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, 2016 and 2015

LGC+D

CPAs/Business Advisors

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

Financial Statements and Supplementary Information
Years Ended June 30, 2016 and 2015

<u>Independent Auditors' Report</u>

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

Report on the Financial Statements

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 (Rhode Island Housing), a component unit of the State of Rhode Island, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Rhode Island Housing's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Board of Commissioners
Rhode Island Housing and Mortgage
Finance Corporation

Auditors' Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Rhode Island Housing as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis presented on pages 4 through 9 and the Schedule of Funding Progress presented on page 54 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 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.

Board of Commissioners
Rhode Island Housing and Mortgage
Finance Corporation

Other Matters (continued)

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Rhode Island Housing's basic financial statements. The combining information on pages 55 through 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2016 on our consideration of Rhode Island Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Rhode Island Housing's internal control over financial reporting and compliance.

LGC&D LLP

Providence, Rhode Island
September 29, 2016

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, 2016 and 2015 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, 2016 and 2015 increased (decreased) from the previous year as follows:

	2016		2015	
	$	%	$	%
Mortgage loans, gross	(10.2)	(0.6)	(43.7)	(2.7)
Investments	(14.5)	(6.2)	(23.8)	(9.2)
Cash and cash equivalents	12.2	6.9	(30.9)	(14.9)
Total assets	(19.4)	(1.0)	(102.5)	(4.8)
Bonds and notes payable	(26.9)	(2.0)	(95.1)	(6.6)
Total net position	7.0	2.4	2.0	0.7
Total revenues	10.5	9.8	(1.6)	(1.4)
Total expenses	5.4	5.2	2.1	2.0
Operating income	5.1	255.9	(3.7)	(65.0)

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production increased over last year; however, the Corporation is selling its loans to Fannie Mae and converting pools of loans into securities, which are then sold in the To-Be-Announced (TBA) market, resulting in a net reduction of single-family loans of $53.0 million. Multi-family new loan production increased by $16.8 million and Operating Fund loans increased $26.0 million due mainly to an increase in multi-family loans in the operating fund.

Bonds and notes payable, the largest component of liabilities, decreased by $26.9 million in 2016. This decrease is directly related to current year maturities and pay-offs of bonds with mortgage prepayments.

Overview of the Financial Statements

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

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

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

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

For the Years Ended June 30, 2016 and 2015 (in thousands)

	2016	2015	% Change
Revenues:			
Interest income on loans	$ 69,276	$ 71,503	(3.1)
Earnings on investments	6,109	7,493	(18.5)
Gain on sale of loans	12,206	7,442	64.0
Grant revenue	18,622	12,838	45.1
Other	11,767	10,625	10.7
Total revenues	117,980	109,901	7.4
Expenses:			
Interest expense	43,993	47,639	(7.7)
Provision for loan losses	8,584	11,126	(22.8)
REO expenditures	2,129	4,070	(47.7)
Bond issuance costs	1,528	866	76.6
Operating expenses	24,123	21,484	12.3
Grant expense	18,220	12,079	50.8
Other expenses	11,962	7,828	52.8
Total expenses	110,539	105,092	5.2
Operating income, before adjusting investments to fair value	$ 7,441	$ 4,809	54.8 %

For the Years Ended June 30, 2015 and 2014 (in thousands)	2015	2014	% Change
Revenues:			
Interest income on loans	$ 71,503	$ 74,735	(4.3)%
Earnings on investments	7,493	7,791	(3.8)
Gain on sale of loans	7,442	4,044	84.0
Federal grant revenue	12,838	12,385	3.7
Other	10,625	8,959	18.6
Total revenues	109,901	107,914	1.8
Expenses:			
Interest expense	47,639	53,025	(10.2)
Provision for loan losses	11,126	9,456	17.7
REO expenditures	4,070	2,718	49.7
Bond issuance costs	866	1,067	(18.9)
Operating expenses	21,484	18,120	18.6
Federal grant expense	12,079	11,760	2.7
Other	7,828	6,844	14.4
Total expenses	105,092	102,990	2.0
Operating income, before adjusting investments to fair value	$ 4,809	$ 4,924	(2.4)%

Operating income (loss), after adjusting investments to fair value, was $7.0 million for the year ended June 30, 2016 (2016), $2.0 million for the year ended June 30, 2015 (2015) and $5.6 million for the year ended June 30, 2014 (2014). GASB Statement No. 31, which requires investments to be recorded at fair value, caused a decrease in operating income of $0.4 million in 2016 compared to a decrease in operating income of $2.8 million in 2015, and an increase of $720 thousand in 2014. Operating income, excluding the unrealized gains and losses on investments, increased 54.8% in 2016 to $7.4 million from $4.8 million in 2015, primarily due to increased gain on sale of loans and decrease in interest expense and loan losses.

