step forward →

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION

INTERIM FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION FOR THE NINE MONTHS ENDED MARCH 31, 2019

blumshapiro
accounting • tax • advisory

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
TABLE OF CONTENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2019

blumshapiro
accounting • tax • advisory

1 Capital Way
Cranston, RI 02910
Tel 401.272.5600
Fax 401.331.4511

blumshapiro.com

Independent Auditors' Review Report

To Management and the Board of Commissioners
Rhode Island Housing and Mortgage Finance Corporation
Providence, Rhode Island

We have reviewed the accompanying interim financial statements of Rhode Island Housing and Mortgage Finance Corporation, which comprise the combining statement of net position as of March 31, 2019 and the related combining statements of revenues, expenses and changes in net position and cash flows for the nine months then ended, the discretely presented component unit statement of fiduciary net position as of March 31, 2019 and the related statement of changes in fiduciary net position for the nine months then ended, and the related notes to the interim financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the interim financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the Unites States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Unites States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information in order for it to be in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
September 19, 2019

The accompanying basic financial statements include Rhode Island Housing and Mortgage Finance Corporation (the Corporation) and Affordable Housing Trust Fund (the Trust, a component unit of the Corporation), collectively referred to as Rhode Island Housing.

This section of Rhode Island Housing's financial statements presents Rhode Island Housing's management's discussion and analysis of the Corporation's financial position and performance as of March 31, 2019 and 2018, and for the nine months then ended. This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Financial Highlights

The financial highlights (in millions) of the Corporation as of and for the nine months ended March 31, 2019, increased (decreased) from the previous year as follows:

	2019	
	$	%
Mortgage loans, gross	(63.2)	(3.8)
Investments	60.3	34.1
Cash and cash equivalents	(21.6)	(7.4)
Total assets	(26.6)	(1.3)
Bonds and notes payable	(44.0)	(3.3)
Total net position	10.1	3.1
Total revenues	4.9	5.5
Total expenses	6.1	8.1
Operating income	(1.3)	(10.3)

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production increased over last year; however, the Corporation has been selling its loans to Fannie Mae and converting pools of loans into securities, which are then sold in the To-Be-Announced (TBA) market, resulting in a net reduction of single-family loans of $50.9 million. Multi-family fund loans receivable decreased by $42.7 million and Operating Fund loans increased by $30.4 million due mainly to an increase in refinances of multi-family loans out of the multifamily fund into the operating fund.

Bonds and notes payable, the largest component of liabilities, decreased by $44 million in the third quarter of 2019. This decrease is directly related to current year maturities and pay-offs of bonds with mortgage prepayments.

Overview of the Financial Statements

The Corporation engages only in business-type activities; that is, activities that are financed in whole or in part by charges to external parties for services, with funding sources that are primarily external to the Corporation. As a result, the Corporation's basic financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Corporation's assets, liabilities, deferred inflows and outflows of resources, and net position. Over time, increases or decreases in the Corporation's net position may serve as an indicator of whether the financial position of the Corporation is improving or deteriorating. Other factors, both internal and external to the Corporation, should be considered when evaluating the Corporation's financial position. The statement of revenues, expenses and changes in net position presents information on how the Corporation's net position changed during the year.

All assets, liabilities, deferred inflows and outflows of resources, and changes in net position are reported using the accrual basis of accounting for governmental entities and are reported as soon as the underlying event giving rise to the asset or liability and resulting change in net position occurs, regardless of the timing of when a corresponding amount of cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in net position will result in cash flows in future periods.

The Affordable Housing Trust Fund (the "Trust") is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

Operating Activity of the Corporation

The following tables summarize the components of operating income, before the adjustment required to record investments at fair value as required by Governmental Accounting Standards Board (GASB) Statement No. 31:

For the Nine Months Ended March 31, 2019 and 2018 (in thousands)

	2019	2018	% Change
Revenues:			
Interest income on loans	$ 54,154	$ 53,436	1.3
Earnings on investments	5,932	3,718	59.5
Gain on sale of loans	7,774	14,503	(46.4)
Grant revenue	10,970	7,034	56.0
Other	10,943	11,751	(6.9)
Total revenues	89,774	90,442	(0.7)
Expenses:			
Interest expense	33,078	29,954	10.4
Provision for loan losses	1,500	1,800	(16.7)
REO expenditures	10	333	(97.0)
Bond issuance costs	617	14	4307.1
Operating expenses	24,912	25,173	(1.0)
Grant expense	10,828	6,867	57.7
Other expenses	10,912	11,579	(5.8)
Total expenses	81,858	75,720	8.1
Operating Income, Before Adjusting Investments to Fair Value	$ 7,916	$ 14,722	(46.2) %

Operating income, after adjusting investments to fair value, was $11.1 million for the nine-month period ended March 31, 2019 and $12.4 million for the nine-month period ended March 31, 2018. GASB Statement No. 31, which requires investments to be recorded at fair value, caused an increase in operating income of $3.2 million in 2019 compared to a decrease in operating income of $2.4 million in 2018. Operating income, excluding the unrealized gains and losses on investments, decreased 46.2% in 2019.

Gain on sale of loans was $7.8 million and $14.5 million for the nine months ended March 31, 2019 and 2018, respectively.

Other revenue, which decreased from prior year, consists of loan-related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to 24.9 million for the nine months ended March 31, 2019, a decrease of 1.0% from $25.2 million for the nine months ended March 31, 2018.

Real Estate Owned (REO) expenditures are preservation costs incurred related to REO properties that are deemed to be non-recoverable based on a valuation analysis of the underlying properties. REO expenses decreased 97.0% to $0.01 million for the nine months ended March 31, 2019 from $0.3 million for the nine months ended March 31, 2018.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income amounted to $27.0 million for the nine months ended March 31, 2019, a decrease of 0.7% from $27.2 million for the nine months ended March 31, 2018. Earnings on investments increased by $2.2 million for the nine months ended March 31, 2019. Net interest income as a percentage of average bonds and notes payable was 2.72% in 2019 and 2.67% in 2018, respectively. Interest income on loans as a percentage of total loans was 4.47% in 2019 and 4.36% in 2018, while interest expense on bonds and notes was 3.33% in 2019 and 2.94% in 2018. This caused a total decrease in the spread margin (i.e., differential between loans and bonds) to 1.14% in 2019 from 1.42% in 2018. This is the result of increased borrowings on lines of credit.

The Corporation's revenue recognition policy requires that upon occurrence of any loan's delinquency of ninety days versus its contractual requirement for payment, the accrual of interest income for that loan is ceased and any previous accrued interest income is reversed. The Corporation will commence accruing interest income on such loans once the loans are made current.

The provision for loan losses decreased to $1.5 million in 2019 from $1.8 million in 2018 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The primary economic factors incorporated into the allowance estimates are: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows of the developments associated with multi-family loans.

For single-family loans, an estimate of loss reserve is based on the last instance of economic softness and real estate depreciation. For the multi-family portfolios, a specific loan loss reserve analysis is performed for every loan demonstrating signs of financial strain. Cash flow projections are developed from the most recent audited financials for each of the sites which may be experiencing difficulty, and which have a mortgage loan. For each of these sites, an analysis of value is calculated and compared to the loan balance. This methodology is the same as that used in the formulation of the income approach found in standard real estate appraisals. Beyond the specific reserves derived above, a general reserve is also established. The general reserve is based on a range of reserve percentages applicable to each loan portfolio.

Financial Analysis of the Corporation

The following tables summarize certain financial information regarding the Corporation's financial position:

March 31, 2019 and 2018 (in millions)	2019	2018	% Change
Loans receivable, net	$ 1,539	$ 1,607	(4.2)%
Investments	237	177	33.9
Cash and cash equivalents	270	291	(7.2)
Other assets	37	35	5.7
Total assets	2,083	2,110	(1.3)
Deferred outflows of resources	1	2	(56.4)
Bonds and notes payable	1,309	1,353	(3.3)
Other liabilities	439	434	1.2
Total liabilities	1,748	1,787	(2.2)
Net position:			
Net investment in capital assets	9	9	(1.3)
Restricted	234	216	8.3
Unrestricted	93	101	(7.9)

At March 31, 2019, total assets of the Corporation decreased 1.3% from 2018, primarily due to a decrease in loans receivables, net and cash and cash equivalents. Net loans receivable decreased $68 million, or 4.2%, from the previous year. This decrease in loans is attributable to a decrease in multi-family loans and operating fund loans and a decrease in single-family loans attributable to the change in funding model for single-family loans implemented in fiscal year 2014 whereby the majority of new loans are sold. Bonds and notes payable totaled $1.3 billion as of March 31, 2019, a decrease of $44 million, or 3.3%, from March 31, 2018.

