RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

Financial Statements and Supplementary Information
For the Years Ended June 30, 2011 and 2010

CCR
Certified Public Accountants & Business Advisors

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(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation (the "Corporation"), a component unit of the State of Rhode Island, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2011 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the schedule of funding progress on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CCR LLP

Providence, Rhode Island
September 29, 2011

Management's Discussion and Analysis

The accompanying basic financial statements include Rhode Island Housing and Mortgage Finance Corporation (the Corporation) and Affordability Housing Trust (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 June 30, 2011 and 2010 and for the years 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 years ended June 30, 2011 and 2010 increased (decreased) from the previous year as follows:

	2011		2010	
	$	%	$	%
Mortgage loans, gross	12.2	0.7	25.2	1.5
Investments	19.8	7.9	46.4	22.8
Cash and cash equivalents	(59.4)	(20.6)	107.6	59.4
Total Assets	(18.0)	(0.8)	187.1	9.0
Bonds and notes payable	(60.7)	(3.5)	133.4	8.4
Total fund equity	4.7	1.6	9.6	3.5
Total revenues	(6.4)	(5.7)	3.8	3.5
Total expenses	(1.5)	(1.5)	(2.2)	(2.1)
Operating income	(4.9)	(51.1)	6.0	165.1

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production, which adds to the Corporation's loan portfolio, was lower than historical levels. Multi-family new loan production increased, resulting in an overall increase to the loan portfolio of $12 million.

Bonds and notes payable are the largest component of the liabilities and this category decreased by approximately $61 million in 2011. In 2010, the Corporation issued new bonds under a U.S. Treasury bond purchase program which required all of the allocation under the program to be drawn for loan funding or to be put in a matched fund escrow until drawn at a later time when needed for loan funding.

Overview of the Financial Statements

The Corporation engages only in business-type activities that are commercial in nature; 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 balance sheet, the statement of revenues, expenses and changes in fund equity, 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 balance sheet presents information on the Corporation's assets, liabilities and fund equity. Over time, increases or decreases in the Corporation's fund equity 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 fund equity presents information on how the Corporation's fund equity changed during the year.

All assets, liabilities, and changes in fund equity 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 fund equity 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 fund equity will result in cash flows in future periods.

The Affordability Housing 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 changes in 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 Years Ended June 30, 2011 and 2010 (in thousands)

	2011	2010	% Change
Revenues:			
Interest income on loans	$ 84,825	$ 87,650	(3.2)%
Interest on investments	8,946	7,640	17.1
Gain on sale of treasury bonds	-	2,254	(100.0)
Other	10,183	9,960	2.2
Total revenues	103,954	107,504	(3.3)
Expenses:			
Interest expense	65,386	66,865	(2.2)
Provision for loan losses	3,268	4,288	(23.8)
REO expenditures	1,637	1,183	38.3
Amortization of deferred bond issuance costs	660	667	(1.1)
Early retirement of debt	856	417	105.4
Operating expenses	20,949	19,080	9.8
Other	8,842	10,607	(16.6)
Total expenses	101,598	103,107	(1.5)
Operating income, before adjusting investments to fair value	$ 2,356	$ 4,397	(46.4)%

For the Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009	% Change
Revenues:			
Interest income on loans	$ 87,650	$ 91,422	(4.1)%
Interest on investments	7,640	9,625	(20.6)
Gain on sale of treasury bonds	2,254	-	100.0
Other	9,960	5,976	66.7
Total revenues	107,504	107,023	0.4
Expenses:			
Interest expense	66,865	72,044	(7.2)
Provision for loan losses	4,288	3,470	23.6
REO expenditures	1,183	-	100.0
Amortization of deferred bond issuance costs	667	699	(4.6)
Early retirement of debt	417	53	686.8
Operating expenses	19,080	19,622	(2.8)
Other	10,607	9,433	12.4
Total expenses	103,107	105,321	(2.1)
Operating income, before adjusting investments to fair value	$ 4,397	$ 1,702	158.4%

Operating income, after adjusting investments to fair value, was $4.7 million for the year ended June 30, 2011 (2011), $9.6 million for the year ended June 30, 2010 (2010), and $3.6 million for the year ended June 30, 2009 (2009). GASB Statement No. 31, which requires investments to be recorded at fair value, caused an increase in operating income of $2.3 million in 2011 compared to an increase of $5.2 million in 2010 and an increase of $1.9 million in 2009. Operating income, excluding the unrealized gains and losses on investments, decreased 46.4% in 2011 to $2.4 million from $4.4 million in 2010, which had increased 158.4% from $1.7 million in 2009. The fluctuations are primarily due to a gain on the sale of treasury bonds in 2010.

Other revenue 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. Other revenue increased to $10.2 million in 2011 from $10.0 million in 2010, which had increased from $6.0 million in 2009, primarily due to fees received on 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 $20.9 million in 2011, an increase of 9.8% from $19.1 million in 2010, which had decreased 2.8% from $19.6 million in 2009. The Corporation places a high priority on controlling operating expenses. The increase in 2011 is a result of increased medical costs and recording of additional accruals.

REO expenditures are cumulative preservation costs of existing REO properties deemed to be non-recoverable based on a valuation analysis of the underlying properties.

Net interest income (interest on loans and investments less interest expense) is the largest component of the Corporation's operating income. Net interest income remained stable at $28.4 million from 2010 to 2011, as compared to a 2.0% decrease in 2010 from $29.0 million in 2009. Interest income on loans decreased $2.8 million in 2011 compared to a decrease of $3.7 million in 2010. Interest income on investments increased $1.3 million in 2011 and decreased $1.9 million 2010. Net interest income as a percentage of average bonds and notes payable was 1.68% in 2011 and 1.72% in 2010, respectively. The interest income on loans decreased from 5.15% in 2010 to 4.93% in 2011, while interest expense on bonds and notes decreased from 4.05% in 2010 to 3.88% in 2011, causing a net decrease in the spread margin (i.e., differential between loans and bonds) from 1.10% in 2010 to 1.06% in 2011. This is a result of continued lower borrowing costs during 2011.

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 formulation for that loan is placed in abeyance and any accrued income is reversed.

The provision for loan losses decreased from $4.3 million in 2010 to $3.3 million in 2011 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 associated with multi-family portfolios.

For single-family loans, an estimate of loss reserve is based on the last instance of economic softness and real estate depreciation, which occurred in the mid-1990s. The single-family reserve is set at approximately double the worst experience incurred in that period.

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.

In December 2009, the Corporation issued bonds under two new indentures following the announcement by the United States Treasury Department of its intent to purchase bonds from state and local housing finance agencies. This program is part of a federal plan to help stabilize the United States housing market and provide families with access to affordable rental housing and homeownership. The Treasury Department agreed to purchase from the Corporation up to $128 million of single-family bonds under the new Home Funding Bonds indenture, and up to $65.1 million of rental housing bonds under the new Multi-Family Funding Bonds indenture.

Financial Analysis of the Corporation

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

June 30, 2011 and 2010 (in millions)	2011	2010	% Change
Loans receivable, net	$ 1,691	$ 1,676	0.9%
Investments	270	250	7.9
Cash and cash equivalents	229	289	(20.6)
Other assets	64	57	11.4
Total assets	2,254	2,272	(0.8)
Bonds and notes payable	1,657	1,717	(3.5)
Total liabilities	1,963	1,987	(1.1)
Fund equity:			
Invested in capital assets	9	9	0.3
Restricted	234	232	1.0
Unrestricted	47	45	5.2

June 30, 2010 and 2009 (in millions)	2010	2009	% Change
Loans receivable, net	$ 1,676	$ 1,651	1.5%
Investments	250	204	22.5
Cash and cash equivalents	289	181	59.7
Other assets	57	49	16.3
Total assets	2,272	2,085	9.0
Bonds and notes payable	1,717	1,584	8.4
Total liabilities	1,987	1,809	9.8
Fund equity:			
Invested in capital assets	9	9	-
Restricted	232	217	6.9
Unrestricted	45	50	(11.4)

At June 30, 2011, total assets of the Corporation decreased 0.8% from June 30, 2010, as compared to a 9.0% increase from 2009 to 2010. Net loans receivable increased $15.0 million or 0.9% from the previous year to $1.691 billion as of June 30, 2011. Bonds and notes payable totaled $1.657 billion as of June 30, 2011, a decrease of $60.7 million or 3.5% from June 30, 2010, which had increased $133.4 million or 8.4% from June 30, 2009. During 2011, $50.0 million of bonds were issued to fund single-family loans and $83.5 million of bonds were issued to fund multi-family loans. During the same period, $50.4 million of bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose. During 2010, $158.0 million of bonds were issued to fund single-family loans and $65.1 million of bonds were issued to fund multi-family loans. During the same period, $57.9 million of bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose.

As of June 30, 2011 and June 30, 2010, the equity-to-asset ratio was 12.9% and 12.6% respectively and the loan-to-asset ratio was 75.0% and 73.8%, respectively. These figures reflect the application of GASB Statement No. 31.

The Corporation's loan portfolio is primarily composed of single-family mortgage loans. As of June 30, 2011 and 2010, single-family residential mortgages in bond resolutions remained unchanged at $1.1 billion and multi-family loans in bond resolutions totaled $375.2 million and $322.9 million, respectively.

The Corporation invests funds according to an investment policy, the primary goal of which is the preservation of capital and the minimization of risk. Other investment policy objectives include liquidity and maximization of yield. Under its current investment policy, the Corporation invests substantially all funds in United States Government and Agency securities rated 'AAA' or in guaranteed investment contracts with providers rated 'AA' or better.

The Operating Fund is used to record the receipt of income not directly pledged to the repayment of specific bonds and notes, as well as to record expenses related to the Corporation's administrative functions and the provision for loan losses. The Operating Fund also is used for the purpose of recording funds to be utilized in the administration of various housing programs that are not covered by the Corporation's bond resolutions.

External Influences

With very few exceptions, most states are contending with the negative ramifications of the economic downturn occurring nationally. The most pronounced implication of the downturn is a high level of unemployment across the country. Rhode Island's unemployment rate is presently in the mid-11% range while the national rate is in the mid-10% range. The soft economy and the high level of unemployment produce an adverse effect for any lending institution. Notwithstanding the fact that households historically place a very high priority on making their mortgage payments to their mortgage lenders, there is an unavoidable ripple effect produced in a lending institution's delinquency statistics. High unemployment also negatively affects the resale value and the market equity in houses, since there are fewer households financially able to upgrade their housing burden in an economic downturn. Because the Corporation's loans (1) do not include sub-prime, (2) are conservatively underwritten and (3) represent the homeowner's first home, the Corporation's delinquency experience is below average when compared to industry data for all Rhode Island mortgage loans.

In February 2010 the U.S. Department of the Treasury established the Hardest Hit Fund to provide targeted aid to families in states hit hard by the economic and housing market downturn. Rhode Island has been chosen to receive assistance as one of the states struggling with unemployment rates at or above the national average or steep home price declines greater than 20 percent since the housing market downturn. The Corporation is helping our borrowers through the application process for these programs which include mortgage payment assistance for unemployed or underemployed homeowners, funds for principal reduction and loan modification to help homeowners get into more affordable mortgages and help for homeowners transitioning out of their homes.

