493)	(194,158)
Capital contributions	-	-
Special items	-	-
Extraordinary items	-	-
Change in Net Assets	(670,493)	(194,158)
Total Net Assets, Beginning of Year	9,512,244	9,706,402
Total Net Assets, End of Year	\$ 8,841,751	\$ 9,512,244

**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***



**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:

We have audited the financial statements of Rhode Island Health and Educational Building Corporation as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated September 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency 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 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, on a timely basis.

A significant deficiency is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors and management of Rhode Island Health and Educational Building Corporation, and is not intended to be, and should not be used by anyone other than these specified parties.

O'Connell & Drew, P.C.
Certified Public Accountants

September 14, 2010