Gain on sale of loans was $12.2 million for the year ended June 30, 2016, $7.4 million for the year ended June 30, 2015 and $4.0 million for the year ended June 30, 2014. The increases are a result of an increase in loan production.

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.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to $24.1 million for the year ended June 30, 2016, an increase of 12.3% from $21.5 million for the year ended June 30, 2015, which had increased 18.6% from $18.1 million in 2014.

Real Estate Owned (REO) expenditures are preservation costs incurred related to REO properties that are deemed to be non-recoverable based on a valuation analysis of the underlying properties. REO expenses decreased 47.7% to $2.1 million for the year ended June 30, 2016 from $4.1 million in 2015, which had increased 49.7% from $2.7 million in 2014. The decrease in 2016 is due primarily to a decrease in the amount of time properties are held prior to sale.

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 consistent at $31.4 million when compared to 2015. Interest income on loans decreased $2.2 million in 2016 compared to a decrease of $3.2 million in 2015. Earnings on investments decreased $1.4 million in 2016 after a decrease of $300 thousand in 2015. Net interest income as a percentage of average bonds and notes payable was 2.34% in 2016 and 2.24% in 2015, respectively. Interest income on loans as a percentage of total loans decreased from 4.40% in 2015 to 4.34% in 2016, due to a decrease in mortgage rates, while interest expense on bonds and notes decreased from 3.4% to 3.28%. This caused a total increase in the spread margin (i.e., differential between loans and bonds) from 1.00% in 2015 to 1.05% in 2016. This is the result of various bond refundings and continued lower rates on new loans.

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

The provision for loan losses decreased from $11.1 million in 2015 to $8.6 million in 2016 based on a review of the Corporation's loan portfolio and an analysis of its current characteristics. The primary economic factors incorporated into the allowance estimates are: (1) recent performance characteristics of the single-family portfolio and (2) net operating cash flows of the developments associated with multi-family loans.

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

Financial Analysis of the Corporation

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

June 30, 2016 and 2015 (in millions)	2016	2015	% Change
Loans receivable, net	$ 1,554	$ 1,569	(0.9)%
Investments	219	234	(6.2)
Cash and cash equivalents	188	176	6.9
Other assets	42	44	(6.4)
Total assets	2,003	2,023	(1.0)
Deferred outflows of resources	3	1	200.0
Bonds and notes payable	1,327	1,353	(2.0)
Other liabilities	379	377	0.6
Total liabilities	1,706	1,730	(1.4)
Net position:			
Net investment in capital assets	9	8	6.3
Restricted	212	196	8.1
Unrestricted	80	90	(10.6)

June 30, 2015 and 2014 (in millions)	2015	2014	% Change
Loans receivable, net	$ 1,569	$ 1,617	(3.0)%
Investments	234	257	(9.2)
Cash and cash equivalents	176	207	(14.9)
Other assets	44	44	-
Total assets	2,023	2,125	(4.8)
Deferred outflows of resources	1	1	-
Bonds and notes payable	1,353	1,449	(6.6)
Other liabilities	377	386	(2.4)
Total liabilities	1,730	1,835	(5.7)
Net position:			
Net investment in capital assets	8	8	-
Restricted	196	211	(7.1)
Unrestricted	90	72	23.2

During the year ended June 30, 2016, total assets of the Corporation decreased 1.0% from 2015, as compared to a 4.8% decrease from 2014 to 2015. Net loans receivable decreased $14 million, or 0.9%, from the previous year. This decrease in loans is attributable to the change in funding model for single-family loans implemented in fiscal year 2014 whereby the majority of new loans are sold. Bonds and notes payable totaled $1.33 billion as of June 30, 2016, a decrease of $27 million or 2.0% from June 30, 2015, which had decreased $95 million or 6.6% from June 30, 2014.