As of March 31, 2019, and 2018, the net position-to-asset ratio was 16.1% and 15.4% while the loan-to-asset ratio was 73.9% and 76.2%, respectively. These ratios reflect the application of GASB Statement No. 31.

External Influences

The Rhode Island economy and the level of unemployment in the State of Rhode Island has a direct impact on the Corporation's delinquency experience within its portfolio. At March 31, 2019 Rhode Island's unemployment rate was 3.8% compared to 4.5% for the same period in 2018. The Corporation has, however, experienced an increase in its 90+ delinquency rate to 2.27% in 2019 from 2.08% in 2018.

Requests for Information

This management's discussion and analysis is designed to provide a general overview of the Corporation's finances. Questions concerning this report may be addressed to the Director of Finance, Rhode Island Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, Rhode Island, 02903. The Corporation maintains a website at: www.rihousing.com.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENTS OF NET POSITION
MARCH 31, 2019
(Unaudited)

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Assets:				
Loans receivable	$ 500,380,960	$ 590,569,362	$ 469,228,327	$ 1,560,178,649
Less allowance for loan losses	(29,299,204)	(11,169,399)	-	(40,468,603)
Loans receivable, net	471,081,756	579,399,963	469,228,327	1,519,710,046
Loans held for sale	19,782,866	-	-	19,782,866
Investments	101,359,332	131,245,626	4,549,874	237,154,832
Accrued interest-loans	1,032,508	2,048,997	2,413,401	5,494,906
Accrued interest-investments	18,497	415,271	73,157	506,925
Cash and cash equivalents	102,076,837	85,929,081	81,603,150	269,609,068
Accounts receivable, net	11,782,085	-	-	11,782,085
Other assets, net	15,685,050	3,981,768	-	19,666,818
Interfund receivable (payable)	(15,930)	15,930	-	-
Total assets	722,803,001	803,036,636	557,867,909	2,083,707,546
Deferred Outflows of Resources:				
Loan origination costs	-	4,305	-	4,305
Hedging instruments	845,252	-	-	845,252
Deferred OPEB outflows	94,763	-	-	94,763
Total deferred outflows of resources	940,015	4,305	-	944,320
Combined Assets and Deferred Outflows of Resources	$ 723,743,016	$ 803,040,941	$ 557,867,909	$ 2,084,651,866
Liabilities and Net Position:				
Liabilities:				
Bonds and notes payable	$ 202,588,748	$ 637,168,496	$ 469,230,871	$ 1,308,988,115
Accrued interest payable on bonds and notes	288,673	12,227,392	6,129,036	18,645,101
Accounts payable and accrued liabilities	10,248,941	-	75,926	10,324,867
Fees, net	1,209,736	137,173	-	1,346,909
Escrow deposits	403,462,880	-	5,327,575	408,790,455
Total liabilities	617,798,978	649,533,061	480,763,408	1,748,095,447
Deferred Inflows of Resources:				
Deferred OPEB Inflow	686,835	-	-	686,835
Net Position:				
Net investment in capital assets	8,887,326	-	-	8,887,326
Restricted by bond resolutions	3,380,545	153,507,880	77,104,501	233,992,926
Unrestricted	92,989,332	-	-	92,989,332
Total net position	105,257,203	153,507,880	77,104,501	335,869,584
Total Liabilities and Net Position	$ 723,743,016	$ 803,040,941	$ 557,867,909	$ 2,084,651,866

The accompanying notes are an integral part of the financial statements

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE NINE MONTHS ENDED MARCH 31, 2019
(Unaudited)

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Operating Revenues:				
Interest Income on loans	$ 9,051,809	$ 19,801,938	$ 21,019,139	$ 49,872,886
Interest income attributable to internal servicing activities	4,280,810	-	-	4,280,810
Total interest income on loans	13,332,619	19,801,938	21,019,139	54,153,696
Income on investments:				
Earnings on investments	1,018,326	3,952,659	960,731	5,931,716
Net increase in fair value of investments	6,376	3,220,763	(54,670)	3,172,469
Fees	8,617,009	-	-	8,617,009
Servicing fee income	1,825,571	-	-	1,825,571
Grant revenue	10,970,377	-	-	10,970,377
Miscellaneous income	500,049	-	-	500,049
Gain on sale of loans	7,774,256	-	-	7,774,256
Total operating revenues	44,044,583	26,975,360	21,925,200	92,945,143
Operating Expenses:				
Interest expense	5,176,168	16,181,015	11,720,468	33,077,651
Personnel services	16,738,365	-	-	16,738,365
Other administrative expenses	6,925,080	-	1,743	6,926,823
Housing initiatives	1,562,048	-	-	1,562,048
Provision for loan losses	-	1,500,000	-	1,500,000
REO expenditures	132,379	(122,830)	-	9,549
Bad Debt Expense	(18,157)	-	-	(18,157)
Bond issuance costs	(207,444)	824,418	-	616,974
Depreciation and amortization of other assets	1,241,945	5,246	-	1,247,191
Loan costs	8,722,773	192	487,513	9,210,478
State rental subsidy program	158,098	-	-	158,098
Grant expense	10,828,157	-	-	10,828,157
Total operating expenses	51,259,412	18,388,041	12,209,724	81,857,177
Operating Income (Loss)	(7,214,829)	8,587,319	9,715,476	11,087,966
Transfers In (Out)	4,827,167	(1,800,787)	(3,026,380)	-
Total Change in Net Position	(2,387,662)	6,786,532	6,689,096	11,087,966
Net Position - Beginning of Year	107,644,865	146,721,348	70,415,405	324,781,618
Net Position - End of Year	$ 105,257,203	$ 153,507,880	$ 77,104,501	$ 335,869,584

The accompanying notes are an integral part of the financial statements

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2019
(Unaudited)

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Cash Flows from Operating Activities:				
Interest on loans receivable	$ 13,371,177	$ 19,939,034	$ 21,061,151	$ 54,371,362
Repayment of loans receivable	335,117,775	45,997,073	61,785,970	442,900,818
Fees collected (paid)	10,348,574	(12,563)	-	10,336,011
Other receipts (disbursements), net	1,193,101	-	(11,352,375)	(10,159,274)
Loans disbursed	(334,631,809)	(14,533,206)	(22,667,927)	(371,832,942)
Accounts receivable, net	(1,041,889)	-	-	(1,041,889)
Loss on accounts receivable	18,157	-	-	18,157
Loss on loans receivable	(700,796)	(130,601)	-	(831,397)
Income (loss) on REO properties	(132,379)	122,830	-	(9,549)
Bond issuance costs	207,444	(824,417)	-	(616,973)
Personnel services	(16,738,365)	-	-	(16,738,365)
Other administrative expenses	(6,866,440)	-	(1,743)	(6,868,183)
Housing initiative expenses	(1,620,688)	-	-	(1,620,688)
Other assets	(86,451)	(293,124)	-	(379,575)
Accounts payable and accrued liabilities	238,791	-	-	238,791
Gain (loss) on sale of loans	2,385,584	-	(487,513)	1,898,071
State rental subsidy program	(158,098)	-	-	(158,098)
Transfers from (to) other programs	4,830,001	(1,798,121)	(3,031,880)	-
Net cash provided by (used in) operating activities	5,733,689	48,466,905	45,305,683	99,506,277
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	226,567,333	214,378,899	22,672,496	463,618,728
Payment of bond and note principal	(234,082,571)	(183,837,563)	(34,654,605)	(452,574,739)
Interest paid on bonds and notes	(4,991,112)	(8,958,513)	(8,888,864)	(22,838,489)
Net cash provided by (used in) noncapital financing activities	(12,506,350)	21,582,823	(20,870,973)	(11,794,500)
Cash Flows from Investing Activities:				
Redemption of investments	180,640,657	31,590,511	4,371,395	216,602,563
Earnings on investments	1,019,790	3,802,394	929,017	5,751,201
Purchase of investments	(181,332,759)	(84,743,772)	(7,777)	(266,084,308)
Net cash provided by (used in) investing activities	327,688	(49,350,867)	5,292,635	(43,730,544)
Net Increase (Decrease) in Cash and Cash Equivalents	(6,444,973)	20,698,861	29,727,345	43,981,233
Cash and Cash Equivalents - Beginning of Year	108,521,810	65,230,220	51,875,805	225,627,835
Cash and Cash Equivalents - End of Year	$ 102,076,837	$ 85,929,081	$ 81,603,150	$ 269,609,068

The accompanying notes are an integral part of the financial statements

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE NINE MONTHS ENDED MARCH 31, 2019
(Unaudited)