As of October 1, 2011 the U.S. Department of Housing and Urban Development (HUD) has made changes to their Project Based Section 8 Contract Administration Program. Under the new Annual Contributions Contract HUD has reduced the number of tasks to be performed and has reduced the associated administrative fees. The new contract is for a term of six months with an option for HUD to further extend for up to three additional and successive renewal terms of three calendar months each. At a later date HUD will issue a Notice of Funding Availability to award the contract on a more long term basis. The Corporation has taken steps to reduce both operating and programmatic expenses to offset the expected reduction in fees from this program.

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 and Technology, Rhode Island Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, Rhode Island, 02903. The Corporation maintains a website at: www.rhodeislandhousing.org.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets
June 30, 2011 and 2010

	Operating Fund		Single-Family Fund	
	2011	**2010**	**2011**	**2010**
Assets				
Loans receivable	$ 281,070,717	$ 248,355,283	$ 1,068,902,926	$ 1,141,683,107
Less allowance for loan losses	(32,872,334)	(33,105,943)	(1,260,983)	(3,835,432)
Loans receivable, net	248,198,383	215,249,340	1,067,641,943	1,137,847,675
Investments	105,309,336	107,001,853	110,965,050	91,121,596
Accrued interest-loans	814,430	585,270	3,998,019	4,046,402
Accrued interest-investments	39,314	48,470	602,533	610,202
Cash and cash equivalents	53,209,041	49,099,669	135,477,423	148,392,734
Accounts receivable	12,264,164	8,360,464	-	-
Deferred bond issuance costs, net	52,483	74,976	8,884,429	9,729,187
Other assets, net	17,745,774	18,997,916	17,366,629	12,770,994
Interfund receivable (payable)	(421,690)	(11,904,524)	10,997	(49,461)
Total Assets	**$ 437,211,235**	**$ 387,513,434**	**$ 1,344,947,023**	**$ 1,404,469,329**
Liabilities and Fund Equity				
Bonds and notes payable	$ 84,610,123	$ 81,047,822	$ 1,174,864,267	$ 1,237,201,953
Accrued interest payable on bonds and notes	138,035	104,633	12,495,219	13,076,295
Accounts payable and accrued liabilities	7,559,095	5,620,515	724,800	1,073,819
Deferred fees	6,167,833	5,841,564	345,877	392,845
Escrow deposits	272,072,493	236,093,164	-	302
Total liabilities	**370,547,579**	**328,707,698**	**1,188,430,163**	**1,251,745,214**
Fund Equity				
Invested in capital assets	9,144,237	9,120,957	-	-
Restricted	10,670,494	5,142,025	156,516,860	152,724,115
Unrestricted	46,848,925	44,542,754	-	-
Total fund equity	**66,663,656**	**58,805,736**	**156,516,860**	**152,724,115**
Total Liabilities and Fund Equity	**$ 437,211,235**	**$ 387,513,434**	**$ 1,344,947,023**	**$ 1,404,469,329**

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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets
June 30, 2011 and 2010

	Multi-Family Fund		Total	
	2011	2010	2011	2010
Assets				
Loans receivable	$ 375,191,254	$ 322,943,955	$ 1,725,164,897	$ 1,712,982,345
Less allowance for loan losses	-	-	(34,133,317)	(36,941,375)
Loans receivable, net	375,191,254	322,943,955	1,691,031,580	1,676,040,970
Investments	53,652,659	52,039,136	269,927,045	250,162,585
Accrued interest-loans	1,848,936	1,598,346	6,661,385	6,230,018
Accrued interest-investments	284,882	261,545	926,729	920,217
Cash and cash equivalents	40,511,777	91,058,904	229,198,241	288,551,307
Accounts receivable	-	-	12,264,164	8,360,464
Deferred bond issuance costs, net	187,995	436,497	9,124,907	10,240,660
Other assets, net	-	-	35,112,403	31,768,910
Interfund receivable (payable)	410,693	11,953,985	-	-
Total Assets	**$ 472,088,196**	**$ 480,292,368**	**$ 2,254,246,454**	**$ 2,272,275,131**
Liabilities and Fund Equity				
Bonds and notes payable	$ 397,207,235	$ 399,119,100	$ 1,656,681,625	$ 1,717,368,875
Accrued interest payable on bonds and notes	3,400,772	3,096,457	16,034,026	16,277,385
Accounts payable and accrued liabilities	2,534,322	2,581,592	10,818,217	9,275,926
Deferred fees	67,226	66,750	6,580,936	6,301,159
Escrow deposits	1,715,596	1,317,329	273,788,089	237,410,795
Total liabilities	**404,925,151**	**406,181,228**	**1,963,902,893**	**1,986,634,140**
Fund Equity				
Invested in capital assets	-	-	9,144,237	9,120,957
Restricted	67,163,045	74,111,140	234,350,399	231,977,280
Unrestricted	-	-	46,848,925	44,542,754
Total fund equity	**67,163,045**	**74,111,140**	**290,343,561**	**285,640,991**
Total Liabilities and Fund Equity	**$ 472,088,196**	**$ 480,292,368**	**$ 2,254,246,454**	**$ 2,272,275,131**

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity
For the Years Ended June 30, 2011 and 2010

	Operating Fund		Single-Family Fund	
	2011	2010	2011	2010
Operating revenues:				
Interest income on loans	$ 6,201,819	$ 5,607,053	$ 55,387,664	$ 59,890,960
Interest income attributable to internal servicing activities	2,915,381	2,937,514	-	-
Total interest income on loans	9,117,200	8,544,567	55,387,664	59,890,960
Income on investments:				
Interest on investments	772,987	1,164,602	5,267,821	3,462,565
Net increase in fair value of investments	216,268	31,966	2,279,848	3,580,018
Gain on sale of treasury bonds	-	2,253,971	-	-
Fees	9,662,206	9,066,724	-	-
Servicing fee income	520,876	894,036	-	-
Total operating revenues	**20,289,537**	**21,955,866**	**62,935,333**	**66,933,543**
Operating expenses:				
Interest expense	1,273,828	593,488	51,181,410	53,217,038
Personnel services	14,699,270	12,515,022	-	-
Other administrative expenses	4,014,350	4,335,316	113,875	97,577
Housing initiatives	5,465,643	5,673,995	43,919	48,754
Provision for loan loss	212,778	1,188,119	3,064,633	3,100,000
REO expenditures	1,627,101	1,182,943	-	-
Arbitrage rebate	-	-	51,198	247,340
Amortization of deferred bond issuance costs	22,493	22,493	616,839	626,808
Early retirement of debt	-	-	627,666	416,715
Depreciation and amortization of other assets	1,410,923	1,506,264	455,678	353,111
State Rental Subsidy Program	2,370,586	3,056,563	-	-
Total operating expenses	**31,096,972**	**30,074,203**	**56,155,218**	**58,107,343**
Operating income (loss)	**(10,807,435)**	**(8,118,337)**	**6,780,115**	**8,826,200**
Transfers in (out) of fund equity	18,665,355	170,065	(2,987,370)	1,299,218
Total change in fund equity	**7,857,920**	**(7,948,272)**	**3,792,745**	**10,125,418**
Fund equity, beginning of year	58,805,736	66,754,008	152,724,115	142,598,697
Fund equity, end of year	$ 66,663,656	$ 58,805,736	$ 156,516,860	$152,724,115

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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity
For the Years Ended June 30, 2011 and 2010

	Multi-Family Fund		Total	
	2011	2010	2011	2010
Operating revenues:				
Interest income on loans	$ 20,320,292	$ 19,214,096	$ 81,909,775	$ 84,712,109
Interest income attributable to internal servicing activities	-	-	2,915,381	2,937,514
Total interest income on loans	20,320,292	19,214,096	84,825,156	87,649,623
Income on investments:				
Interest on investments	2,904,946	3,012,624	8,945,754	7,639,791
Net increase in fair value of investments	(149,727)	1,615,519	2,346,389	5,227,503
Gain on sale of treasury bonds	-	-	-	2,253,971
Fees	-	-	9,662,206	9,066,724
Servicing fee income	-	-	520,876	894,036
Total operating revenues	**23,075,511**	**23,842,239**	**106,300,381**	**112,731,648**
Operating expenses:				
Interest expense	12,930,604	13,054,434	65,385,842	66,864,960
Personnel services	-	-	14,699,270	12,515,022
Other administrative expenses	254,446	273,058	4,382,671	4,705,951
Housing initiatives	618,923	555,956	6,128,485	6,278,705
Provision for loan loss	-	-	3,277,411	4,288,119
REO expenditures	-	-	1,627,101	1,182,943
Arbitrage rebate	293,146	1,024,466	344,344	1,271,806
Amortization of deferred bond issuance costs	20,388	17,514	659,720	666,815
Early retirement of debt	228,114	-	855,780	416,715
Depreciation and amortization of other assets	-	-	1,866,601	1,859,375
State Rental Subsidy Program	-	-	2,370,586	3,056,563
Total operating expenses	**14,345,621**	**14,925,428**	**101,597,811**	**103,106,974**
Operating income (loss)	**8,729,890**	**8,916,811**	**4,702,570**	**9,624,674**
Transfers in (out) of fund equity	(15,677,985)	(1,469,283)	-	-
Total change in fund equity	**(6,948,095)**	**7,447,528**	**4,702,570**	**9,624,674**
Fund equity, beginning of year	74,111,140	66,663,612	285,640,991	276,016,317
Fund equity, end of year	$ 67,163,045	$ 74,111,140	$ 290,343,561	$ 285,640,991

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	Operating Fund		Single-Family Fund	
	2011	2010	2011	2010
Cash Flows from Operating Activities				
Interest on loans receivable	$ 8,888,040	$ 8,291,195	$ 55,436,046	$ 60,014,642
Repayment of loans receivable	72,407,878	33,411,308	102,855,928	153,098,194
Fees collected	10,509,175	9,908,918	(46,967)	(32,436)
Other receipts (disbursements), net	35,979,505	45,078,718	(302)	225
Loans disbursed	(105,123,312)	(101,670,704)	(30,075,746)	(115,048,835)
Accounts receivable, net	(3,903,699)	(1,354,683)	-	-
Loss on loans receivable	(2,073,489)	(2,203,994)	(5,639,081)	(3,014,568)
Bond issuance costs	-	-	(399,748)	(886,670)
Personnel services	(14,699,269)	(12,515,022)	-	-
Other administrative expenses	(4,014,350)	(4,335,316)	(113,875)	(97,577)
Housing initiative expenses	(5,465,643)	(5,673,995)	(43,919)	(48,754)
Other assets	(158,782)	(4,334,152)	(5,051,312)	(9,362,468)
Arbitrage rebate	-	-	(51,198)	(247,340)
Accounts payable and accrued liabilities	1,938,580	(1,332,645)	(349,019)	(31,160)
State Rental Subsidy Program	(2,370,586)	(3,056,563)	-	-
Transfers from (to) other programs	7,182,521	12,127,269	(3,047,828)	1,295,999
Net cash provided (used) for operating activities	**(903,431)**	**(27,659,666)**	**113,472,979**	**85,639,252**
Cash Flows from Noncaptial Financing Activities:				
Proceeds from sale of bonds and notes	294,600,000	270,410,000	50,001,201	158,017,885
Payment of bond and note principal	(291,037,700)	(257,017,169)	(112,338,887)	(80,946,915)
Interest paid on bonds and notes	(1,240,426)	(591,400)	(51,762,487)	(53,504,949)
Net cash provided (used) for noncapital financing activities	**2,321,874**	**12,801,431**	**(114,100,173)**	**23,566,021**
Cash Flows from Investing Activities:				
Redemption of investments	9,656,809	21,463,633	23,089,711	52,636,661
Income on investments	782,143	1,138,482	5,275,489	3,346,176
Purchase of investments	(7,748,023)	(14,968,713)	(40,653,317)	(97,272,804)
Net cash provided (used) for investing activities	**2,690,929**	**7,633,402**	**(12,288,117)**	**(41,289,967)**
Net Increase (Decrease) in Cash and Cash Equivalents	**4,109,372**	**(7,224,833)**	**(12,915,311)**	**67,915,306**
Cash and Cash Equivalents, beginning of year	49,099,669	56,324,502	148,392,734	80,477,428
Cash and Cash Equivalents, end of year	$ 53,209,041	$ 49,099,669	$ 135,477,423	$ 148,392,734