During 2016, the Corporation issued $127.7 million of bonds to refund existing single-family bonds as well as to finance new loan production and $49.7 million to refund existing multi-family bonds as well as to finance new loan production. In addition, $192.1 million of single-family bonds and $31.9 million of multi-family bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments, excess revenues and refunded amounts to be used for such purpose.

As of June 30, 2016 and June 30, 2015, the net position-to-asset ratio was 15.0% and 14.5%, respectively, and the loan-to-asset ratio was 77.6% for both years. These ratios 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, 2016 and 2015, single-family residential mortgages in bond resolutions totaled $716 million and $769 million, respectively, and multi-family loans in bond resolutions totaled $471 million and $454 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 or in guaranteed investment contracts with providers.

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

The Rhode Island economy and the level of unemployment in the State of Rhode Island have a direct impact on the Corporation's delinquency experience within its portfolio. The Rhode Island unemployment rate decreased from 5.9% in 2015 to 5.5% in 2016. In line with the decrease in the unemployment rate, the Corporation has experienced a decrease in its 90+ delinquency rate from 2.09% in 2015 to 1.80% in 2016.

Requests for Information

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

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
June 30, 2016 and 2015

	Operating Fund		Single-Family Fund	
	2016	**2015**	**2016**	**2015**
Assets				
Loans receivable	$ 371,383,923	$ 348,564,706	$ 715,972,529	$ 768,993,951
Less allowance for loan losses	(27,000,000)	(21,500,000)	(11,000,000)	(12,500,000)
Loans receivable, net	344,383,923	327,064,706	704,972,529	756,493,951
Loans held for sale	34,582,134	31,386,125	-	-
Investments	97,475,827	97,985,906	97,734,139	111,631,620
Accrued interest-loans	482,839	449,179	2,511,414	2,739,460
Accrued interest-investments	20,004	20,249	343,561	397,770
Cash and cash equivalents	65,766,246	55,538,749	63,693,596	71,536,977
Accounts receivable, net	13,339,567	13,399,946	-	-
Other assets, net	12,374,705	10,081,750	10,531,558	15,347,482
Interfund receivable (payable)	2,706,637	4,177,105	(106,637)	122,895
Total assets	**571,131,882**	**540,103,715**	**879,680,160**	**958,270,155**
Deferred Outflows of Resources				
Loan origination costs	-	-	5,014	5,271
Hedging instruments	2,896,945	1,237,735	-	-
Total deferred outflows of resources	**2,896,945**	**1,237,735**	**5,014**	**5,271**
Combined Assets and Deferred Outflows of Resources	**$ 574,028,827**	**$ 541,341,450**	**$ 879,685,174**	**$ 958,275,426**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 114,716,568	$ 84,272,120	$ 741,966,916	$ 821,504,635
Accrued interest payable on bonds and notes	204,319	124,909	6,335,039	7,399,435
Accounts payable and accrued liabilities	7,406,435	7,752,331	-	181,722
Fees, net	1,272,617	1,424,756	188,415	209,124
Escrow deposits	356,195,147	345,590,836	-	-
Total liabilities	**479,795,086**	**439,164,952**	**748,490,370**	**829,294,916**
Net Position				
Net investment in capital assets	8,701,438	8,186,935	-	-
Restricted by bond resolutions	5,710,537	4,769,283	131,194,804	128,980,510
Unrestricted	79,821,766	89,220,280	-	-
Total net position	**94,233,741**	**102,176,498**	**131,194,804**	**128,980,510**
Total Liabilities and Net Position	**$ 574,028,827**	**$ 541,341,450**	**$ 879,685,174**	**$ 958,275,426**