	Operating Fund	Single-Family Fund	Multi-Family Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	$ (7,214,829)	$ 8,587,319	$ 9,715,476	$ 11,087,966
Adjustments:				
Earnings on investments	(1,019,790)	(3,802,394)	(929,017)	(5,751,201)
Net (increase) decrease in fair value of investments	(6,376)	(3,220,763)	54,670	(3,172,469)
Interest paid on bonds and notes	4,991,112	8,958,513	8,888,864	22,838,489
Transfer of investments and/or net position	4,827,167	(1,800,787)	(3,026,380)	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(167,585)	32,833,266	39,118,043	71,783,724
Accrued interest-loans	38,558	137,096	42,012	217,666
Accrued interest-investments	1,464	(150,264)	(31,714)	(180,514)
Accounts receivable, net	(1,089,133)	-	-	(1,089,133)
Other assets	1,155,494	(287,878)	-	867,616
Interfund receivable (payable)	2,834	2,666	(5,500)	-
Decrease in deferred outflows	3,334,101	192	-	3,334,293
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	185,055	7,222,502	2,831,603	10,239,160
Accounts payable/accrued liabilities	238,791	-	-	238,791
Fees, net	(94,006)	(12,563)	-	(106,569)
Escrow deposits	550,832	-	(11,352,374)	(10,801,542)
Total adjustments	12,948,518	39,879,586	35,590,207	88,418,311
Net Cash Provided by (Used in) Operating Activities	$ 5,733,689	$ 48,466,905	$ 45,305,683	$ 99,506,277

The accompanying notes are an integral part of the financial statements

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF FIDUCIARY NET POSITION - PRIVATE PURPOSE TRUST COMPONENT UNIT
AFFORDABLE HOUSING TRUST
MARCH 31, 2019
(Unaudited)

Assets:		
Loans receivable	$	52,221,415
Less allowance for loan losses		(5,643,974)
Loans receivable, net		46,577,441
Investments		48,699
Accrued interest-loans		162,400
Accrued interest-investments		287
Cash and cash equivalents		47,479,798
Accounts receivable, net		17,863
Other assets, net		447,500
Total Assets	$	94,733,988
Liabilities and Net Position		
Liabilities:		
Accounts payable and accrued liabilities	$	106,464
Total liabilities		106,464
Net Position:		
Held in trust		94,627,524
Total Liabilities and Net Position	$	94,733,988

The accompanying notes are an integral part of the financial statements

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION -
PRIVATE PURPOSE TRUST COMPONENT UNIT
AFFORDABLE HOUSING TRUST
FOR THE NINE MONTHS ENDED MARCH 31, 2019
(Unaudited)

Revenues:	
Interest income on loans	$ 1,949,352
Earnings on investments:	
Interest on investments	573,583
Net increase (decrease) in fair value of investments	66
Trust receipts	567,119
Total revenues	3,090,120
Expenses:	
Other administrative expenses	34,233
Total expenses (income)	34,233
Total Change in Net Position	3,055,887
Net Position - Beginning of Year	91,571,637
Net Position - End of Year	$ 94,627,524

The accompanying notes are an integral part of the financial statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description of Financial Reporting Entity

Rhode Island Housing and Mortgage Finance Corporation (the Corporation) is a public instrumentality established in 1973 by an Act of the Rhode Island General Assembly. The Corporation was created to originate loans and administer other activities to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State of Rhode Island (the State). It has the power to issue negotiable notes and bonds to achieve its corporate purpose. The notes and bonds do not constitute a debt of the State, and the State is not liable for the repayment of such obligations.

The Corporation is considered a component unit of the State and is included in the State's comprehensive annual financial report.

The Corporation is exempt from federal and state income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement Nos. 39 and 61. Through the application of GASB criteria, the Corporation determined that the Affordable Housing Trust Fund (the Trust) is a component unit of the Corporation and the Trust has been presented in the accompanying fiduciary fund financial statements. Control over and financial accountability for the Trust is determined based on appointment by a voting majority of the Trust's trustees.

B. Affordable Housing Trust Fund

The Affordable Housing Trust Fund (the Trust) is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. Trust receipts are derived from payments related to affordable housing preservation transactions and funds received to administer housing programs. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

C. Financial Statement Presentation, Measurement Focus and Basis of Accounting

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties. The accompanying combining statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows (enterprise fund financial statements) present the financial information of the Corporation.

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with bond resolutions established under various trust indentures, special regulations restrictions, or limitations. All inter-fund activity has been eliminated from the combining totals in the accompanying financial statements. Transfers between funds are made to cover the operating costs associated with management of bond resolutions. Transfers also consist of reimbursement of collateral for bond resolutions previously funded by the operating fund.

The Operating Fund accounts for the receipt of income not directly pledged to the repayment of specific bonds and notes, expenses related to the Corporation's administrative functions and for various housing program activities that are not covered by bond resolutions. The Operating Fund also accounts for the activities of the Corporation's two separate subsidiaries: Rhode Island Housing Equity Corporation and Rhode Island Housing Development Corporation. The Single-Family Fund accounts for activities to finance ownership of single-family housing, ranging from one to four dwelling units, within the State by eligible persons and families. These activities include originating and purchasing from participating originating lenders qualified mortgages, as defined in bond resolutions. The Multi-Family Fund accounts for activities to finance the origination of multi-family loans secured by a lien constituting a first mortgage or to provide for the payment of debt issued for such purpose.

The Trust engages only in fiduciary activities. Separate financial statements are presented for the Trust since fiduciary activities are excluded from presentation in enterprise fund financial statements.

The Corporation and the Trust use the economic resources measurement focus and accrual basis of accounting. The accompanying financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by GASB, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Corporation has presented an unclassified combining statement of net position in accordance with financial institution industry trade practice. Although contractual terms define the principal amount of loans receivable to be received, and the amount of principal required to be paid on bonds and notes payable by the Corporation within one year from the date of the combining statement of net position, the actual principal amount of loans received and the actual principal amount repaid on bonds and notes are affected significantly by changes in interest rates, economic conditions and other factors. Consequently, the principal amount of loans receivable and the required principal repayable for bonds and notes based on contractual terms would not be representative of actual amounts expected to be received or paid, and such amounts are not reliably estimable.

The Corporation distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations. Operating expenses include the cost of services provided, administrative expenses, and depreciation and amortization expense. All other revenues and expenses are reported as nonoperating revenues and expenses.

D. Loans Receivable and Allowance for Loan Losses

Loans receivable are reported at their outstanding principal balance adjusted for any charge-offs and the allowance for loan losses.

Interest income from loans is recognized on the accrual basis. A loan is considered delinquent when a payment has not been made per contractual terms. Accrual of income is suspended when a loan is delinquent for ninety days or more; all interest accrued for nonaccrual status loans is reversed against interest income and subsequently recognized as income when received. Loans are returned to accrual status when all amounts contractually due are brought current or the loans have been restructured and future payments are reasonably assured. Interest on loans which is deferred and payable by borrowers only from available cash flow or other specified sources is recorded as income when received.

Losses on loans are provided for under the allowance method of accounting. The allowance is increased by provisions charged to operating expenses and by recoveries of previously charged-off loans. The allowance is decreased as loans are charged off.

The allowance is an amount that management believes will be adequate for loan losses based on evaluation of collectability and prior loss experience, known and inherent risk in the portfolio, changes in the nature and volume of the loan portfolio, overall portfolio quality, specific problem loans, the estimated value of the underlying collateral, current and anticipated economic conditions that may affect the borrower's ability to pay, and historical loss experience and the types of mortgage insurance or guarantee programs provided by outside parties. Substantially all loans are secured by real estate in Rhode Island; accordingly, the ultimate collectability of substantially all the loans is susceptible to changes in market conditions in this area. Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, evaluation assessments made by management are inherently subjective and future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluation.

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Such loans are presented as loans held for sale on the accompanying statements of net position. Gains and losses for sales of loans are recognized based upon the difference between the fair value of mortgage-backed securities forward contracts at date of commitment and the carrying value of the underlying loans.

E. Cash and Cash Equivalents

Cash and cash equivalents represent funds on deposit with various financial institutions and funds held by the trustees of the various bond programs. Deposits held in financial institutions and all highly liquid investments, such as U.S. Treasury Bills and Notes, with original maturities of 90 days or less are considered cash and cash equivalents.

F. Investments

Investments held by the Corporation consist of those permitted by the various bond resolutions and the Corporation's investment policy. Investments include securities of the U.S. Government and of U.S. Government agencies, securities guaranteed by the U.S. Government and U.S. Government agencies, savings accounts and guaranteed investment contracts.