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	Multi-Family Fund		Total	
	2011	2010	2011	2010
Cash Flows from Operating Activities				
Interest on loans receivable	$ 20,069,702	$ 19,316,405	$ 84,393,788	$ 87,622,242
Repayment of loans receivable	3,084,565	10,196,783	178,348,371	196,706,285
Fees collected	476	371	10,462,684	9,876,853
Other receipts (disbursements), net	398,267	20,950	36,377,470	45,099,893
Loans disbursed	(55,331,864)	-	(190,530,922)	(216,719,539)
Accounts receivable, net	-	-	(3,903,699)	(1,354,683)
Loss on loans receivable	-	-	(7,712,570)	(5,218,562)
Bond issuance costs	-	(267,369)	(399,748)	(1,154,039)
Personnel services	-	-	(14,699,269)	(12,515,022)
Other administrative expenses	(254,447)	(273,057)	(4,382,672)	(4,705,950)
Housing initiative expenses	(618,924)	(555,956)	(6,128,486)	(6,278,705)
Other assets	-	-	(5,210,094)	(13,696,620)
Arbitrage rebate	(293,146)	(1,024,466)	(344,344)	(1,271,806)
Accounts payable and accrued liabilities	(47,270)	1,022,426	1,542,291	(341,379)
State Rental Subsidy Program	-	-	(2,370,586)	(3,056,563)
Transfers from (to) other programs	(4,134,693)	(13,423,268)	-	-
Net cash provided (used) for operating activities	**(37,127,334)**	**15,012,819**	**75,442,214**	**72,992,405**
Cash Flows from Noncaptial Financing Activities:				
Proceeds from sale of bonds and notes	83,576,089	65,251,287	428,177,290	493,679,172
Payment of bond and note principal	(85,487,954)	(22,265,174)	(488,864,541)	(360,229,258)
Interest paid on bonds and notes	(12,626,289)	(13,390,129)	(65,629,202)	(67,486,478)
Net cash provided (used) for noncapital financing activities	**(14,538,154)**	**29,595,984**	**(126,316,453)**	**65,963,436**
Cash Flows from Investing Activities:				
Redemption of investments	2,130,892	12,545,221	34,877,412	86,645,515
Income on investments	2,881,611	3,015,282	8,939,243	7,499,940
Purchase of investments	(3,894,142)	(13,302,489)	(52,295,482)	(125,544,006)
Net cash provided (used) for investing activities	**1,118,361**	**2,258,014**	**(8,478,827)**	**(31,398,551)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(50,547,127)**	**46,866,817**	**(59,353,066)**	**107,557,290**
Cash and Cash Equivalents, beginning of year	91,058,904	44,192,087	288,551,307	180,994,017
Cash and Cash Equivalents, end of year	$ 40,511,777	$ 91,058,904	$ 229,198,241	$ 288,551,307

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	Operating Fund		Single-Family Fund	
	2011	2010	2011	2010
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	**$ (10,807,435)**	**$ (8,118,337)**	**$ 6,780,115**	**$ 8,826,200**
Adjustments:				
Income on investments	(782,143)	(1,138,482)	(5,275,489)	(3,346,176)
Net (increase) decrease in fair value of investments	(216,268)	(2,285,938)	(2,279,848)	(3,580,018)
Interest paid on bonds and notes	1,240,426	591,400	51,762,487	53,504,949
Transfer of investments and/or fund equity	18,665,355	170,065	(2,987,370)	1,299,218
(Increase) decrease in assets:				
Loans receivable/Loss allowance	(32,949,043)	(68,092,327)	70,205,732	32,929,133
Accrued Interest-Loans	(229,160)	(253,372)	48,383	123,682
Accrued Interest-Investments	9,156	(26,077)	7,669	(116,390)
Accounts Receivable	(3,903,700)	(1,354,683)	-	-
Deferred bond issuance costs	22,493	22,492	844,758	156,853
Other Assets	1,252,142	(2,827,888)	(4,595,635)	(3,803,700)
Interfund receivable (payable)	(11,482,834)	11,957,204	(60,458)	(3,219)
Increase (decrease) in liabilities:				
Accrued Interest-Bonds and Notes	33,402	2,088	(581,076)	(287,911)
Accounts Payable/Accrued Liabilities	1,938,580	(1,332,645)	(349,019)	(31,160)
Deferred Fees	326,269	(51,842)	(46,968)	(32,437)
Escrow Deposits	35,979,329	45,078,676	(302)	228
Total adjustments	**9,904,004**	**(19,541,329)**	**106,692,864**	**76,813,052**
Net cash provided (used) for operating activities	**$ (903,431)**	**$ (27,659,666)**	**$ 113,472,979**	**$ 85,639,252**

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	Multi-Family Fund		Total	
	2011	2010	2011	2010
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	**$ 8,729,890**	**$ 8,916,811**	**$ 4,702,570**	**$ 9,624,674**
Adjustments:				
Income on investments	(2,881,611)	(3,015,282)	(8,939,243)	(7,499,940)
Net (increase) decrease in fair value of investments	149,727	(1,615,519)	(2,346,389)	(7,481,475)
Interest paid on bonds and notes	12,626,289	13,390,129	65,629,202	67,486,478
Transfer of investments and/or fund equity	(15,677,985)	(1,469,283)	-	-
(Increase) decrease in assets:				
Loans receivable/Loss allowance	(52,247,299)	10,196,783	(14,990,610)	(24,966,411)
Accrued Interest-Loans	(250,590)	102,309	(431,367)	(27,381)
Accrued Interest-Investments	(23,337)	2,660	(6,512)	(139,807)
Accounts Receivable	-	-	(3,903,700)	(1,354,683)
Deferred bond issuance costs	248,502	(249,855)	1,115,753	(70,510)
Other Assets	-	-	(3,343,493)	(6,631,588)
Interfund receivable (payable)	11,543,292	(11,953,985)	-	-
Increase (decrease) in liabilities:				
Accrued Interest-Bonds and Notes	304,315	(335,696)	(243,359)	(621,519)
Accounts Payable/Accrued Liabilities	(47,270)	1,022,427	1,542,291	(341,378)
Deferred Fees	476	371	279,777	(83,908)
Escrow Deposits	398,267	20,949	36,377,294	45,099,853
Total adjustments	**(45,857,224)**	**6,096,008**	**70,739,644**	**63,367,731**
Net cash provided (used) for operating activities	**$ (37,127,334)**	**$ 15,012,819**	**$ 75,442,214**	**$ 72,992,405**

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Fiduciary Net Assets - Private Purpose Trust Component Unit
June 30, 2011 and 2010

	Affordability Housing Trust 2011	Affordability Housing Trust 2010
Assets		
Loans receivable	$ 42,808,374	$ 45,348,831
Less allowance for loan losses	(1,320,729)	(1,320,729)
Loans receivable, net	41,487,645	44,028,102
Investments	5,272,939	2,471,512
Accrued interest-loans	108,471	125,966
Accrued interest-investments	10,059	11,850
Cash and cash equivalents	17,259,576	13,968,830
Accounts receivable	244,078	309,071
Other assets, net	3,541,468	3,696,589
Total Assets	**$ 67,924,236**	**$ 64,611,920**
Liabilities and Net Assets		
Deferred fees	$ 2,072,879	$ 2,012,780
Total liabilities	**2,072,879**	**2,012,780**
Net Assets		
Held in trust	65,851,357	62,599,140
Total Liabilities and Net Assets	**$ 67,924,236**	**$ 64,611,920**

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Changes in Fiduciary Net Assets - Private Purpose Trust Component Unit
For the Years Ended June 30, 2011 and 2010

	Affordability Housing Trust	
	2011	**2010**
Revenues:		
Interest income on loans	$ 1,675,122	$ 1,963,408
Income on investments:		
Interest on investments	29,505	55,376
Net increase in fair value of investments	15,055	5,062
Trust receipts	1,432,763	907,184
Fees	99,772	89,189
Total revenues	**3,252,217**	**3,020,219**
Expenses:		
Amortization of other assets	-	56,817
Other administrative expenses	-	160
Provision for loan loss	-	200,000
Total expenses	**-**	**256,977**
Total change in net assets	**3,252,217**	**2,763,242**
Net assets, beginning of year	62,599,140	59,835,898
Net assets, end of year	$ 65,851,357	$ 62,599,140

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 in order 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 No. 39. Through the application of GASB Statement Nos. 14 and 39, the accompanying financial statements present the Corporation and the Affordability Housing Trust (the "Trust"), a component unit over which the Corporation has control and for which the Corporation has financial accountability. Control over and financial accountability for the Trust is determined on the basis of appointment of a voting majority of the Trust's trustees. The Corporation and the Trust are collectively referred to herein as Rhode Island Housing.

b. Affordability Housing Trust

The Affordability Housing 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.

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 balance sheets, statements of revenues, expenses and changes in fund equity, and statements 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.

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. Private-sector standards of accounting and financial reporting issued on or before November 30, 1989 generally are followed in the accompanying financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The Corporation has the option of following private-sector guidance, subject to this same limitation; however, the Corporation has elected not to follow subsequent private-sector guidance.

The Corporation has presented an unclassified balance sheet 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 balance sheet date, the actual principal amount of loans received and the actual amount of principal repaid on bonds and notes is 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 non-operating 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 non-operating 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 according to 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 of 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.

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 Rhode Island Housing consist of those permitted by the various bond resolutions and Rhode Island Housing’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, money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost provided that 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 non-participating interest earning investment contracts, such as non-negotiable and non-transferable 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 Statement 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 statement of revenues, expenses and changes in fund equity 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 taxable 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 balance sheets and recorded within operating expenses in the statement of revenues, expenses and changes in fund equity.

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

Costs relating to issuing bonds are capitalized and amortized using a method that approximates the interest method over the life of the related bonds or to the date the Corporation has the option to redeem the bonds. In addition, when refinancing debt, the unamortized costs associated with the refinanced bond continue to be amortized over the shorter of the life of the old or new bonds.