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
June 30, 2016 and 2015

	Multi-Family Fund		Total	
	2016	2015	2016	2015
Assets				
Loans receivable	$ 470,552,069	$ 453,759,164	$ 1,557,908,521	$ 1,571,317,821
Less allowance for loan losses	-	-	(38,000,000)	(34,000,000)
Loans receivable, net	470,552,069	453,759,164	1,519,908,521	1,537,317,821
Loans held for sale	-	-	34,582,134	31,386,125
Investments	23,938,473	24,002,467	219,148,439	233,619,993
Accrued interest-loans	2,100,042	2,109,395	5,094,295	5,298,034
Accrued interest-investments	79,852	74,031	443,417	492,050
Cash and cash equivalents	58,526,796	48,760,450	187,986,638	175,836,176
Accounts receivable, net	-	39,277	13,339,567	13,439,223
Other assets, net	-	-	22,906,263	25,429,232
Interfund receivable (payable)	(2,600,000)	(4,300,000)	-	-
Total assets	**552,597,232**	**524,444,784**	**2,003,409,274**	**2,022,818,654**
Deferred Outflows of Resources				
Loan origination costs	-	-	5,014	5,271
Hedging instruments	-	-	2,896,945	1,237,735
Total deferred outflows of resources	-	-	**2,901,959**	**1,243,006**
Combined Assets and Deferred Outflows of Resources	**$ 552,597,232**	**$ 524,444,784**	**$ 2,006,311,233**	**$ 2,024,061,660**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 469,878,570	$ 447,716,239	$ 1,326,562,054	$ 1,353,492,994
Accrued interest payable on bonds and notes	3,307,315	3,075,341	9,846,673	10,599,685
Accounts payable and accrued liabilities	516,028	843,576	7,922,463	8,777,629
Fees, net	-	-	1,461,032	1,633,880
Escrow deposits	3,722,587	10,390,201	359,917,734	355,981,037
Total liabilities	**477,424,500**	**462,025,357**	**1,705,709,956**	**1,730,485,225**
Net Position				
Net investment in capital assets	-	-	8,701,438	8,186,935
Restricted by bond resolutions	75,172,732	62,419,427	212,078,073	196,169,220
Unrestricted	-	-	79,821,766	89,220,280
Total net position	**75,172,732**	**62,419,427**	**300,601,277**	**293,576,435**
Total Liabilities and Net Position	**$ 552,597,232**	**$ 524,444,784**	**$ 2,006,311,233**	**$ 2,024,061,660**

(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 Net Position
For the Years Ended June 30, 2016 and 2015

	Operating Fund		Single-Family Fund	
	2016	**2015**	**2016**	**2015**
Operating revenues:				
Interest Income on loans	$ 6,724,791	$ 6,656,951	$ 33,597,236	$ 37,635,637
Interest income attributable to internal servicing activities	3,301,724	2,740,433	-	-
Total interest income on loans	10,026,515	9,397,384	33,597,236	37,635,637
Income on investments:				
Earnings on investments	375,140	358,726	4,233,095	4,720,325
Net increase (decrease) in fair value of investments	(9,872)	(102,395)	(354,118)	(1,681,752)
Fees	11,132,620	10,090,605	-	-
Servicing fee income	613,081	534,250	-	-
Grant revenue	18,622,423	12,837,548	-	-
Miscellaneous income	21,367	189	-	-
Gain on sale of loans	12,206,262	7,442,261	-	-
Total operating revenues	**52,987,536**	**40,558,568**	**37,476,213**	**40,674,210**
Operating expenses:				
Interest expense	2,045,622	1,582,464	28,363,548	32,480,266
Personnel services	17,499,051	15,040,400	-	-
Other administrative expenses	5,126,784	5,083,132	-	-
Housing initiatives	5,558,056	4,021,748	939	-
Provision for loan losses (recoveries)	2,383,914	5,065,941	6,200,000	6,060,000
REO expenditures	1,056,860	2,612,494	1,071,698	1,457,278
Bad debt expense	599,044	-	-	-
Arbitrage rebate	-	-	(181,723)	(64,078)
Bond issuance costs	-	(63,114)	1,236,681	597,116
Depreciation and amortization of other assets	1,416,988	1,234,380	9,514	5,952
Loan costs	4,763,923	2,563,310	257	257
State Rental Subsidy Program	606,237	664,928	-	-
Grant expense	18,219,709	12,079,038	-	-
Total operating expenses	**59,276,188**	**49,884,721**	**36,700,914**	**40,536,791**
Operating income (loss)	**(6,288,652)**	**(9,326,153)**	**775,299**	**137,419**
Transfers in (out)	(1,654,105)	23,845,846	1,438,995	424,406
Total change in net position	**(7,942,757)**	**14,519,693**	**2,214,294**	**561,825**
Net position, beginning of year	102,176,498	87,656,805	128,980,510	128,418,685
Net position, end of year	$ 94,233,741	$ 102,176,498	$ 131,194,804	$ 128,980,510