In accordance with GASB Statement No. 31 (GASB 31), money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost if the fair value of such investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Investments in nonparticipating interest earning investment contracts, such as nonnegotiable and nontransferable guaranteed investment contracts, which are redeemable at contract or stated value rather than fair value based on current market rates and certificates of deposit with redemption terms that do not consider market rates, are reported at cost or amortized cost provided that the fair value of such contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. Investments not reported at cost or amortized cost are reported at fair value in accordance with GASB No. 31. The fair value of securities is provided by an investment trustee as reported by recognized pricing firms. The reported amounts of investments not otherwise reported at fair value approximate their fair value.

All investment income, including changes in the fair value of investments, is reported as revenue in the Corporation's statements of revenues, expenses and changes in net position and in the Trust's statement of changes in fiduciary net assets. The Corporation records a liability for the portion of investment income that is rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended, (the Code) for tax-exempt bonds sold after 1981. The Code requires that such excess investment income be remitted to the Internal Revenue Service. Such rebateable investment income is included in accounts payable and accrued liabilities in the accompanying statements of net position and recorded within operating expenses in the statement of revenues, expenses and changes in net position.

G. Bond Issuance Costs, Premiums, Discounts and Early Retirements

In accordance with GASB Statement No. 65, costs associated with issuing bonds are reported in the combining statement of revenues, expenses and changes in net position in the year the bond is issued. In addition, when refinancing debt, the costs associated with the refinanced bond are also reported in the combining statements of revenues, expenses and changes in net position in the year in which the bond is refinanced.

Premiums and discounts are capitalized and amortized using a method that approximates the interest method over the life of the related issue or to the date the Corporation has the option to redeem the bonds.

The Corporation periodically retires bonds prior to their redemption date. Any premium paid on the call related to the early retirement of bonds that are not refunded is reported in the combining statements of revenues, expenses and changes in net position.

H. Other Assets

Other assets of the Corporation are principally comprised of property and equipment, certain other real estate owned, and deferred servicing costs related to service release premiums paid to participating originating lenders for origination of single-family loans. The Corporation depreciates property and equipment on a straight-line basis over the assets' estimated lives, which range from 3-40 years.

The Corporation states its other real estate owned acquired through or in lieu of foreclosure at the lower of cost or fair value less the cost to sell. Fair value of such assets is determined based on independent appraisals and other relevant factors. Other real estate owned in the Single-Family Fund is at least partially insured or guaranteed by outside parties and it is anticipated that the Corporation will recover substantially all the balance of these assets through such insurance and from proceeds from the sale of the underlying properties. The Corporation holds such properties for subsequent sale in a manner that will allow maximization of value. Carrying costs relating to other real estate owned are recorded in the Operating Fund.

I. Total Other Postemployment Benefits Other than Pensions (OPEB) Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period. The measurement date for the reported liability was June 30, 2017.

J. Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that are applicable to a future reporting period. At March 31, 2019, the Corporation's deferred inflows of resources consist of the change in fair value of derivatives and loan origination costs, as described below. In addition, deferred inflows and outflows were recorded for OPEB for March 31, 2019 as described below.

Fair values of both hedging derivatives and investment derivatives (if any) are presented on the combining statements of net position either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The difference between the notional amount and fair value of the derivatives that are determined to be effective hedges is recorded as a deferred inflow or outflow of resources on the Corporation's combining statements of net position. The Corporation currently has one type of derivative instrument outstanding: mortgage-backed security forward contracts.

The Corporation also reports a deferred outflow related to Other Post Employment Benefits (OPEB). A deferred outflow of resources related to OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Corporation reports a deferred inflow of resources related to OPEB. A deferred inflow of resources related to OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner.

K. Net Position

Net position is classified in the following three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets represents the net book value of all capital assets less the outstanding balances of bonds and other debt and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any. Restricted net position consists of restricted assets that have been limited to uses specified either externally by creditors, contributors, laws, or regulations of other governments, or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets. Unrestricted net position consists of amounts not included in net investment in capital assets or restricted net position.

The Corporation classifies all net position amounts associated with its bond resolutions as restricted net position. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program. Transfers during the period ended March 31, 2019, include cash transfers for reimbursement of activities in support of the bond programs and a transfer of the allowance for loan losses to better reflect the estimated losses for the bond program.

At March 31, 2019, restricted net position in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for federal programs, totaled $3,380,545.

L. Interest Income on Loans

The Corporation presents two categories of interest income on loans. The first category, "interest income on loans," represents interest income earned net of the component of the mortgagors' payments payable to all mortgage servicing entities (including the Corporation's Operating Fund) as compensation for monthly servicing. The second category, "interest income attributable to internal servicing activities," represents that portion of interest income attributable to compensation for mortgage servicing for those loans serviced by the Corporation. Together, these two components comprise interest income on loans owned by the Corporation.

M. Use of Estimates

Management has made several estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and disclosure of contingent assets and liabilities when preparing the financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

N. Fee and Grant Revenue

Recognition of grant revenue is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when actually received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made. Fee income is accrued as earned and includes fees received from loan originations, securitization premiums, loan servicing fees and Section 8 administrative fees received from the U.S. Department of Housing and Urban Development (HUD), including administrative fees that are paid by HUD to the Corporation under the Performance-Based Contract Administration (PBCA) contract for certain Section 8 projects throughout Rhode Island.

O. Recent Accounting Pronouncements

Effective July 1, 2017, the Corporation adopted the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The financial statements follow GASB 75 standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB) administered. These statements also utilize GASB 75 methods and assumptions to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note 10, Employee Benefits, includes GASB 75 disclosures and required supplementary information. In addition, a restatement of ending net position in fiscal 2017 has been made in accordance with GASB 75.

2. RESTRICTED ASSETS

The Corporation maintains various trust and escrow accounts required by applicable bond covenants for the benefit of bondholders and others, and all such accounts are considered restricted in this context. Also, restricted assets principally include Mortgage Lenders Reserve Accounts because their use is restricted by agreements between the Corporation and mortgage lenders, escrow funds received from borrowers and advance funds received from HUD for use in HUD programs.

At March 31, 2019, all assets in the Corporation's Single-Family and Multi-Family Funds; $195,653,186 of investments and cash and cash equivalents; and $358,904,074 of loans receivable and other assets in the Corporation's Operating Fund are restricted.

3. LOANS RECEIVABLE

The Corporation provides single-family mortgage loans to qualified borrowers in the State. The mortgage loans are generally required to be insured through the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Administration (VA) or USDA Rural Development or conventionally financed with traditional primary mortgage insurance. Under the single-family program guidelines, conventionally financed single-family mortgage loans with an initial loan-to-value ratio of greater than 80% are insured by private mortgage insurance carriers. As these loans amortize and the loan to-value ratio falls below 80%, the private mortgage insurance coverage may be terminated.

At March 31, 2019, the single-family mortgage loan balances in the Single-Family Fund are insured, subject to maximum insurable limits described below:

	2019
Private Mortgage Insurance	$ 210,576,996
FHA Insurance	190,902,429
VA Guaranteed	6,272,244
USDA/RD Guaranteed	8,492,594
Uninsured	174,325,099
Total	$ 590,569,362

The FHA program insures the repayment of the unpaid principal amount of the mortgage upon foreclosure and conveyance of title to the Secretary of HUD. The insurance proceeds are usually paid in cash, but at the discretion of the Secretary, may be settled through issuance of twenty-year debentures. The VA mortgage loan guarantee covers from 25% up to 50% of the original principal amount of a loan up to a maximum of $60,000 depending on the loan amount. Private mortgage insurers must be qualified to insure mortgages purchased by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association (FNMA) and must be authorized to do business in the State. Private mortgage insurance typically covers between 6% and 35% of claims depending upon the premium plan and coverage selected when the loan is originated. The risk exists that if these private mortgage insurance companies are not able to honor claims, these loans would be considered uninsured.

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multi-family housing developments financed by the Corporation. The risk of loss to the Corporation varies from 10% to 50% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at March 31, 2019 of $299,420,544 and $126,809,606, respectively, are insured under such agreements subject to maximum participation limits. At March 31, 2019, loan balances of $17,955,084, in the Trust are also insured under such agreements.

In May 2012, the Corporation entered into an agreement with FNMA whereby single-family mortgage loans originated under the Corporation's program guidelines may be sold directly to FNMA or pooled into a mortgage-backed security that will be guaranteed by FNMA. As of March 31, 2019, 2,204 loans had been sold directly to FNMA and eight mortgage-backed securities had been issued.

In the Single-Family Fund, 95% of the loan portfolio is in first lien position for the nine months ended March 31, 2019. In the Multi-Family Fund, 99% of the loan portfolio is in first lien position for the nine months ended March 31, 2019. For the nine months ended March 31, 2019, 46% of the Operating Fund's loan portfolio is in first lien position, while 48% of the Affordable Housing Trust's loan portfolio is in first lien position.