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. Unamortized deferred bond issuance costs, along with any premium paid on the call, related to the early retirement of bonds that are not refunded, are reported in the statement of revenues, expenses and changes in fund equity.

h. Other Assets

Other assets of the Corporation are principally comprised of property and equipment, certain other real estate owned, loan origination and other fees paid to mortgagors, and deferred servicing costs related to service release premiums paid to participating originating lenders for origination of single-family loans. The Corporation amortizes loan origination and other fees over the estimated average life of the related loans on a straight-line basis and 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 at the date of foreclosure. Fair value of such assets is determined based on independent appraisals and other relevant factors. Other real estate owned in the Single-Family Fund are at least partially insured or guaranteed by outside parties and it is anticipated that the Corporation will recover substantially all of 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.

i. Fund Equity

Fund equity is classified in the following three components: invested in capital assets, restricted, and unrestricted. Invested in capital assets consists of all capital assets, net of accumulated depreciation. Restricted fund equity consists of fund equity for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Unrestricted fund equity consists of fund equity not included in invested in capital assets or restricted fund equity.

The Corporation classifies all fund equity amounts associated with its bond resolutions as restricted fund equity. 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 fund equity 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.

At June 30, 2011 and 2010, restricted fund equity 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 $10,670,494 and $5,142,025, respectively.

j. 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.

k. Use of Estimates

Management has made a number of 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.

l. Reclassification

Certain amounts in the accompanying 2010 financial statements have been reclassified to conform to the current year presentation.

2. Restricted Assets

The Corporation in the course of its business 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 the U.S. Department of Housing and Urban Development (HUD) for the use in HUD programs.

At June 30, 2011 and 2010, all assets in the Corporation's Single-Family and Multi-Family Funds; and $157,186,312 and $154,299,709, respectively, of investments and cash and cash equivalents and $136,359,475 and $98,884,002, respectively, 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 of Rhode Island. 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.
The single-family mortgage loan balances in the Single Family Fund are insured, subject to maximum insurable limits described below:

	2011	2010
Private Mortgage Insurance	$ 601,450,237	$ 658,098,590
FHA Insurance	164,338,911	160,797,542
VA Guaranteed	17,380,059	18,485,413
USDA/RD Guaranteed	6,250,155	4,344,762
Uninsured	279,483,564	299,956,800
Total	$ 1,068,902,926	$ 1,141,683,107

The FHA program insures the repayment of the unpaid principal amount of the mortgage upon foreclosure and conveyance of title to the Secretary of Housing and Urban Development (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 Fannie Mae and must be authorized to do business in the State of Rhode Island. 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. To date, all claims have been paid in accordance with contractual terms.

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multifamily housing developments financed by the Corporation. The risk of loss to the Corporation varies from 50% to 90% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at June 30, 2011, of $221,559,578 and $11,121,692, respectively, and at June 30, 2010, of $222,541,132 and $8,956,200, respectively, are insured under such agreements subject to maximum participation limits. At June 30, 2011 loan balances of $7,238,073 in the Affordability Housing Trust are also insured under such agreements.

In both the Single-Family Fund and the Multi-Family Fund, 98% of the loan portfolio is in first lien position. In the Operating Fund and the Affordable Housing Trust Fund, 35% and 39%, respectively, of the 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 years ended June 30, 2011 and 2010, interest received under such deferred loan arrangements was $555,415 and $653,947 in the Operating Fund and $83,631 and $64,936 in the Single-Family Fund, respectively.

At June 30, 2011 and 2010, principal outstanding under such deferred loan arrangements is as follows:

	2011	2010
Operating Fund:		
Single-family loans	$ 35,510,731	$ 34,903,452
Multi-family loans	153,373,893	115,062,040
Subtotal	188,884,624	149,965,492
Single-Family Fund:		
Single-family loans	9,512,849	9,050,901
Total	$ 198,397,473	$ 159,016,393

Certain loans recorded in the Corporation's Operating Fund and Single-Family Fund are on non-accrual status due to delinquency over 90 days. At June 30, 2011 and 2010, principal outstanding under such non-accrual status loans is as follows:

	2011	2010
Operating Fund:		
Single-family loans	$ 4,690,687	$ 2,058,254
Multi-family loans	1,076,694	1,908,935
Subtotal	5,767,381	3,967,189
Single-Family Fund:		
Single-family loans	80,963,208	63,440,729
Total	$ 86,730,589	$ 67,407,918

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

	2011	2010
Balance at beginning of year	$ 36,941,375	$ 36,688,875
Loans charged off, net of recoveries	(2,824,460)	(1,723,579)
Write down of REO properties	(3,061,073)	(2,123,921)
Provisions for loan losses	3,077,475	4,100,000
Balance at end of year	$ 34,133,317	$ 36,941,375

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 June 30, 2011 and 2010, the Mortgage Lenders Reserve Account totaled $1,134,839 and $1,176,503, respectively.

Under its trust agreement, the Affordable Housing Trust may invest its funds in securities and real estate related assets and loans in furtherance of its purpose of preserving affordable housing opportunities in the State. In this regard, it may originate a loan directly or purchase all or a portion of a loan originated by another lender. During the year ended June 30, 2010, the Trust purchased $5,000,000 of loans from the Corporation, which were originated in order to preserve and refurbish affordable rental housing stock.

4. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents Rhode Island Housing 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, Rhode Island Housing'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. Rhode Island Housing does not have any additional policy in regard to custodial credit risk for its deposits.

Cash and cash equivalents include short-term investments of $67,162,042 and $81,103,257 as of June 30, 2011 and 2010, respectively. Such amounts consist of open ended mutual funds invested in short-term securities that are issued or guaranteed by the US Government or US Government Agencies. The Corporation's short-term investments are not subject to custodial credit risk disclosures.

Cash and cash equivalents of Rhode Island Housing, exclusive of short-term investments, were exposed to custodial credit risk at June 30, 2011 and 2010 as follows:

	June 30, 2011			
	Category			Total Bank
	A	C	Insured	Balance
Operating Fund	$ 577,556	$ 41,713,811	$ 1,159,645	$ 43,451,012
Single-Family Fund	79,942,772	-	-	79,942,772
Multi-Family Fund	26,398,740	-	-	26,398,740
Trust	6,660,158	10,281,111	250,000	17,191,269
Subtotal	113,579,226	51,994,922	1,409,645	166,983,793
Escrows	16,075,661	31,749	-	16,107,410
Total	$ 129,654,887	$ 52,026,671	$ 1,409,645	$ 183,091,203

	June 30, 2010			
	Category			Total Bank
	A	C	Insured	Balance
Operating Fund	$ 1,424,531	$ 38,025,151	$ 1,255,492	$ 40,705,174
Single-Family Fund	146,006,053	-	-	146,006,053
Multi-Family Fund	91,059,092	-	-	91,059,092
Trust	5,472,061	8,496,768	-	13,968,829
Subtotal	243,961,737	46,521,919	1,255,492	291,739,148
Escrows	15,983,344	-	-	15,983,344
Total	$ 259,945,081	$ 46,521,919	$ 1,255,502	$ 307,722,492

Investments The primary objective of Rhode Island Housing 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%

The Operating Fund holds one investment with a maturity of greater than 5 years. This investment is a marketable security that is used for collateral in support of a long-term letter of credit.

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, Rhode Island Housing 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. Although Rhode Island Housing generally will limit maturities to less than five years in all funds, sometimes it is necessary to invest in longer term securities in revenue and debt service accounts to better match the long-term fixed-rate bond liabilities.

At June 30, 2011 and 2010, the distribution of investments by remaining or re-pricing maturity is as follows:

	June 30, 2011			
	1 year or less	>1 to 5 Years	>5 Years	Total
Operating Fund:				
US Government Obligations	$ 16,189,341	$ -	$ 2,599,149	$ 18,788,490
Single-Family Fund:				
US Government Obligations	-	-	89,808,590	89,808,590
US Agency Obligations	-	-	2,304,278	2,304,278
Guaranteed Investment Contracts	-	-	18,852,182	18,852,182
Total Single-Family Fund	-	-	110,965,050	110,965,050
Multi-Family Fund:				
US Government Obligations	-	39,277	40,000	79,277
US Agency Obligations	-	-	22,269,388	22,269,388
Guaranteed Investment Contracts	-	1,736,533	29,567,461	31,303,994
Total Multi-Family Fund	-	1,775,810	51,876,849	53,652,659
Escrows*	86,520,846	-	-	86,520,846
Subtotal	102,710,187	1,775,810	165,441,048	269,927,045
Trust:				
US Agency Obligations	249,904	5,023,035	-	5,272,939
Total	$ 102,960,091	$ 6,798,845	$ 165,441,048	$ 275,199,984

	June 30, 2010			
	1 year or less	>1 to 5 Years	>5 Years	Total
Operating Fund:				
US Government Obligations	$ 18,110,824	$ -	$ -	$ 18,110,824
Single-Family Fund:				
US Government Obligations	-	-	63,383,117	63,383,117
US Agency Obligations	-	-	2,332,008	2,332,008
Guaranteed Investment Contracts	-	-	25,406,471	25,406,471
Total Single-Family Fund	-	-	91,121,596	91,121,596
Multi-Family Fund:				
US Government Obligations	-	-	79,277	79,277
US Agency Obligations	-	-	22,427,309	22,427,309
Guaranteed Investment Contracts	-	-	29,532,550	29,532,550
Total Multi-Family Fund	-	-	52,039,136	52,039,136
Escrows*	19,975,472	68,915,557	-	88,891,029
Subtotal	38,086,296	68,915,557	143,160,732	250,162,585
Trust:				
US Agency Obligations	2,471,512	-	-	2,471,512
Total	$ 40,557,808	$ 68,915,557	$ 143,160,732	$ 252,634,097

* Included in the tables above are escrow funds relating to homeowners and to multi-family developments. Rhode Island Housing is not exposed to interest rate risk relating to escrows since the income and market gains or losses on these investments flow directly into the respective escrow deposit liability accounts.

Included in United States Government Obligations are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing'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 the Government National Mortgage Association (GNMA). The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which 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 $92,407,738 and $63,383,117 at June 30, 2011 and 2010, respectively.

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 contain policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements. At June 30, 2011 and 2010, investments, excluding investments relating to escrow accounts for which the credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are rated by Standard & Poor's or Moody's Investors Service as follows:

	June 30, 2011	
Rating Investment	AAA/Aaa US Agencies	Unrated GIC's
Operating Fund	$ -	$ -
Single-Family Fund	2,304,279	18,852,182
Multi-Family Fund	22,269,388	31,303,994
Trust	5,272,939	-

	June 30, 2010	
Rating Investment	AAA/Aaa US Agencies	Unrated GIC's
Operating Fund	$ -	$ -
Single-Family Fund	2,332,008	25,406,471
Multi-Family Fund	22,427,309	29,532,550
Trust	2,471,512	-

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, Rhode Island Housing attempts to diversify as much as possible given the limited number of issuers of AAA-rated investments.

At June 30, 2011 and 2010, 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.