See Accompanying Notes to Financial Statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	Multi-Family Fund		Total	
	2016	**2015**	**2016**	**2015**
Operating revenues:				
Interest Income on loans	$ 25,652,560	$ 24,469,617	$ 65,974,587	$ 68,762,205
Interest income attributable to internal servicing activities	-	-	3,301,724	2,740,433
Total interest income on loans	25,652,560	24,469,617	69,276,311	71,502,638
Income on investments:				
Earnings on investments	1,500,692	2,413,599	6,108,927	7,492,650
Net increase (decrease) in fair value of investments	(53,336)	(1,050,230)	(417,326)	(2,834,377)
Fees	-	-	11,132,620	10,090,605
Servicing fee income	-	-	613,081	534,250
Grant revenue	-	-	18,622,423	12,837,548
Miscellaneous income	-	-	21,367	189
Gain on sale of loans	-	-	12,206,262	7,442,261
Total operating revenues	**27,099,916**	**25,832,986**	**117,563,665**	**107,065,764**
Operating expenses:				
Interest expense	13,583,927	13,576,320	43,993,097	47,639,050
Personnel services	-	-	17,499,051	15,040,400
Other administrative expenses	70,455	120,758	5,197,239	5,203,890
Housing initiatives	-	-	5,558,995	4,021,748
Provision for loan losses (recoveries)	-	-	8,583,914	11,125,941
REO expenditures	-	-	2,128,558	4,069,772
Bad debt expense	-	-	599,044	-
Arbitrage rebate	(217,924)	(156,859)	(399,647)	(220,937)
Bond issuance costs	291,780	331,697	1,528,461	865,699
Depreciation and amortization of other assets	-	-	1,426,502	1,240,332
Loan costs	833,483	798,568	5,597,663	3,362,135
State Rental Subsidy Program	-	-	606,237	664,928
Grant expense	-	-	18,219,709	12,079,038
Total operating expenses	**14,561,721**	**14,670,484**	**110,538,823**	**105,091,996**
Operating income (loss)	**12,538,195**	**11,162,502**	**7,024,842**	**1,973,768**
Transfers in (out)	215,110	(24,270,252)	-	-
Total change in net position	**12,753,305**	**(13,107,750)**	**7,024,842**	**1,973,768**
Net position, beginning of year	62,419,427	75,527,177	293,576,435	291,602,667
Net position, end of year	$ 75,172,732	$ 62,419,427	$ 300,601,277	$ 293,576,435