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the nine months ended March 31, 2019, interest received under such deferred loan arrangements was $255,117 in the Operating Fund and $420,883 in the Single-Family Fund. In addition, the Corporation administers certain federal and state loan programs, which are either deferred forgivable loans or non-interest bearing. Loans under these programs totaled $217,439,739 at March 31, 2019.

At March 31, 2019, principal outstanding under such deferred loan arrangements is as follows:

		2019
Operating Fund:		
Single-family loans	$	64,095,498
Multi-family loans		211,514,787
Subtotal		275,610,285
Single-Family Fund:		
Single-family loans		14,691,424
Total	$	290,301,709

Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on nonaccrual status due to delinquency over 90 days. At March 31, 2019, principal outstanding under such nonaccrual status loans is as follows:

		2019
Operating Fund:		
Single-family loans	$	8,660,748
Multi-family loans		-
Subtotal		8,660,748
Single-Family Fund:		
Single-family loans		18,808,181
Total	$	27,468,929

A summary of the changes in the allowance for loan losses is as follows:

		2019
Balance at beginning of year	$	39,800,000
Loans charged off, net of recoveries		(759,008)
Write-down of REO properties		(72,389)
Provision for loan losses		1,500,000
Balance at end of Period	$	40,468,603

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the Mortgage Lender's Reserve Account). This Mortgage Lenders Reserve Account equals a percentage of the outstanding principal balance of certain mortgage loans purchased from an applicable mortgage lender and is available to the Corporation in the event the proceeds realized upon the default and foreclosure of any covered mortgage loan is less than the amount due to the Corporation. At March 31, 2019, the Mortgage Lender's Reserve Account totaled $362,581.

4. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The Corporation assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a financial institution failure, the Corporation's deposits may not be returned to it. Cash and cash equivalents are exposed to custodial credit risk as follows: a) uninsured and uncollateralized; b) uninsured and collateralized with securities held by the financial institution trust departments in the Corporation's or Trust's name; and c) uninsured and collateralized with securities held by financial institution trust departments or agents which are not held in the Corporation's or Trust's name.

The State requires that certain uninsured deposits of the State and State Agencies be collateralized. Section 35-10.1-7 of the General Laws of the State, dealing with the collateralization of public deposits, requires all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet its minimum capital standards as required by its Federal regulator be collateralized. The Corporation does not have any additional policy regarding custodial credit risk for its deposits.

Cash and cash equivalents in the Single-Family Fund and Multi-Family Fund are principally invested in short-term United States Government money market funds. The funds are rated AAA and invested only in U.S. Treasuries, U.S. Agencies and repurchase agreements collateralized by U.S. Treasury and Agency securities. Since the funds offer a floating rate that tends to move with other market U.S. risk-free rates, there is substantially no interest rate risk associated with these short-term investments. Because of the quality of the underlying securities in the asset pool and the institutions involved in the management and custody, there is no material credit or custodial risk in this portfolio. These investments are used as temporary cash management instruments. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable $1 per unit. The underlying investments which are short-term cash equivalent typed investments are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the money market mutual funds.

Investments

The first objective of the Corporation in implementing its investment program is preservation of capital. All investments are to be made in a manner to minimize any risk which would jeopardize the safety of the principal invested. The second objective is to maintain sufficient liquidity in a manner that matches cash flow requirements. The third objective is to maximize yield after first satisfying the first two objectives. Other major considerations include diversification of risk and maintenance of credit ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board of Commissioners' (the Board) approved investment policy for the Corporation's Operating Fund limits the maximum maturities or repricing maturities as follows:

Maturity	Maximum investment
Less than one year	100%
One to five years	25%
Greater than five years	0%

At March 31, 2019, the Operating Fund holds two investments with a maturity of greater than five years. These investments are marketable securities that are pledged as collateral to a lender for borrowings.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund and the Trust (collectively referred to as the Other Funds). Nonetheless, the Corporation attempts to match asset and liability maturities as closely as practicable. the Corporation manages interest rate risk by considering many variables such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis.

Included in investments are mortgage-backed securities backed by government-insured single-family mortgage loans originated under the Corporation's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by either the Government National Mortgage Association (GNMA) or FNMA. The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which will vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single-Family and Operating Funds and are carried at fair value totaling $129,755,975 at March 31, 2019.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are observable market-based inputs or unobservable inputs that are corroborated by market data. Level 3 inputs are unobservable inputs that are not corroborated by market data.

The Corporation has recurring fair value measurements in the form of Fixed Income Securities (U.S. Treasuries, mortgage-backed securities and obligations of government-sponsored enterprises) as of March 31, 2019, $101,359,332 in the Operating Fund, $128,362,131 in the Single-Family, $4,549,874 in the Multi-Family Fund, and $48,699 in the Trust that are valued using quoted market prices (Level 1 inputs). Included in Operating Fund investments are fair value measurements for escrow funds relating to homeowners and to multi-family developments. The Corporation does not measure the fair value of guaranteed investment contracts in the amount of $2,883,495 in the Single-Family Fund as of March 31, 2019.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved policy requires all investments in the Operating Fund to be rated at least Single A by a nationally recognized rating agency. Each of the bonded resolutions in the Single-Family

Fund and Multi-Family Fund contains policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer regardless of its credit history. The Board-approved policy for the Operating Fund limits the amount that may be invested with any one issuer as follows:

United States Government Obligations	100% of portfolio
United States Agency Obligations	100% of portfolio
Repurchase Agreements	50% of portfolio
Collective Short-Term Funds	25% of portfolio
All other investments	10% of portfolio

Although there are no specific concentration policies for maximum percentage of investments, the Corporation attempts to diversify as much as possible given the limited number of issuers of AAA-rated investments.

At March 31, 2019, all Operating Fund investments were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy in the Operating Fund is that all purchases are held in a safekeeping or custodial account at an approved safekeeping agent of the Corporation in the Corporation's name. At March 31, 2019 there were no investments in the Operating Fund subject to custodial credit risk.

There are no other specific custodial credit risk policies for the other funds. Most of the Corporation's investments in other funds are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At March 31, 2019, there were no investments in any of the other funds subject to custodial credit risk.

As established in the Board-approved investment policy, the Corporation can enter into interest rate swap agreements and other similar interest rate related derivative instruments to reduce interest rate mismatches between its loan and investment assets and its bond and note liabilities. These types of derivative instruments expose the Corporation to certain risks including credit risk, interest rate risk, and counterparty risk. At March 31, 2019, the Corporation was not party to any interest rate swap agreements. At March 31, 2019, the Corporation had entered into certain commitments to sell loans, which expose the Corporation to interest rate risk as discussed further in Note 9.

5. ACCOUNTS RECEIVABLE

Accounts receivables at March 31, 2019, were as follows:

		2019
Accounts receivable		
Due from federal government	$	1,414,633
Tax sale receivables		4,657,824
Accounts		6,822,084
Total receivables		12,894,541
Allowance		(1,112,456)
Receivables, Net	$	11,782,085

6. OTHER ASSETS

Other assets, net, consisted of the following at March 31, 2019:

Real estate owned	$	5,334,534
Capital assets (depreciable), net		8,887,326
Purchased mortgage servicing rights and excess servicing, net		5,493,164
Other assets and control accounts		(48,206)
Total	$	19,666,818

Depreciation expense related to capital assets for the nine months ended March 31, 2019, was $632,046.

Amortization expense related to purchased mortgage servicing rights for the nine months ended March 31, 2019, was $615,144

Other assets of the Trust consisted of federal program properties totaling $447,500 at March 31, 2019.

7. BONDS AND NOTES PAYABLE

The Corporation issues serial bonds and term bonds under various bond resolutions to provide permanent financing for the origination or purchase from participating originating lenders of single-family loans, to provide permanent financing for qualified housing developments, and to provide financing for other purposes.

The Corporation obtains principally first and second mortgage liens on real property financed. The Corporation assigns such liens to the respective bonds when the mortgage loans are permanently financed using bond proceeds. Bonds and notes are secured by related revenues and assets of the respective programs in which the related bonds and notes payable are reported.

The provisions of the applicable trust indentures require or allow for the redemption of bonds by the Corporation through the use of unexpended bond proceeds and excess funds accumulated primarily through the prepayment of mortgage loans. All outstanding bonds are subject to redemption at the option of the Corporation, in whole or in part at any time after certain dates, as specified in the respective bond series indentures.

Principal and interest on substantially all bonds is payable semi-annually.