At June 30, 2011 and 2010, investment concentrations of 5% or more of each respective fund's total investments, excluding investments relating to escrow accounts for which the concentration of credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are as follows:

	June 30, 2011		
Issuer	Single-Family Fund	Multi-Family Fund	Trust
Federal Farm Credit Bank	$ -	$ 10,996,191	$ 5,023,035
Federal Home Loan Bank	-	9,030,195	-
HSBC Bank	-	31,303,994	-

	June 30, 2010		
Issuer	Single-Family Fund	Multi-Family Fund	Trust
Federal Farm Credit Bank	$ -	$ 11,034,096	$ -
Federal Home Loan Bank	-	9,110,522	2,000,625
Federal Home Loan Mortgage Corporation	-	-	362,091
HSBC Bank	-	29,532,550	-
IXIS Funding Corporation	11,068,978	-	-

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Rhode Island Housing 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 June 30, 2011 and 2010, 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 Rhode Island Housing's investments 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 June 30, 2011 and 2010, 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 has the ability to 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 June 30, 2011 and 2010 the Corporation was not party to any derivative instruments and has no intention to enter into any such agreements in the near future.

5. Other Assets

The composition of Other Assets at June 30, 2011 and 2010 is:

	2011	2010
Real estate owned	$ 17,017,547	$ 12,013,604
Capital assets, net	9,144,237	9,120,957
Deferred origination costs, net	3,260,971	3,587,560
Federal program properties	3,021,504	4,079,456
Purchased mortgage servicing rights, net	2,271,603	2,722,093
Other assets and control accounts	396,541	245,240
Total	$ 35,112,403	$ 31,768,910

Depreciation expense related to capital assets for the years ended June 30, 2011 and 2010 was $819,276 and $821,796 respectively.

Amortization expense relate to deferred origination costs and purchased mortgage servicing rights for the years ended June 30, 2011 and 2010 was $1,021,095 and $1,033,448 respectively.

6. 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 on all bonds is payable semi-annually. Interest on all bonds is payable semi-annually, except for compound interest bonds which is payable at maturity. Term bonds require the Corporation to establish a sinking fund in the year preceding any term bond mandatory redemption.

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 at year end.

Bonds and notes payable at June 30, 2011 and 2010 are as follows:

	2011	2010
Operating Fund Bonds and Notes:		
Federal Home Loan Bank		
Due 2011, interest from .23% to .32%	$ 20,000,000	$ 23,000,000
General Obligation Bonds Series 2008:		
Mandatory tender bonds, due 2013, interest at 4.625%	5,000,000	5,000,000
Note Payable, due 2027 to 2030, interest from 5.275% to 5.70%	3,610,123	1,047,822
Lines of Credit, payable on demand, interest from 1.20% to 1.94%	56,000,000	52,000,000
Total Operating Fund	84,610,123	81,047,822
Single-Family Fund:		
Homeownership Opportunity Bonds and Notes:		
Series 10-A:		
Term bonds, due 2022 to 2027, interest at 6.50%	2,000,000	2,000,000
Series 15-A:		
Term bonds, due 2024, interest at 6.85%	2,000,000	2,000,000
Series 25-A:		
Term bonds, due 2016, interest at 4.95%	2,760,000	3,415,000
Series 26-B:		
Term bonds, due 2026, interest at 5.40%	8,515,000	9,290,000
Series 27-B:		
Serial bonds, due 2010, interest at 5.05%	-	520,000
Term bonds, due 2012, interest at 5.15%	395,000	1,595,000
	395,000	2,115,000
Series 28-A:		
Serial bonds, due 2011 to 2012, interest from 4.80% to 4.90%	725,000	1,175,000
Term bonds, due 2018, interest at 5.15%	1,965,000	2,370,000
	2,690,000	3,545,000

	2011	2010
Series 29-A:		
Serial bonds, due 2011, interest at 4.75%	445,000	1,300,000
Term bonds, due 2015 to 2029, interest from 5.05% to 5.10%	26,265,000	26,620,000
	26,710,000	27,920,000
Series 30-B:		
Term bonds, due 2019, interest at 5.20%	2,685,000	3,665,000
Series 31-B:		
Serial bonds, due 2010, interest at 5.30%	-	955,000
Series 32-B:		
Serial bonds, due 2010, interest at 5.45%	-	745,000
Series 34-B:		
Term bonds, due 2020, interest at 5.375%	170,000	13,760,000
Series 36-A:		
Serial bonds, due 2011, interest at 4.50%	-	875,000
Series 36-B:		
Term bonds, due 2019, interest at 4.65%	3,235,000	3,555,000
Series 37-A:		
Serial bonds, due 2011, interest at 4.40%	-	875,000
Series 37-B:		
Term bonds, due 2021, interest at 4.625%	1,595,000	2,140,000
Series 38-A:		
Term bonds, due 2027, interest at 5.50%	16,720,000	17,000,000
Series 39-A:		
Serial bonds, due 2013, interest at 4.50%	45,000	45,000
Series 39-B:		
Serial bonds, due 2012 to 2013, interest from 4.65% to 4.75%	1,655,000	2,335,000
Term bonds, due 2019 to 2022, interest from 4.50% to 5.25%	14,550,000	15,325,000
	16,205,000	17,660,000

	2011	2010
Series 40-A:		
Serial bonds, due 2011 to 2016, interest from 3.70% to 4.50%	4,705,000	4,705,000
Term bonds, due 2022 to 2033, interest from 4.90% to 5.00%	25,290,000	25,295,000
	29,995,000	30,000,000
Series 41-A:		
Serial bonds, due 2012 to 2013, interest from 4.00% to 4.15%	1,065,000	1,275,000
Term bonds, due 2031, interest at 5.15%	945,000	945,000
	2,010,000	2,220,000
Series 41-B:		
Term bonds, due 2022, interest at 5.20%	6,855,000	7,190,000
Series 42-A:		
Serial bonds, due 2012 to 2013, interest from 3.55% to 3.65%	1,080,000	1,580,000
Term bonds, due 2017 to 2033, interest from 3.50% to 4.90%	12,465,000	12,705,000
	13,545,000	14,285,000
Series 43-A:		
Serial bonds, due 2011 to 2017, interest from 2.95% to 3.90%	3,885,000	4,370,000
Term bonds, due 2018 to 2033, interest from 3.25% to 4.375%	7,480,000	7,665,000
	11,365,000	12,035,000
Series 44-A:		
Serial bonds, due 2011 to 2013, interest from 3.65% to 4.00%	4,085,000	5,915,000
Term bonds, due 2017 to 2033, interest from 4.45% to 5.05%	11,680,000	11,680,000
	15,765,000	17,595,000
Series 45-A:		
Serial bonds, due 2012 to 2017, interest from 3.90% to 4.60%	8,335,000	9,550,000
Series 45-B:		
Term bonds, due 2020 to 2024, interest from 4.00% to 4.90%	18,560,000	19,055,000
Series 46-A:		
Serial bonds, due 2011 to 2014, interest from 3.30% to 3.85%	3,010,000	3,770,000
Term bonds, due 2019 to 2034, interest from 4.25% to 4.60%	30,340,000	30,530,000
	33,350,000	34,300,000
Series 46-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 47-A:		
Serial bonds, due 2011 to 2015, interest from 3.55% to 4.10%	3,850,000	4,580,000
Term bonds, due 2017, interest at 4.30%	1,670,000	1,670,000
	5,520,000	6,250,000

	2011	2010
Series 47-B:		
Term bonds, due 2025 to 2033, interest from 5.00% to 5.15%	30,035,000	30,035,000
Series 48-A:		
Serial bonds, due 2011 to 2017, interest from 3.35% to 4.10%	5,710,000	6,475,000
Series 48-B:		
Term bonds, due 2025 to 2035, interest from 4.70% to 4.85%	19,820,000	19,820,000
Series 48-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 49-A:		
Serial bonds, due 2012 to 2015, interest from 3.55% to 4.10%	6,310,000	6,310,000
Term bonds, due 2017 to 2034, interest from 4.20% to 4.75%	4,105,000	4,105,000
	10,415,000	10,415,000
Series 49-B:		
Serial bonds, due 2011 to 2012, interest from 4.00% to 4.10%	1,740,000	2,635,000
Term bonds, due 2020 to 2035, interest from 4.40% to 4.80%	29,085,000	29,825,000
	30,825,000	32,460,000
Series 50-A:		
Serial bonds, due 2011 to 2014, interest from 3.55% to 3.85%	10,750,000	13,950,000
Term bonds, due 2017 to 2034, interest from 4.00% to 4.65%	17,270,000	17,270,000
	28,020,000	31,220,000
Series 50-B:		
Term bonds, due 2035, interest at 4.60%	38,365,000	38,365,000
Series 51-A:		
Serial bonds, due 2011 to 2017, interest from 3.65% to 4.125%	11,700,000	12,665,000
Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%	29,215,000	29,215,000
	40,915,000	41,880,000
Series 51-B:		
Term bonds, due 2036, interest at 5.00%	4,455,000	5,715,000
Series 52-A:		
Serial bonds, due 2011 to 2018, interest from 3.80% to 4.30%	9,020,000	9,595,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	11,740,000	11,740,000
	20,760,000	21,335,000
Series 52-B:		
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	24,215,000	25,000,000

	2011	2010
Series 53-A:		
Serial bonds, due 2011 to 2017, interest from 3.625% to 4.05%	15,570,000	18,160,000
Term bonds, due 2034, interest at 4.60%	3,150,000	3,150,000
	18,720,000	21,310,000
Series 53-B:		
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	41,930,000	42,115,000
Series 54:		
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	60,675,000	60,675,000
Series 55-A:		
Serial bonds, due 2013 to 2017, interest from 3.70% to 3.95%	8,345,000	8,345,000
Term bonds, due 2034, interest at 4.50%	2,280,000	2,280,000
	10,625,000	10,625,000
Series 55-B:		
Serial bonds, due 2011 to 2017, interest from 4.05% to 4.375%	4,265,000	4,945,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	58,655,000	60,600,000
	62,920,000	65,545,000
Series 56-A:		
Serial bonds, due 2011 to 2015, interest from 4.30% to 4.65%	3,630,000	3,905,000
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	58,820,000	59,515,000
	62,450,000	63,420,000
Series 56-B1-T:		
Term bonds, due 2047, interest at 6.074%	5,765,000	8,590,000
Series 56-B2-T:		
Serial bonds, due 2011 to 2014, interest at 5.67%	-	1,760,000
Series 57-A:		
Serial bonds, due 2011 to 2017, interest from 3.80% to 4.25%	9,490,000	10,150,000
Term bonds, due 2034, interest at 5.00%	475,000	475,000
	9,965,000	10,625,000
Series 57-B:		
Term bonds, due 2022 to 2047, interest from 5.15% to 5.45%	55,685,000	56,590,000
Series 58-A:		
Term bonds, due 2023 to 2047, interest from 5.05% to 5.40%	56,230,000	59,460,000
Series 58-T:		
Term bonds, due 2013 to 2017, interest from 4.98% to 5.51%	8,150,000	8,150,000