(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, 2016 and 2015

	Operating Fund		Single-Family Fund	
	2016	2015	2016	2015
Cash Flows from Operating Activities				
Interest on loans receivable	$ 9,992,855	$ 9,328,427	$ 33,825,282	$ 37,930,899
Repayment of loans receivable	64,322,997	49,293,167	79,822,706	86,272,193
Fees collected	11,593,561	11,067,961	(20,709)	(38,740)
Other receipts (disbursements), net	11,028,392	(6,252,378)	-	-
Loans disbursed	(90,338,223)	(55,701,085)	(26,801,284)	(5,861,544)
Accounts receivable, net	60,379	49,151	-	-
Loss on accounts receivable	(599,044)	-	-	-
Loss on loans receivable	3,116,086	1,234,059	(7,700,000)	(7,460,000)
Loss on REO properties	(1,056,860)	(2,612,494)	(1,071,698)	(1,457,278)
Bond issuance costs	-	63,114	(1,236,681)	(597,116)
Personnel services	(17,499,051)	(15,040,400)	-	-
Other administrative expenses	(5,354,694)	(5,457,527)	-	-
Housing initiative expenses	(5,330,146)	(3,647,354)	(939)	-
Other assets	(3,709,942)	(1,909,105)	4,806,410	(406,881)
Arbitrage rebate	-	-	181,723	64,078
Accounts payable and accrued liabilities	(345,896)	(557,865)	(181,723)	(64,078)
Gain on sale of loans	5,783,129	4,677,501	-	-
State Rental Subsidy Program	(606,237)	(664,929)	-	-
Transfers from (to) other programs	(183,637)	12,136,690	1,668,527	433,312
Net cash provided by (used for) operating activities	**(19,126,331)**	**(3,993,067)**	**83,291,614**	**108,814,845**
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	346,620,000	245,500,000	134,008,014	86,911,505
Payment of bond and note principal	(316,175,552)	(246,131,762)	(213,545,734)	(195,916,962)
Interest paid on bonds and notes	(1,966,212)	(1,576,406)	(29,427,943)	(34,006,716)
Net cash provided by (used for) noncapital financing activities	**28,478,236**	**(2,208,168)**	**(108,965,663)**	**(143,012,173)**
Cash Flows from Investing Activities:				
Redemption of investments	157,714,056	95,166,348	15,634,360	12,487,325
Earnings on investments	375,385	361,237	4,287,304	4,765,198
Purchase of investments	(157,213,849)	(93,657,025)	(2,090,996)	-
Net cash provided by (used for) investing activities	**875,592**	**1,870,560**	**17,830,668**	**17,252,523**
Net Increase (Decrease) in Cash and Cash Equivalents	**10,227,497**	**(4,330,675)**	**(7,843,381)**	**(16,944,805)**
Cash and Cash Equivalents, beginning of year	55,538,749	59,869,424	71,536,977	88,481,782
Cash and Cash Equivalents, end of year	$ 65,766,246	$ 55,538,749	$ 63,693,596	$ 71,536,977

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, 2016 and 2015

	Multi-Family Fund		Total	
	2016	2015	2016	2015
Cash Flows from Operating Activities				
Interest on loans receivable	$ 25,661,913	$ 24,439,652	$ 69,480,050	$ 71,698,978
Repayment of loans receivable	14,884,992	25,915,175	159,030,695	161,480,535
Fees collected	-	-	11,572,852	11,029,221
Other receipts (disbursements), net	(6,667,613)	(12,738)	4,360,779	(6,265,116)
Loans disbursed	(31,677,899)	(56,229,283)	(148,817,406)	(117,791,912)
Accounts receivable, net	39,277	(39,277)	99,656	9,874
Loss on accounts receivable	-	-	(599,044)	-
Loss on loans receivable	-	-	(4,583,914)	(6,225,941)
Loss on REO properties	-	-	(2,128,558)	(4,069,772)
Bond issuance costs	(291,780)	(331,697)	(1,528,461)	(865,699)
Personnel services	-	-	(17,499,051)	(15,040,400)
Other administrative expenses	(70,455)	(120,758)	(5,425,149)	(5,578,285)
Housing initiative expenses	-	-	(5,331,085)	(3,647,354)
Other assets	-	-	1,096,468	(2,315,986)
Arbitrage rebate	217,924	156,859	399,647	220,937
Accounts payable and accrued liabilities	(327,548)	(175,344)	(855,167)	(797,287)
Gain on sale of loans	(833,483)	(798,567)	4,949,646	3,878,934
State Rental Subsidy Program	-	-	(606,237)	(664,929)
Transfers from (to) other programs	(1,484,890)	(12,570,002)	-	-
Net cash provided by (used for) operating activities	**(549,562)**	**(19,765,980)**	**63,615,721**	**85,055,798**
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	62,456,119	156,896,321	543,084,133	489,307,826
Payment of bond and note principal	(40,293,789)	(142,325,110)	(570,015,075)	(584,373,834)
Interest paid on bonds and notes	(13,351,953)	(13,865,179)	(44,746,108)	(49,448,301)
Net cash provided by (used for) noncapital financing activities	**8,810,377**	**706,032**	**(71,677,050)**	**(144,514,309)**
Cash Flows from Investing Activities:				
Redemption of investments	1,750,185	7,219,192	175,098,601	114,872,865
Earnings on investments	1,494,872	2,494,126	6,157,561	7,620,561
Purchase of investments	(1,739,526)	(243,019)	(161,044,371)	(93,900,044)
Net cash provided by (used for) investing activities	**1,505,531**	**9,470,299**	**20,211,791**	**28,593,382**
Net Increase (Decrease) in Cash and Cash Equivalents	**9,766,346**	**(9,589,649)**	**12,150,462**	**(30,865,129)**
Cash and Cash Equivalents, beginning of year	48,760,450	58,350,099	175,836,176	206,701,305
Cash and Cash Equivalents, end of year	$ 58,526,796	$ 48,760,450	$ 187,986,638	$ 175,836,176