The Corporation is required by the Internal Revenue Service as well as its various bond resolutions to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Corporation must comply with various restrictions on investment earnings from bond proceeds. The Corporation's management believes it was in compliance with these covenants as of March 31, 2019.

Bonds and notes payable at March 31, 2019 are as follows:

Operating Fund Bonds and Notes:		
Federal Home Loan Bank		
Due 2019 to 2026, interest from 0.00% to 2.77%	$	11,175,000
Federal Financing Bank		
Due 2056 to 2059, interest from 2.239% to 3.577%		119,729,748
General Obligation Bonds Series 2018:		
Mandatory tender bonds, due 2023, interest at 3.12%		5,000,000
Notes Payable, due 2027 to 2048, interest from 2.75% to 6.25%		15,675,000
Lines of Credit, payable on demand, interest from 3.458% to 3.495%		51,009,000
Total Operating Fund		202,588,748
Single-Family Fund:		
Homeownership Opportunity Bonds:		
Series 10-A:		
Term bonds, due 2022 to 2027, interest at 6.50%		985,000
Series 15-A:		
Term bonds, due 2024, interest at 6.85%		380,000
Series 46-T:		
Term bonds, due 2034, interest at variable rate		15,000,000
Series 48-T:		
Term bonds, due 2034, interest at variable rate		15,000,000
Series 58-A:		
Term bonds, due 2023 to 2027, interest from 5.05% to 5.15%		4,575,000
Series 61-A:		
Serial bonds, due 2020 to 2023, interest from 2.40% to 3.05%		12,265,000
Series 61-B:		
Term bonds, due 2026 to 2037, interest from 3.45% to 4.10%		6,755,000
Series 61-C:		
Serial bonds, due 2019 to 2020, interest from 2.80% to 3.00%		9,710,000
Series 62-A:		
Serial bonds, due 2019 to 2021, interest from 2.5% to 3.125%		2,795,000
Series 62-B:		

Serial bonds, due 2021 to 2022, interest from 3.125% to 3.25%	4,025,000
Term bonds, due 2024 to 2028, interest from 3.50% to 4.00%	8,930,000
	12,955,000
Series 62-C:	
Serial bonds, due 2019 to 2022, interest from 3.15% to 3.875%	6,030,000
Term bonds, due 2022, interest at 3.875%	10,280,000
	16,310,000
Series 63-A:	
Term bonds, due 2027 to 2040, interest from 3.50% to 4.00%	11,220,000
Series 63-B:	
Term bonds, due 2032 to 2042, interest from 3.80% to 4.125%	1,565,000
Series 63-C:	
Serial bonds, due 2019 to 2022, interest from 2.75% to 3.50%	5,860,000
Term bonds, due 2025, interest at 3.75%	3,680,000
	9,540,000
Series 64-T:	
Term bonds, due 2023 to 2034, interest from 3.00% to 4.00%	31,425,000
Series 65-T:	
Serial bonds, due 2019 to 2025, interest from 2.463% to 3.886%	25,540,000
Term bonds, due 2029 to 2039, interest from 2.913% to 4.433%	14,885,000
	40,425,000
Series 66 A-1:	
Term bonds, due 2033, interest at 4.00%	14,915,000
Series 66 A-2:	
Term bonds, due 2032, interest at 4.00%	4,320,000
Series 66 C-2:	
Serial bonds, due 2019 to 2026, interest from 2.00% to 3.65%	16,345,000
Series 67-A:	
Term bonds, due 2041, interest at 3.55%	5,235,000
Series 67-B:	
Term bonds, due 2026 to 2046, interest from 2.40% to 3.55%	8,640,000
Series 67-C:	
Serial bonds, due 2019 to 2027, interest from 1.40% to 3.00%	13,455,000
Term bonds, due 2030 to 2038, interest from 3.25% to 3.50%	15,345,000
	28,800,000
Series 68-B:	
Term bonds, due 2031 to 2046, interest from 3.00% to 3.40%	38,470,000
Series 68-C:	
Serial bonds, due 2019 to 2026, interest from 1.40% to 2.65%	38,900,000
Term bonds, due 2031 to 2039, interest from 3.15% to 3.50%	90,785,000
	129,685,000
Series 69-A:	
Serial bonds, due 2019 to 2029, interest from 1.80% to 3.50%	13,850,000
Series 69-B:	
Term bonds, due 2033 to 2048, interest from 3.55% to 4.00%	83,080,000
Series 69-T:	
Serial bonds, due 2019 to 2024, interest from 2.55% to 3.40%	8,340,000
Unamortized bond premium	8,228,550
Subtotal	550,813,550
Home Funding Bonds:	

Series 1-A:	
Serial bonds, due 2019 to 2020, interest from 3.875% to 3.95%	2,575,000
Series 2, Subseries 2A:	
Term bonds, due 2041, interest at 3.16%	15,250,000
Series 2, Subseries 2B:	
Term bonds, due 2041, interest at 2.63%	12,700,000
Series 2, Subseries 2C:	
Term bonds, due 2041, interest at 2.73%	22,940,000
Series 3:	
Serial bonds, due 2019 to 2020, interest from 3.05% to 3.20%	2,240,000
Term bonds, due 2025, interest at 4.00%	1,160,000
	3,400,000
Series 4:	
Serial bonds, due 2019 to 2022, interest from 2.90% to 3.50%	3,145,000
Series 5:	
Term bonds, due 2028 to 2040, interest from 2.75% to 3.45%	25,855,000
Unamortized bond premium	489,946
Subtotal	86,354,946
Total Single-Family Fund	637,168,496
Multi-Family Fund:	
Housing Bonds:	
2001 Series B-2T:	
Term bonds, due 2031, interest at variable rate	2,905,000
2003 Series A-2T:	
Term bonds, due 2034, interest at variable rate	17,985,000
2003 Series B-2T:	
Term bonds, due 2035, interest at variable rate	8,275,000
Unamortized bond discount	(84,277)
Subtotal	29,080,723
Multi-Family Funding Bonds:	
2009 Series A, Subseries 2009A-1:	
Term bonds, due 2051, interest at 3.01%	51,000,000
2009 Series A, Subseries 2009A-2:	
Term bonds, due 2051, interest at 2.32%	14,100,000
2010 Series A:	
Serial bonds, due 2019 to 2021, interest from 3.75% to 4.00 %	2,080,000
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000
	17,630,000
2011 Series A:	
Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,120,000
Subtotal	86,850,000
Multi-Family Development Bonds:	
2010 Series 1:	
Serial bonds, due 2019 to 2021, interest from 3.875% to 4.25%	235,000

2013 Series 1-B:	
Serial bonds, due 2019 to 2023, interest from 1.85% to 2.85%	2,510,000
Term bonds, due 2027 to 2048, interest from 3.25% to 4.125%	30,905,000
	33,415,000
2013 Series 2-T:	
Serial bonds, due 2019 to 2023, interest from 2.139% to 3.218%	10,240,000
Term bonds, due 2027 to 2031, interest from 3.768% to 4.456%	17,610,000
	27,850,000
2013 Series 3-B:	
Serial bonds, due 2019 to 2024, interest from 2.25% to 3.85%	210,000
Term bonds, due 2028, interest at 4.375%	190,000
	400,000
2013 Series 3-C:	
Term bonds, due 2028, interest at 4.375%	5,085,000
2013 Series 3-D:	
Serial bonds, due 2019 to 2024, interest from 2.75% to 4.35%	1,480,000
Term bonds, due 2024, interest at 4.00%	8,405,000
	9,885,000
2013 Series 4-T:	
Term bonds, due 2023, interest at 4.207%	1,480,000
2014 Series 2-T:	
Term bonds, due 2019 to 2027, interest from 2.481% to 3.823%	13,910,000
2014 Series 3-B:	
Serial bonds, due 2019 to 2025, interest from 1.60% to 2.95%	1,595,000
Term bonds, due 2029 to 2049, interest from 3.40% to 4.125%	13,715,000
	15,310,000
2016 Series 1-B:	
Serial bonds, due 2019 to 2026, interest from 0.95% to 2.650%	1,385,000
Term bonds, due 2031 to 2056, interest from 3.15% to 4.10%	15,350,000
	16,735,000
2016 Series 1-C:	
Serial bonds, due 2019 to 2026, interest from 1.20% to 3.00%	3,675,000
Term bonds, due 2031 to 2041, interest from 3.50% to 4.10%	15,170,000
	18,845,000
2017 Series 1-A:	
Term bonds, due 2047, interest from 1.60% to 1.70%	15,560,000
2017 Series 1-B:	
Term bonds, due 2052, interest at 4.20%	1,725,000
2017 Series 2-T:	
Serial bonds, due 2019 to 2028, interest from 1.734% to 3.639%	9,370,000
Term bonds, due 2032 interest at 4.069%	3,900,000
	13,270,000
2017 Series 3-T:	
Term bonds, due 2020, interest at 0.00%	7,600,000
2017 Series 4-A:	
Term bonds, due 2056, interest from 1.85% to 1.95%	17,585,000
2017 Series 4-B:	
Serial bonds, due 2020 to 2028, interest from 1.85% to 3.05%	2,725,000
Term bonds, due 2032 to 2037, interest from 3.35% to 3.80%	31,620,000
	34,345,000
Unamortized bond discount	(36,284)
Subtotal	233,198,716