	2011	2010
Series 59-A:		
Serial bonds, due 2011 to 2017, interest from 2.875% to 4.125%	15,110,000	17,520,000
Term bonds, due 2034, interest at 5.15%	3,215,000	3,215,000
	18,325,000	20,735,000
Series 59-B:		
Term bonds, due 2022 to 2028, interest from 5.45% to 5.70%	12,980,000	22,620,000
Series 59-C:		
Demand bonds, due 2047, interest at variable rate	25,000,000	25,000,000
Series 60-A1:		
Serial bonds, due 2011 to 2017, interest from 3.20% to 4.30%	10,230,000	11,700,000
Term bonds, due 2034, interest at 5.375%	3,080,000	3,080,000
	13,310,000	14,780,000
Series 60-A2:		
Term bonds, due 2036 to 2038, interest from 5.50% to 5.625%	19,345,000	27,265,000
Series 60-B:		
Serial bonds, due 2017 to 2018, interest from 5.00% to 5.150%	1,840,000	1,840,000
Unamortized bond premium	1,215,031	1,353,918
Subtotal	999,690,031	1,079,218,918
Home Funding Bonds and Notes:		
Series 1-A:		
Serial bonds, due 2011 to 2021, interest from 1.10% to 4.125%	15,610,000	17,060,000
Term bonds, due 2024 to 2027, interest from 4.25% to 4.625%	12,675,000	12,940,000
	28,285,000	30,000,000
Series 1-B:		
Term bonds, due 2039, interest at 3.96%	44,100,000	45,000,000
Series 2:		
Term bonds, due 2041, interest at variable rate	53,000,000	83,000,000
Series 2, Subseries 2A:		
Term bonds, due 2041, interest at 3.16%	30,000,000	-
Series 3:		
Serial bonds, due 2011 to 2020, interest from .60% to 3.20%	9,290,000	-
Term bonds, due 2025 to 2041, interest from 3.16% to 4.10%	10,515,000	-
	19,805,000	-

	2011	2010
Unamortized bond discount	(15,764)	(16,965)
Subtotal	175,174,236	157,983,035
Total Single-Family Fund	1,174,864,267	1,237,201,953
Multi-Family Fund:		
Multi-Family Housing Bonds:		
1985 Series A:		
Compound interest term bonds, due 2010, interest at 10.125%	-	1,475,000
1995 Series A:		
Term bonds, due 2017, interest at 6.15%	840,000	940,000
1997 Series A:		
Term bonds, due 2010, interest at 5.60%	-	435,000
1998 Series A:		
Serial bonds, due 2011 to 2012, interest from 5.05% to 5.10%	175,000	260,000
Term bonds, due 2018 to 2033, interest from 5.375% to 5.50%	3,550,000	3,550,000
	3,725,000	3,810,000
Subtotal	4,565,000	6,660,000
Housing Bonds:		
2001 Series A:		
Serial bonds, due 2011 to 2013, interest from 5.00% to 5.15%	670,000	870,000
Term bonds, due 2015, interest at 5.30%	1,490,000	1,490,000
	2,160,000	2,360,000
2001 Series B-1B:		
Serial bonds, due 2011 to 2013, interest from 4.30% to 4.55%	3,250,000	4,195,000
Term bonds, due 2022 to 2031, interest from 5.15% to 5.25%	11,230,000	14,155,000
	14,480,000	18,350,000
2001 Series B-2T:		
Term bonds, due 2031, interest at variable rate	3,790,000	3,860,000
2002 Series A:		
Serial bonds, due 2011 to 2012, interest from 4.35% to 4.55%	335,000	485,000
Term bonds, due 2016 to 2032, interest from 5.00% to 5.55%	8,620,000	8,620,000
	8,955,000	9,105,000

	2011	2010
2003 Series A-1:		
Serial bonds, due 2012 to 2013, interest from 4.00% to 4.10%	175,000	255,000
Term bonds, due 2018 to 2035, interest from 4.625% to 4.95%	7,455,000	7,455,000
	7,630,000	7,710,000
2003 Series A-2T:		
Term bonds, due 2034, interest at variable rate	21,390,000	21,745,000
2003 Series B-1A:		
Serial bonds, due 2012 to 2016, interest from 4.50% to 4.90%	1,870,000	2,230,000
Term bonds, due 2024 to 2034, interest from 5.375% to 5.50%	9,100,000	9,100,000
	10,970,000	11,330,000
2003 Series B-1B:		
Serial bonds, due 2011, interest at 4.35%	-	90,000
Term bonds, due 2024 to 2034, interest from 5.375% to 5.55%	2,700,000	2,700,000
	2,700,000	2,790,000
2003 Series B-2T:		
Term bonds, due 2035, interest at variable rate	8,980,000	9,050,000
2003 Series C-1A:		
Serial bonds, due 2012 to 2014, interest from 3.90% to 4.10%	965,000	1,245,000
Term bonds, due 2023 to 2034, interest from 4.85% to 5.00%	15,695,000	15,695,000
	16,660,000	16,940,000
2003 Series C-1B:		
Serial bonds, due 2012 to 2014, interest from 3.90% to 4.10%	80,000	110,000
Term bonds, due 2023 to 2035, interest from 4.85% to 5.00%	1,370,000	1,370,000
	1,450,000	1,480,000
2004 Series A-1A:		
Serial bonds, due 2011 to 2016, interest from 3.90% to 4.50%	920,000	1,065,000
Term bonds, due 2025 to 2033, interest from 5.00% to 5.10%	6,335,000	6,335,000
	7,255,000	7,400,000
2004 Series A-1B:		
Term bonds, due 2016 to 2045, interest from 4.50% to 5.35%	3,170,000	3,195,000
2004 Series A-2T:		
Term bonds, due 2025, interest at 6.10%	-	3,660,000
2004 Series B-1A:		
Serial bonds, due 2011 to 2015, interest from 3.20% to 3.70%	65,000	75,000
Term bonds, due 2025 to 2045, interest from 4.55% to 4.85%	1,890,000	1,890,000
	1,955,000	1,965,000

	2011	2010
2004 Series B-1B-1:		
Serial bonds, due 2011 to 2015, interest from 3.60% to 4.10%	620,000	715,000
Term bonds, due 2045, interest at 4.90%	12,875,000	12,875,000
	13,495,000	13,590,000
2004 Series B-1B-2:		
Serial bonds, due 2011 to 2015, interest from 3.60% to 4.10%	120,000	140,000
Term bonds, due 2025 to 2035, interest from 4.65% to 4.90%	860,000	860,000
	980,000	1,000,000
2004 Series B-2T:		
Term bonds, due 2015 to 2030, interest from 4.85% to 5.57%	3,475,000	8,960,000
2005 Series A-1A:		
Serial bonds, due 2011 to 2015, interest from 3.90% to 4.25%	1,930,000	2,260,000
Term bonds, due 2025 to 2035, interest from 4.75% to 4.875%	17,230,000	17,230,000
	19,160,000	19,490,000
2005 Series A-1B:		
Term bonds, due 2035, interest at 4.90%	270,000	270,000
2005 Series A-2T:		
Term bonds, due 2015 to 2018, interest from 5.14% to 5.29%	1,345,000	7,555,000
2006 Series A-1:		
Serial bonds, due 2011 to 2016, interest from 3.80% to 4.05%	1,510,000	1,730,000
Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%	19,680,000	19,680,000
	21,190,000	21,410,000
2006 Series A-2T:		
Term bonds, due 2048, interest at 5.88%	-	4,490,000
2007 Series A-1:		
Serial bonds, due 2011 to 2017, interest from 3.90% to 4.35%	2,070,000	2,295,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	29,680,000	29,680,000
	31,750,000	31,975,000
2007 Series A-2T:		
Term bonds, due 2027, interest at 5.608%	1,335,000	4,670,000
2007 Series B-1A/B:		
Serial bonds, due 2011 to 2017, interest from 3.90% to 4.50%	1,550,000	1,755,000
Term bonds, due 2022 to 2049, interest from 5.00% to 5.50%	24,405,000	24,405,000
	25,955,000	26,160,000

	2011	2010
Unamortized bond premium	107,235	89,100
Subtotal	230,607,235	260,599,100
Multi-Family Funding Bonds:		
2009 Series A:		
Escrow bonds, due 2041, interest at variable rate	14,100,000	65,100,000
2009 Series A, Subseries 2009A-1		
Term bonds, due 2051, interest at 3.01%	51,000,000	-
2010 Series A:		
Serial bonds, due 2011 to 2021, interest from .50% to 4.00%	5,760,000	-
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000	-
	21,310,000	-
Subtotal	86,410,000	65,100,000
Multi-Family Development Bonds:		
2010 Series 1:		
Serial bonds, due 2011 to 2021, interest from .875% to 4.25%	650,000	-
Term bonds, due 2025 to 2051, interest from 4.75% to 5.875%	8,285,000	-
Subtotal	8,935,000	-
Multi-Family Mortgage Revenue Bonds:		
1998 Series A:		
Term bonds, due 2028, interest at variable rate	2,040,000	2,110,000
Series 2006 (University Heights Project):		
Term bonds, due 2039, interest at variable rate	26,700,000	26,700,000
Series 2006 (Sutterfield Project):		
Term bonds, due 2039, interest at variable rate	7,000,000	7,000,000
Series 2006 (The Groves):		
Term bonds, due 2040, interest at variable rate	30,950,000	30,950,000
Subtotal	66,690,000	66,760,000
Total Multi-Family Fund	397,207,235	399,119,100
Total Bonds And Notes Payable	$ 1,656,681,625	$1,717,368,875

Notes payable consist of the Operating Fund's lines of credit, which 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 June 30, 2011, the Corporation may borrow up to a maximum of $40,000,000 under one revolving loan agreement expiring November 2011, up to a maximum of $20,000,000 under another additional revolving loan agreement expiring May 2013, and up to a maximum of $15,000,000 under a third additional revolving loan agreement expiring January 2012. Borrowings under the lines of credit are payable on demand and are unsecured.

The debt service payable schedule below includes amounts required for debt service sinking funds, including compound interest bonds which are reported at their matured principal amount, for each fiscal year relating to the respective bonds and notes as of June 30, 2011 (dollars in thousands):

	Operating Fund Bonds/Notes		Single-Family Fund Bonds/Notes		Multi-Family Fund Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 65,053	$ 814	$ 44,980	$ 48,810	$ 5,060	$ 13,315
2013	11,057	630	33,480	47,567	5,465	13,124
2014	5,060	312	31,730	46,294	5,865	12,915
2015	63	193	33,415	45,026	5,945	12,686
2016	67	190	34,425	43,656	7,085	12,416
2017-2021	397	885	197,595	192,708	34,270	57,932
2022-2026	526	756	178,645	147,446	39,135	50,248
2027-2031	2,387	432	203,160	105,105	52,725	41,145
2032-2036	-	-	216,575	58,506	53,845	29,137
2037-2041	-	-	106,475	20,197	97,545	20,078
2042-2046	-	-	84,825	5,894	55,980	11,268
2047-2051	-	-	8,360	373	33,105	3,249
2052-2056	-	-	-	-	1,075	16
	$ 84,610	$ 4,212	$ 1,173,665	$ 761,582	$ 397,100	$ 277,529

Homeownership Opportunity Bonds Series 46-T and 48-T, Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T bear interest at a variable rate established quarterly, which range from 5.35%-6.50% at June 30, 2011. The Multi-Family Mortgage Revenue Bonds and the Homeownership Opportunity Bonds Series 59-C bear interest at a variable rate established weekly by the Remarketing Agent. The rates used above were the applicable rates as of June 30, 2011.