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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, 2016 and 2015

	Operating Fund		Single-Family Fund	
	2016	**2015**	**2016**	**2015**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	**$ (6,288,652)**	**$ (9,326,153)**	**$ 775,299**	**$ 137,419**
Adjustments:				
Earnings on investments	(375,385)	(361,237)	(4,287,304)	(4,765,198)
Net (increase) decrease in fair value of investments	9,872	102,395	354,118	1,681,752
Interest paid on bonds and notes	1,966,212	1,576,406	29,427,943	34,006,716
Transfer of investments and/or net position	(1,654,105)	23,845,846	1,438,995	424,406
(Increase) decrease in assets:				
Loans receivable/loss allowance	(20,515,226)	(107,918)	51,521,422	79,010,649
Accrued interest-loans	(33,660)	(68,957)	228,046	295,262
Accrued interest-investments	245	2,511	54,209	44,873
Accounts receivable, net	60,379	49,151	-	-
Bond issuance costs	-	-	-	-
Other assets	(2,292,955)	(674,724)	4,815,924	(400,928)
Interfund receivable (payable)	1,470,468	(11,709,155)	229,532	8,906
Deferred outflows	(1,659,210)	(201,450)	257	258
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	79,410	6,057	(1,064,396)	(1,526,450)
Accounts payable/accrued liabilities	(345,896)	(557,868)	(181,722)	(64,079)
Fees, net	(152,139)	443,106	(20,709)	(38,741)
Escrow deposits	10,604,311	(7,011,077)	-	-
Total adjustments	**(12,837,679)**	**5,333,086**	**82,516,315**	**108,677,426**
Net cash provided by (used for) operating activities	**$ (19,126,331)**	**$ (3,993,067)**	**$ 83,291,614**	**$ 108,814,845**

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, 2016 and 2015

	Multi-Family Fund		Total	
	2016	**2015**	**2016**	**2015**
Reconciliation of operating income (loss) to net cash				
Operating income (loss)	**$ 12,538,195**	**$ 11,162,502**	**$ 7,024,842**	**$ 1,973,768**
Adjustments:				
Earnings on investments	(1,494,872)	(2,494,126)	(6,157,561)	(7,620,561)
Net (increase) decrease in fair value of investments	53,336	1,050,230	417,326	2,834,377
Interest paid on bonds and notes	13,351,953	13,865,179	44,746,108	49,448,301
Transfer of investments and/or net position	215,110	(24,270,252)	-	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(16,792,905)	(30,314,108)	14,213,291	48,588,623
Accrued interest-loans	9,353	(29,965)	203,739	196,340
Accrued interest-investments	(5,821)	80,527	48,633	127,911
Accounts receivable, net	39,277	(39,277)	99,656	9,874
Bond issuance costs	-	-	-	-
Other assets	-	-	2,522,969	(1,075,652)
Interfund receivable (payable)	(1,700,000)	11,700,249	-	-
Deferred outflows	-	-	(1,658,953)	(201,192)
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	231,974	(288,857)	(753,012)	(1,809,250)
Accounts payable/accrued liabilities	(327,548)	(175,344)	(855,166)	(797,291)
Fees, net	-	-	(172,848)	404,365
Escrow deposits	(6,667,614)	(12,738)	3,936,697	(7,023,815)
Total adjustments	**(13,087,757)**	**(30,928,482)**	**56,590,879**	**83,082,030**
Net cash provided by (used for) operating activities	**$ (549,562)**	**$ (19,765,980)**	**$ 63,615,721**	**$ 85,055,798**

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RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Fiduciary Net Position - Private Purpose Trust Component Unit
June 30, 2016 and 2015