Multi-Family Mortgage Revenue Bonds and Notes:		
Series 2006 (University Heights Project):		
Term bonds, due 2039, interest at variable rate		26,700,000
Series 2006 (Sutterfield Project):		
Term bonds, due 2039, interest at variable rate		7,000,000
Series 2015 (Charles Place):		
Note payable, due 2045, interest at 4.16%		24,608,511
Series 2016 (EPN):		
Note payable, due 2033, interest at 4.07%		15,580,297
Series 2017 (Colony House):		
Note payable, due 2033, interest at 4.99%		13,864,500
Series 2017 (Lippitt Mill Apartments):		
Note payable, due 2035, interest at variable rate		6,498,123
Series 2017A-B (Oxford Place Gardens):		
Note payable, due 2020, interest at variable rate		8,717,700
Note payable, due 2035, interest at variable rate		3,132,300
		11,850,000
Series 2018 (Curtis Arms):		
Note payable, due 2051, interest at 4.99%		14,000,000
Subtotal		120,101,431
Total Multi-Family Fund		469,230,871
Total Bonds and Notes Payable	$	1,308,988,115

The Operating Fund's lines of credit were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At March 31, 2019, the Corporation may borrow up to a maximum of $110,000,000 under various revolving loan agreements expiring between August 2019 and June 2020. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit, in the outstanding amount of $4,000,000, has a variable interest rate, which was 3.4945% at March 31, 2019. The outstanding remaining lines of credit of $47,009,000 have fixed rates which range from 3.458% to 3.489% at March 31, 2019.

The Corporation entered into a standby letter of credit agreement with a financial institution whereby the financial institution guarantees payment not exceeding $1,400,000 to the beneficiary in the event of a request for drawing made by the beneficiary.

Homeownership Opportunity Bonds Series 46-T and 48-T, and Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T bear interest at taxable rates established monthly or quarterly, which range from 3.027% - 3.117% at March 31, 2019. Certain Multi-Family Mortgage Revenue Bonds bear interest at tax-exempt rates established weekly with a rate of 1.560% at March 31, 2019. One bond bears interest daily with a rate of 4.249% at March 31, 2019.

8. COMMITMENTS AND CONTINGENCIES

The Corporation is party to financial instruments with off-balance-sheet risk in connection with its commitments to provide financing. Such commitments expose the Corporation to credit risk in excess of the amounts recognized in the accompanying combining statements of net position. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. The Corporation uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Total credit exposure as a result of loan commitments at March 31, 2019, is as follows:

Single Family Fund	$	38,738
Operating Fund		84,777,652
Multi-Family Fund		3,430,346
Trust		473,297
Total	$	88,720,033

Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. The Corporation evaluates each borrower's creditworthiness on a case-by-case basis. Interest rates on approved loan commitments are principally fixed rates.

The Corporation has entered into contracts with multiple developments under the Neighborhood Opportunities Program to fund projects over the next seven years for a total of $6,442,339, subject to the availability of funds. As of March 31, 2019, $4,627,138 has been paid under these contracts.

The Corporation is party to certain claims and lawsuits which are being contested, certain of which the Corporation and respective legal counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss. In the opinion of management, the ultimate liability with respect to these actions and claims will not have a material adverse effect on either the financial position or the results of operations of the Corporation.

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which the Corporation carries commercial insurance. Neither the Corporation nor its insurers have settled any claims which exceeded the Corporation's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. The Corporation also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before March 31, 2019, because the Corporation officials are of the opinion that, based on prior experience, such claims will not be material.

9. DERIVATIVE INSTRUMENTS

In July 2013, the Corporation converted its loan funding platform from a mortgage revenue bond program to a program primarily financed through the sale of whole loans and mortgage-backed securities guaranteed by FNMA and GNMA as to timely payment of principal and interest. The securities represent pools of qualified first mortgage loans originated by the Corporation approved lenders. Under this program, the Corporation periodically enters into forward contracts to sell the securities to investors before the securities are ready for delivery (referred to as a to-be-announced or TBA Mortgage-Backed Security Contract). The Corporation enters into TBA Mortgage-Backed Security Contracts to hedge the interest rate risk for loan commitments made to originating mortgage lenders. TBA Mortgage-Backed Security Contracts are derivative instruments due to one or more of the following factors that are not designated at the time the Corporation and the investor enter into the transaction: settlement factors; the reference rates or interest rates the security will bear; and notional amounts in the form of the principal amount of the future Mortgage-Backed Securities. In addition, payment to the Corporation by the investor is not required until the investor receives the security, enabling the investor to take a position on interest rates without making a payment. Finally, the TBA Mortgage-Backed Security Contracts may be “net settled” because neither party is required to deliver or purchase an asset to settle the TBA Mortgage-Backed Securities Contract.

At March 31, 2019, TBA Mortgage-Backed Securities Contracts with a total notional amount of $12,000,000 and fair market values totaling $12,428,125 were outstanding, resulting in a hedging instrument of $428,125. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are included in the combining statements of net position as deferred outflows of resources. In addition, the Corporation entered into commitments to sell loans to Fannie Mae with a total notional amount of $12,000,000 and fair market values totaling $12,417,127, resulting in a hedging instrument of $417,127. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are also included in the combining statements of net position as deferred outflows of resources.

10. EMPLOYEE BENEFITS

Employee Benefit Plan

The Corporation has adopted an employee retirement plan created in accordance with Internal Revenue Code Section 401(a). The Corporation’s 401(a) money Purchase Pension Plan (the Plan) is a defined contribution plan, administered by ICMA Retirement Corporation. Regular full-time employees who meet certain requirements as to length of service are eligible. The Corporation contributes a set percentage of an employee’s annual eligible compensation to the Plan. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. Contributions to the Plan for the nine months ended March 31, 2019, totaled $668,408. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

Post-Employment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age.

RIHRHP currently pays for postemployment health care benefits on a pay-as-you-go basis. As of March 31, 2019, RIHRHP has not established a trust fund to irrevocably segregate assets to fund liability associated with the postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines. Administration costs are financed from current operations. RIHRHP does not issue a stand-alone financial report.

Employees become eligible at 28 years of service or at age 59½ with 10 years of service. RIHRHP pays a percentage of the cost of insurance, ranging from 50% to 100%, based on a combination of years of service and age. The benefit provisions are established and may be amended by management of the Corporation along with the Board of Commissioners.

Membership in the plan consisted of the following at June 30, 2017, the date of the last actuarial valuation.

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	24
Inactive Plan Member Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	225
Total Plan Members	249

Actuarial Assumptions and Methods
The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.56% as of June 30, 2017
Inflation	2.50%
Salary Increases	3.50% to 7.50%
Experience Studies	Due to the size of the plan, the demographic assumptions are not based on formal experience studies. However, gains and losses are monitored during each valuation and adjustments are made to retirement and withdrawal assumptions as needed.
Mortality	For healthy retirees, the RP-2014 Combined Healthy Mortality Table are used for males or females. The rates are projected on a fully generational basis, based on scale BB.
Health Care Cost Trend Rates	Pre-65: Initial rate of 7.50% declining to an ultimate rate of 4.75% after 13 years; Ultimate trend rate includes a 0.50% adjustment for the excise tax. Post-65: Initial rate of 5.75% declining to an ultimate rate of 4.25% after 10 years.
Participation Rates	70% for retirees with 10 to 15 years of service at retirement. 80% for retirees with 16 to 27 years at retirement. 100% for retirement with 28 years or more at retirement.

Schedule of Changes in Total OPEB Liability and Related Ratios Fiscal Year Ended June 30, 2018

		FY 2018
Total OPEB liability		
Service cost	$	619,903
Interest on total OPEB liability		193,523
Changes in assumptions		(754,007)
Benefit payments		(76,424)
Net change in total OPEB liability		(17,275)
Total OPEB liability - beginning		6,346,529
Total OPEB liability - ending		6,329,254
Covered-employee payroll	$	13,634,804
Total OPEB liability as a percentage of covered-employee payroll		46.42%

Changes of assumptions reflect a change in the discount rate from 2.92% as of June 30, 2016 to 3.56% as of June 30, 2017.