Bonds and notes payable activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and notes payable:				
General obligation bonds	$ 5,000,000	$ -	$ -	$ 5,000,000
Unsecured notes	53,047,822	246,600,000	(240,037,699)	59,610,123
Secured notes	23,000,000	41,000,000	(44,000,000)	20,000,000
Revenue bonds	1,636,321,053	133,545,000	(197,794,551)	1,572,071,502
	$ 1,717,368,875	$ 421,145,000	$(481,832,250)	$ 1,656,681,625

Bonds and notes payable activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and notes payable:				
General obligation bonds	$ 5,000,000	$ -	$ -	$ 5,000,000
Unsecured notes	38,064,992	196,500,000	(181,517,170)	53,047,822
Secured notes	32,000,000	62,500,000	(71,500,000)	23,000,000
Revenue bonds	1,508,853,969	234,500,000	(107,032,916)	1,636,321,053
	$ 1,583,918,961	$ 493,500,000	$(360,050,086)	$ 1,717,368,875

7. 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 balance sheets. 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 June 30, 2011 is as follows:

Fund	Commitments
Operating Fund	$ 43,533,111
Single-Family Fund	8,373,562
Multi-Family Fund	-
Total	$ 51,906,673

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 credit worthiness on a case-by-case basis. Interest rates on approved loan commitments are principally fixed rates.

The Corporation is party to a standby letter of credit agreement whereby the Corporation guarantees payment of principal and interest to bondholders in the event of nonperformance by the borrower. The Corporation's exposure to credit loss is represented by the contractual amount of the letter of credit, up to a maximum of $2,067,666 at June 30, 2011. The Corporation also entered into a confirming letter of credit agreement with a financial institution whereby the financial institution guarantees payment of principal and interest to bondholders in the event of nonperformance by both the borrower and the Corporation. The Corporation holds a marketable security as collateral to support this confirming letter of credit with a fair value of $2,599,149 at June 30, 2011.

The Corporation is party to certain claims and lawsuits which are being contested, certain of which Rhode Island Housing 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 Rhode Island Housing.

Rhode Island Housing 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 Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing'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. Rhode Island Housing 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 June 30, 2011 because Rhode Island Housing officials are of the opinion that, based on prior experience, any claims will not be material.

8. Segment Information

The Corporation has issued various revenue bonds to finance the activities of its Single-Family Fund and Multi-Family Fund. Investors in each revenue bond rely solely on the revenue stream generated from the activities associated with the specific revenue bonds for repayment. Segment information relating to these identifiable activities is presented in the accompanying balance sheets, statements of revenues, expenses and changes in fund equity and statements of cash flows.

9. 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 by the Corporation for the years ended June 30, 2011 and 2010 totaled $895,456 and $886,247, respectively. 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. The contribution requirements, and benefit provisions, are established and may be amended by management of the Corporation along with the Board of Commissioners. As of June 30, 2011, the plan included 10 retirees, 8 of which are receiving benefits, and 181 active employees. RIHRHP does not issue a stand-alone financial report.

The Corporation's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. For the years ended June 30, 2011 and 2010, plan members receiving benefits contributed $5,895 and $4,689, respectively, as their required contribution.

The annual OPEB cost for the fiscal years ending June 30, 2011 and 2010, are as follows:

	2011	2010
Annual required contribution (ARC)	$ 343,431	$ 280,307
Interest on OPEB obligation	109,316	96,774
Adjustments to ARC	(101,280)	5,590
Annual OPEB cost	351,467	382,671
Net estimated employer contributions	(25,120)	(11,310)
Increase in net OPEB obligation	326,347	371,361
Net OPEB obligation , beginning of year	2,429,247	2,057,886
Net OPEB obligation, end of year	$ 2,755,594	2,429,247
Percent of annual OPEB cost contributed in current year	7.1%	3.0%

The Net OPEB obligation is included in accounts payable and accrued liabilities in the accompanying balance sheets. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2011 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
June 30, 2009	$ 280,655	$ 12,587	4.5%	$ 2,150,525
June 30, 2010	382,671	11,310	3.0%	2,429,247
June 30, 2011	351,467	25,120	7.1%	2,755,594

Funding Status and Funding Progress:

The actuarial value of assets would be equal to the reported market value of the underlying assets. Under the reporting parameters, the Corporation's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $2,764,235 at June 30, 2011, which is the most recent actuarial valuation date.

Actuarial Methods and Assumptions

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations. The ARC was calculated based on the projected unit credit method, which provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. The unfunded accrued liability was amortized as a level percent of active payroll over 30 years.

Projections of health benefits are based on the plan as understood by the Corporation and include types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Corporation and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions included a 3.00% inflation rate, an investment rate of return of 4.50% based on the Corporations overall rate of return on assets, payroll growth of 3.00%. The initial annual healthcare cost trend rate of 8.5%, declining to an ultimate rate of 4.50% after 8 years.

The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. State Rental Subsidy Program

The Corporation and the State have entered into a contractual relationship whereby the Corporation assumed the responsibility for the State Rental Subsidy Program for the period July 1, 1994 through June 30, 1997. In addition, the Corporation made $3,800,000 in advances on behalf of the State for this program in the fiscal year ended June 30, 1994. As provided in the contractual arrangement, the State agreed to repay the $3,800,000, subject to appropriations, in installments of $950,000 over a four-year period beginning in the year ended June 30, 1996, but to date no payments have been received, nor have any payments for advances totaling $48,023,646 made during the years ended June 30, 1998 through 2011 been received.

11. Subsequent Events

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

Date of Call	Principal Program	Outstanding
July 1, 2011	Homeownership Opportunity Bonds	$ 26,865,000
October 1, 2011	Homeownership Opportunity Bonds	12,365,000
October 1, 2011	Home Funding Bonds	1,810,000

On September 29, 2011, the Corporation issued $35,000,000 of Home Funding Bonds.

The Corporation's management has evaluated subsequent events through September 29, 2011, which is the date these financial statements were available to be issued.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of Rhode Island Housing and Mortgage Finance Corporation (the "Corporation"), a component unit of the State of Rhode Island, as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated September 29, 2011, which contained unqualified opinions on those financial statements. Our audits were conducted for the purpose of forming opinions on the Corporation's financial statements as a whole. The supplemental information presented on pages 53 through 62 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CCR LLP

Providence, Rhode Island
September 29, 2011

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

Required Supplementary Information
Schedule of Funding Progress
Year Ended June 30, 2011

Rhode Island Housing and Mortgage Finance Corporation
Retiree Health Care Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	$ -	$ 1,882,457	$ 1,882,457	0%	$ 8,857,639	21.3%
June 30, 2010	-	1,882,457	1,882,457	0%	9,137,027	20.6%
June 30, 2011	-	2,764,235	2,764,235	0%	9,052,294	30.5%

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Single-Family Fund
June 30, 2011 and 2010

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2011	2010	2011	2010
Assets				
Loans receivable	$ 1,016,667,047	$ 1,108,803,499	$ 52,235,879	$ 32,879,608
Less allowance for loan losses	(1,260,983)	(3,835,432)	-	-
Loans receivable, net	1,015,406,064	1,104,968,067	52,235,879	32,879,608
Investments	37,105,876	45,308,799	73,859,174	45,812,797
Accrued interest-loans	3,842,221	3,949,684	155,798	96,718
Accrued interest-investments	340,470	441,031	262,063	169,171
Cash and cash equivalents	76,820,295	62,830,773	58,657,128	85,561,961
Deferred bond issuance costs, net	7,741,537	8,858,324	1,142,892	870,863
Other assets, net	17,265,478	12,708,827	101,151	62,167
Interfund receivable (payable)	(7,600)	(49,461)	18,597	-
Total Assets	**$ 1,158,514,341**	**$ 1,239,016,044**	**$ 186,432,682**	**$ 165,453,285**
Liabilities and Fund Equity				
Bonds and notes payable	$ 999,690,031	$ 1,079,218,918	$ 175,174,236	$ 157,983,035
Accrued interest payable on bonds and notes	11,351,825	12,335,216	1,143,394	741,079
Accounts payable and accrued liabilities	724,800	1,073,819	-	-
Deferred fees	345,877	392,845	-	-
Escrow deposits	-	-	-	302
Total liabilities	**1,012,112,533**	**1,093,020,798**	**176,317,630**	**158,724,416**
Fund Equity				
Fund equity, restricted	146,401,808	145,995,246	10,115,052	6,728,869
Total Liabilities and Fund Equity	**$ 1,158,514,341**	**$ 1,239,016,044**	**$ 186,432,682**	**$ 165,453,285**

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Single-Family Fund
June 30, 2011 and 2010

	Single-Family Fund Totals	
	2011	**2010**
Assets		
Loans receivable	$ 1,068,902,926	$ 1,141,683,107
Less allowance for loan losses	(1,260,983)	(3,835,432)
Loans receivable, net	1,067,641,943	1,137,847,675
Investments	110,965,050	91,121,596
Accrued interest-loans	3,998,019	4,046,402
Accrued interest-investments	602,533	610,202
Cash and cash equivalents	135,477,423	148,392,734
Deferred bond issuance costs, net	8,884,429	9,729,187
Other assets, net	17,366,629	12,770,994
Interfund receivable (payable)	10,997	(49,461)
Total Assets	**$ 1,344,947,023**	**$ 1,404,469,329**
Liabilities and Fund Equity		
Bonds and notes payable	$ 1,174,864,267	$ 1,237,201,953
Accrued interest payable on bonds and notes	12,495,219	13,076,295
Accounts payable and accrued liabilities	724,800	1,073,819
Deferred fees	345,877	392,845
Escrow deposits	-	302
Total liabilities	**1,188,430,163**	**1,251,745,214**
Fund Equity		
Fund equity, restricted	156,516,860	152,724,115
Total Liabilities and Fund Equity	**$ 1,344,947,023**	**$ 1,404,469,329**

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Single-Family Fund
For the Years Ended June 30, 2011 and 2010

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2011	**2010**	**2011**	**2010**
Operating revenues:				
Interest income on loans	$ 53,604,253	$ 58,855,358	$ 1,783,411	$ 1,035,602
Income on investments:				
Interest on investments	2,244,545	2,643,426	3,023,276	819,139
Net increase (decrease) in fair value of investments	120,709	1,044,068	2,159,139	2,535,950
Total operating revenues	**55,969,507**	**62,542,852**	**6,965,826**	**4,390,691**
Operating expenses:				
Interest expense	47,370,296	51,695,932	3,811,114	1,521,106
Other administrative expenses	113,875	97,577	-	-
Housing initiatives	43,919	48,754	-	-
Provision for loan loss	3,064,633	3,100,000	-	-
Arbitrage rebate	51,198	247,340	-	-
Amortization of deferred bond issuance costs	566,008	611,001	50,831	15,807
Early retirement of debt	550,779	416,715	76,887	-
Depreciation and amortization of other assets	352,237	320,970	103,441	32,141
Total operating expenses	**52,112,945**	**56,538,289**	**4,042,273**	**1,569,054**
Operating income (loss)	**3,856,562**	**6,004,563**	**2,923,553**	**2,821,637**
Transfers in (out) of fund equity	(3,450,000)	(2,608,014)	462,630	3,907,232
Total change in fund equity	**406,562**	**3,396,549**	**3,386,183**	**6,728,869**
Fund equity, beginning of year	145,995,246	142,598,697	6,728,869	-
Fund equity, end of year	$ 146,401,808	$ 145,995,246	$ 10,115,052	$ 6,728,869

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Single-Family Fund
For the Years Ended June 30, 2011 and 2010

	Single-Family Fund Total	
	2011	**2010**
Operating revenues:		
Interest income on loans	$ 55,387,664	$ 59,890,960
Income on investments:		
Interest on investments	5,267,821	3,462,565
Net increase (decrease) in fair value of investments	2,279,848	3,580,018
Total operating revenues	**62,935,333**	**66,933,543**
Operating expenses:		
Interest expense	51,181,410	53,217,038
Other administrative expenses	113,875	97,577
Housing initiatives	43,919	48,754
Provision for loan loss	3,064,633	3,100,000
Arbitrage rebate	51,198	247,340
Amortization of deferred bond issuance costs	616,839	626,808
Early retirement of debt	627,666	416,715
Depreciation and amortization of other assets	455,678	353,111
Total operating expenses	**56,155,218**	**58,107,343**
Operating income (loss)	**6,780,115**	**8,826,200**
Transfers in (out) of fund equity	(2,987,370)	1,299,218
Total change in fund equity	**3,792,745**	**10,125,418**
Fund equity, beginning of year	152,724,115	142,598,697
Fund equity, end of year	$ 156,516,860	$ 152,724,115

See Accompanying Independent Auditors' Report.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund
June 30, 2011 and 2010

	Multi-Family Housing Bond Program		Housing Bond Program	
	2011	2010	2011	2010
Assets				
Loans receivable	$ 5,670,034	$ 5,978,617	$ 221,678,921	$ 250,205,338
Less allowance for loan losses	-	-	-	-
Loans receivable, net	5,670,034	5,978,617	221,678,921	250,205,338
Investments	29,567,461	27,766,667	24,085,198	24,272,469
Accrued interest-loans	38,240	40,478	1,349,572	1,523,639
Accrued interest-investments	11,809	9,916	273,073	251,629
Cash and cash equivalents	1,867,584	3,856,804	17,729,187	22,012,500
Deferred bond issuance costs, net	68,046	74,855	64,416	96,572
Interfund receivable (payable)	-	-	-	11,953,985
Total Assets	**$ 37,223,174**	**$ 37,727,337**	**$ 265,180,367**	**$ 310,316,132**
Liabilities and Fund Equity				
Bonds and notes payable	$ 4,565,000	$ 6,660,000	$ 230,607,235	$ 260,599,100
Accrued interest payable on bonds and notes	127,484	144,864	2,506,999	2,914,449
Accounts payable and accrued liabilities	188,554	187,537	2,345,768	2,394,055
Deferred fees	-	-	-	-
Escrow deposits	-	-	1,247,726	1,247,726
Total liabilities	**4,881,038**	**6,992,401**	**236,707,728**	**267,155,330**
Fund Equity				
Fund equity, restricted	32,342,136	30,734,936	28,472,639	43,160,802
Total Liabilities and Fund Equity	**$ 37,223,174**	**$ 37,727,337**	**$ 265,180,367**	**$ 310,316,132**

(Continued)

See Accompanying Independent Auditor's Report.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund
June 30, 2011 and 2010

	Multi-Family Mortgage Revenue Bond Program		Multi-Family Funding Bond Program	
	2011	2010	2011	2010
Assets				
Loans receivable	$ 66,690,000	$ 66,760,000	$ 72,217,422	$ -
Less allowance for loan losses	-	-	-	-
Loans receivable, net	66,690,000	66,760,000	72,217,422	-
Accrued interest-loans	27,814	34,229	382,297	-
Cash and cash equivalents	468,141	69,874	19,738,481	65,119,726
Deferred bond issuance costs, net	-	-	55,533	265,070
Interfund receivable (payable)	-	-	291,320	-
Total Assets	**$ 67,185,955**	**$ 66,864,103**	**$ 92,685,053**	**$ 65,384,796**
Liabilities and Fund Equity				
Bonds and notes payable	$ 66,690,000	$ 66,760,000	$ 86,410,000	$ 65,100,000
Accrued interest payable on bonds and notes	11,024	17,418	633,734	19,726
Deferred fees	67,226	66,750	-	-
Escrow deposits	467,870	69,603	-	-
Total liabilities	**67,236,120**	**66,913,771**	**87,043,734**	**65,119,726**
Fund Equity				
Fund equity, restricted	(50,165)	(49,668)	5,641,319	265,070
Total Liabilities and Fund Equity	**$ 67,185,955**	**$ 66,864,103**	**$ 92,685,053**	**$ 65,384,796**

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Balance Sheets - Multi-Family Fund
June 30, 2011 and 2010

	Multi-Family Development Bonds		Multi-Family Fund Total	
	2011	2010	2011	2010
Assets				
Loans receivable	$ 8,934,877	$ -	$ 375,191,254	$ 322,943,955
Less allowance for loan losses	-	-	-	-
Loans receivable, net	8,934,877	-	375,191,254	322,943,955
Investments	-	-	53,652,659	52,039,136
Accrued interest-loans	51,013	-	1,848,936	1,598,346
Accrued interest-investments	-	-	284,882	261,545
Cash and cash equivalents	708,384	-	40,511,777	91,058,904
Deferred bond issuance costs, net	-	-	187,995	436,497
Interfund receivable (payable)	119,373	-	410,693	11,953,985
Total Assets	**$ 9,813,647**	**$ -**	**$ 472,088,196**	**$ 480,292,368**
Liabilities and Fund Equity				
Bonds and notes payable	$ 8,935,000	$ -	$ 397,207,235	$ 399,119,100
Accrued interest payable on bonds and notes	121,531	-	3,400,772	3,096,457
Accounts payable and accrued liabilities	-	-	2,534,322	2,581,592
Deferred fees	-	-	67,226	66,750
Escrow deposits	-	-	1,715,596	1,317,329
Total liabilities	**9,056,531**	**-**	**404,925,151**	**406,181,228**
Fund Equity				
Fund equity, restricted	757,116	-	67,163,045	74,111,140
Total Liabilities and Fund Equity	**$ 9,813,647**	**$ -**	**$ 472,088,196**	**$ 480,292,368**

See Accompanying Independent Auditors' Report.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund
For the Years Ended June 30, 2011 and 2010

	Multi-Family Housing Bond Program		Housing Bond Program	
	2011	**2010**	**2011**	**2010**
Operating revenues:				
Interest income on loans	$ 471,380	$ 528,951	$ 16,455,704	$ 17,959,755
Income on investments:				
Interest on investments	1,742,250	1,734,889	1,134,077	1,258,009
Net increase (decrease) in fair value of investments	-	-	(149,727)	1,615,519
Total operating revenues	**2,213,630**	**2,263,840**	**17,440,054**	**20,833,283**
Operating expenses:				
Interest expense	254,967	428,466	11,039,139	12,226,221
Other administrative expenses	3,221	3,929	251,225	269,129
Housing initiatives	9,768	9,941	594,443	546,015
Arbitrage rebate	341,433	(206,678)	(48,287)	1,231,144
Amortization of deferred bond issuance costs	6,809	10,539	8,761	4,676
Early retirement of debt	-	-	23,396	-
Depreciation and amortization of other assets	-	-	-	-
Total operating expenses	**616,198**	**246,197**	**11,868,677**	**14,277,185**
Operating income (loss)	**1,597,432**	**2,017,643**	**5,571,377**	**6,556,098**
Transfers in (out) of fund equity	9,768	9,940	(20,259,540)	(1,400,000)
Total change in fund equity	**1,607,200**	**2,027,583**	**(14,688,163)**	**5,156,098**
Fund equity, beginning of year	30,734,936	28,707,353	43,160,802	38,004,704
Fund equity, end of year	$ 32,342,136	$ 30,734,936	$ 28,472,639	$ 43,160,802

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund
For the Years Ended June 30, 2011 and 2010

	Multi-Family Mortgage Revenue Bond Program		Multi-Family Funding Bond Program	
	2011	2010	2011	2010
Operating revenues:				
Interest income on loans	$ 536,824	$ 725,390	$ 2,391,738	$ -
Income on investments:				
Interest on investments	-	-	27,795	19,726
Net increase (decrease) in fair value of investments	-	-	-	-
Total operating revenues	**536,824**	**725,390**	**2,419,533**	**19,726**
Operating expenses:				
Interest expense	203,884	380,021	1,174,238	19,726
Other administrative expenses	-	-	-	-
Housing initiatives	-	-	14,522	-
Arbitrage rebate	-	-	-	-
Amortization of deferred bond issuance costs	-	-	4,818	2,299
Early retirement of debt	-	-	204,718	-
Total operating expenses	**203,884**	**380,021**	**1,398,296**	**22,025**
Operating income (loss)	**332,940**	**345,369**	**1,021,237**	**(2,299)**
Transfers in (out) of fund equity	(333,437)	(346,592)	4,355,012	267,369
Total change in fund equity	**(497)**	**(1,223)**	**5,376,249**	**265,070**
Fund equity, beginning of year	(49,668)	(48,445)	265,070	-
Fund equity, end of year	$ (50,165)	$ (49,668)	$ 5,641,319	$ 265,070

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION

(A Component Unit of the State of Rhode Island)

Combining Statements of Revenues, Expenses and Changes in Fund Equity - Multi-Family Fund

For the Years Ended June 30, 2011 and 2010

	Multi-Family Development Bonds		Multi-Family Total	
	2011	2010	2011	2010
Operating revenues:				
Interest income on loans	$ 464,646	$ -	$ 20,320,292	$ 19,214,096
Income on investments:				
Interest on investments	824	-	2,904,946	3,012,624
Net increase (decrease) in fair value of investments	-		(149,727)	1,615,519
Total operating revenues	**465,470**	**-**	**23,075,511**	**23,842,239**
Operating expenses:				
Interest expense	258,376	-	12,930,604	13,054,434
Other administrative expenses	-	-	254,446	273,058
Housing initiatives	190	-	618,923	555,956
Arbitrage rebate	-	-	293,146	1,024,466
Amortization of deferred bond issuance costs	-	-	20,388	17,514
Early retirement of debt	-	-	228,114	-
Total operating expenses	**258,566**	**-**	**14,345,621**	**14,925,428**
Operating income (loss)	**206,904**	**-**	**8,729,890**	**8,916,811**
Transfers in (out) of fund equity	550,212	-	(15,677,985)	(1,469,283)
Total change in fund equity	**757,116**	**-**	**(6,948,095)**	**7,447,528**
Fund equity, beginning of year	-	-	74,111,140	66,663,612
Fund equity, end of year	$ 757,116	$ -	$ 67,163,045	$ 74,111,140

See Accompanying Independent Auditors' Report.