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.56%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	$ 7,558,404	$ 6,329,254	$ 5,346,926

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$ 5,114,803	$ 6,329,254	$ 7,953,163

Deferred Outflows and Deferred Inflows Related to OPEB

For the fiscal year ended June 30, 2018, RIHRHP recognized OPEB expense of $745,984. At June 30, 2018, RIHRHP reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$	$ 686,835
Contributions subsequent to the measurement date	94,763	
Total	$ 94,763	$ 686,835

Amounts reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent year.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Deferred Outflows and Deferred Inflows to be Recognized in Future OPEB Expense

Year Ending June 30		Net Deferred Outflows/(Inflows)
2019	$	(67,172)
2020		(67,172)
2021		(67,172)
2022		(67,172)
2023		(67,172)
Thereafter		(350,975)
Total	$	(686,835)

11. Subsequent Events

The Corporation has instructed its trustee to redeem the following bonds outstanding:

Date of Call	Principal Program	Outstanding
April 1, 2019	Home Funding Bonds	$4,535,000
April 1, 2019	Home Ownership Bonds	$14,035,000
April 1, 2019	Multi Family Development Bonds	$16,465,000
May 1, 2019	Multi Family Development Bonds	$5,795,000

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENTS OF NET POSITION - SINGLE-FAMILY FUND
MARCH 31, 2019
(Unaudited)

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single-Family Fund Totals
Assets:			
Loans receivable	$ 558,373,779	$ 32,195,583	$ 590,569,362
Less allowance for loan losses	(11,169,399)	-	(11,169,399)
Loans receivable, net	547,204,380	32,195,583	579,399,963
Investments	83,642,731	47,602,895	131,245,626
Accrued interest-loans	1,937,131	111,866	2,048,997
Accrued interest-investments	259,932	155,339	415,271
Cash and cash equivalents	71,930,648	13,998,433	85,929,081
Other assets, net	3,965,222	16,545	3,981,767
Interfund receivable (payable)	(2,666)	18,597	15,931
Total assets	708,937,378	94,099,258	803,036,636
Deferred Outflows of Resources:			
Loan origination costs	4,305	-	4,305
Total deferred outflows of resources	4,305	-	4,305
Combined Assets and Deferred Outflows of Resources	$ 708,941,683	$ 94,099,258	$ 803,040,941
Liabilities and Net Position			
Liabilities:			
Bonds and notes payable	$ 550,813,550	$ 86,354,946	$ 637,168,496
Accrued interest payable on bonds and notes	10,825,448	1,401,944	12,227,392
Fees, net	137,173	-	137,173
Total liabilities	561,776,171	87,756,890	649,533,061
Net Position:			
Net position, restricted	147,165,512	6,342,368	153,507,880
Total Liabilities and Net Position	$ 708,941,683	$ 94,099,258	$ 803,040,941

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - SINGLE-FAMILY FUND
FOR THE NINE MONTHS ENDED MARCH 31, 2019
(Unaudited)

	Homeownership Opportunity Bond Program	Home Funding Bond Program	Single-Family Fund Total
Operating Revenues:			
Interest income on loans	$ 18,799,098	$ 1,002,840	$ 19,801,938
Earnings on investments:			
Interest on investments	2,308,472	1,644,187	3,952,659
Net increase (decrease) in fair value of investments	3,012,116	208,647	3,220,763
Total operating revenues	24,119,686	2,855,674	26,975,360
Operating Expenses:			
Interest expense	14,210,826	1,970,189	16,181,015
Provision for loan losses	1,500,000	-	1,500,000
REO expenditures	(122,830)	-	(122,830)
Bond issuance costs	819,373	5,045	824,418
Depreciation and amortization of other assets	1,430	3,816	5,246
Loan costs	192	-	192
Total operating expenses	16,408,991	1,979,050	18,388,041
Operating Income (Loss)	7,710,695	876,624	8,587,319
Transfers In (Out)	(1,800,787)	-	(1,800,787)
Total Change in Net Position	5,909,908	876,624	6,786,532
Net position - beginning of year	141,255,604	5,465,744	146,721,348
Net Position - End of Year	$ 147,165,512	$ 6,342,368	$ 153,507,880

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENTS OF NET POSITION - MULTI-FAMILY FUND
MARCH 31, 2019
(Unaudited)

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program
Assets:			
Loans receivable	$ -	$ 31,894,939	$ 120,221,134
Investments	-	1,743,883	-
Accrued interest-loans	-	198,700	508,464
Accrued interest-investments	-	30,507	-
Cash and cash equivalents	-	5,564,048	5,211,997
Total assets	-	39,432,077	125,941,595
Liabilities and Net Position			
Liabilities:			
Bonds and notes payable	$ -	$ 29,080,724	$ 120,101,431
Accrued interest payable on bonds and notes	-	165,893	741,911
Accounts payable and accrued liabilities	-	-	-
Escrow deposits	-	-	5,327,575
Total liabilities	-	29,246,617	126,170,917
Net Position:			
Net position, restricted	-	10,185,460	(229,322)
Total Liabilities and Net Position	$ -	$ 39,432,077	$ 125,941,595

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENTS OF NET POSITION - MULTI-FAMILY FUND
MARCH 31, 2019
(Unaudited)

	Multi-Family Funding Bond Program	Multi-Family Development Bonds	Multi-Family Fund Total
Assets:			
Loans receivable	$ 86,706,544	$ 230,405,710	$ 469,228,327
Investments	-	2,805,991	4,549,874
Accrued interest-loans	461,541	1,244,696	2,413,401
Accrued interest-investments	-	42,650	73,157
Cash and cash equivalents	10,420,120	60,406,985	81,603,150
Total assets	97,588,205	294,906,032	557,867,909
Liabilities and Net Position			
Liabilities:			
Bonds and notes payable	$ 86,850,000	$ 233,198,716	$ 469,230,871
Accrued interest payable on bonds and notes	1,448,164	3,773,068	6,129,036
Accounts payable and accrued liabilities	-	75,926	75,926
Escrow deposits	-	-	5,327,575
Total liabilities	88,298,164	237,047,710	480,763,408
Net Position:			
Net position, restricted	9,290,041	57,858,322	77,104,501
Total Liabilities and Net Position	$ 97,588,205	$ 294,906,032	$ 557,867,909

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MULTI-FAMILY FUND
FOR THE NINE MONTHS ENDED MARCH 31, 2019
(Unaudited)

	Multi-Family Housing Bond Program	Housing Bond Program	Multi-Family Mortgage Revenue Bond Program
Operating Revenues:			
Interest income on loans	$ -	$ 1,684,597	$ 3,621,358
Total interest income on loans	-	1,684,597	3,621,358
Earnings on investments:			
Interest on investments	(1,618)	151,000	45
Net decrease in fair value of investments	-	(32,128)	-
Total operating revenues	(1,618)	1,803,469	3,621,403
Operating expenses:			
Interest expense	-	570,550	3,224,751
Other administrative expenses	-	1,743	-
Loan costs	-	29,180	-
Total operating expenses	-	601,473	3,224,751
Operating Income	(1,618)	1,201,996	396,652
Transfers Out	-	(1,570,820)	(313,893)
Total Change in Net Position	(1,618)	(368,824)	82,759
Net position - beginning of year	1,618	10,554,284	(312,081)
Net Position - End of Year	$ -	$ 10,185,460	$ (229,322)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MULTI-FAMILY FUND
FOR THE NINE MONTHS ENDED MARCH 31, 2019
(Unaudited)

	Multi-Family Funding Bond Program	Multi-Family Development Bonds	Multi-Family Total
Operating Revenues:			
Interest income on loans	$ 4,167,011	$ 11,546,173	$ 21,019,139
Total interest income on loans	4,167,011	11,546,173	21,019,139
Earnings on investments:			
Interest on investments	136,322	674,982	960,731
Net increase (decrease) in fair value of investments	-	(22,542)	(54,670)
Total operating revenues	4,303,333	12,198,613	21,925,200
Operating Expenses:			
Interest expense	2,176,531	5,748,636	11,720,468
Other administrative expenses	-	-	1,743
Loan costs	110,024	348,309	487,513
Total operating expenses	2,286,555	6,096,945	12,209,724
Operating Income	2,016,778	6,101,668	9,715,476
Transfers Out	(1,489,976)	348,309	(3,026,380)
Total Change in Net Position	526,802	6,449,977	6,689,096
Net position - beginning of year	8,763,239	51,408,345	70,415,405
Net Position - End of Year	$ 9,290,041	$ 57,858,322	$ 77,104,501