	2016	2015
Assets		
Loans receivable	$ 55,911,802	$ 62,107,499
Less allowance for loan losses	(5,993,516)	(5,327,978)
Loans receivable, net	49,918,286	56,779,521
Investments	55,882	58,590
Accrued interest-loans	168,639	203,482
Accrued interest-investments	320	335
Cash and cash equivalents	27,029,899	16,870,854
Accounts receivable, net	134,841	174,470
Other assets, net	1,220,183	2,231,566
Total Assets	**$ 78,528,050**	**$ 76,318,818**
Liabilities and Net Position		
Liabilities		
Accounts payable and accrued liabilities	$ 99,891	$ 72,613
Total liabilities	**99,891**	**72,613**
Net Position		
Held in trust	78,428,159	76,246,205
Total Liabilities and Net Position	**$ 78,528,050**	**$ 76,318,818**

See Accompanying Notes to Financial Statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Changes in Fiduciary Net Position - Private Purpose Trust Component Unit
For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues:		
Interest income on loans	$ 2,736,908	$ 2,363,092
Earnings on investments:		
Interest on investments	26,158	3,674
Net (increase) decrease in fair value of investments	(145)	1,356
Trust receipts	662,003	410,739
Total revenues	**3,424,924**	**2,778,861**
Expenses:		
Other administrative expenses	27,278	27,474
Provision for loan losses	1,215,692	1,841,544
Total expenses	**1,242,970**	**1,869,018**
Total change in net position	**2,181,954**	**909,843**
Net position, beginning of year	76,246,205	75,336,362
Net position, end of year	$ 78,428,159	$ 76,246,205

See Accompanying Notes to Financial Statements.

1. Organization and Summary of Significant Accounting Policies

a. Organization and Description of Financial Reporting Entity

Rhode Island Housing and Mortgage Finance Corporation (the "Corporation") is a public instrumentality established in 1973 by an Act of the Rhode Island General Assembly. The Corporation was created to originate loans and administer other activities 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 Nos. 39 and 61. Through the application of GASB criteria, the Corporation determined that the Affordability Housing Trust (the "Trust") is a component unit of the Corporation and the Trust has been presented in the accompanying fiduciary fund financial statements. Control over and financial accountability for the Trust is determined 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 (the "Trust") is a separate legal entity created pursuant to a trust agreement initiated by the Corporation. The Trust is a private-purpose trust established to assist in activities that involve the creation and preservation of affordable housing in the State. All resources of the Trust, including income on investments and other revenues, are held in trust for the benefit of private and not-for-profit organizations. There is no requirement that any portion of the Trust's resources be preserved as capital. The Trust administers its affairs through its trustees, records its assets in segregated accounts and maintains financial records separate from the Corporation.

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

The Corporation engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties. The accompanying combining statements of net position, statements of revenues, expenses and changes in net position, 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. The accompanying financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by GASB, which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

The Corporation distinguishes between operating and 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.

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

e. Cash and Cash Equivalents

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

f. Investments

Investments held by 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 (GASB 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 31. The fair value of securities is provided by an investment trustee as reported by recognized pricing firms. The reported amounts of investments not otherwise reported at fair value approximate their fair value.

All investment income, including changes in the fair value of investments, is reported as revenue in the Corporation's statements of revenues, expenses and changes in net position and in the Trust's statement of changes in fiduciary net assets. The Corporation records a liability for the portion of investment income that is rebateable to the United States government under Section 103A of the Internal Revenue Code, as amended, (the Code) for 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 statements of net position and recorded within operating expenses in the statements of revenues, expenses and changes in net position.

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

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

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

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

h. Other Assets

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

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

i. Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that are applicable to a future reporting period. At June 30, 2016 and 2015, the Corporation's deferred outflows of resources consist of the change in fair value of derivatives and loan origination costs, as described below. The Corporation had no deferred inflows of resources at June 30, 2016 or June 30, 2015.

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

j. Net Position

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

The Corporation classifies all net position amounts associated with its bond resolutions as restricted net position. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program. Transfers during the years ended June 30, 2016 and 2015 include cash transfers for reimbursement of activities in support of the bond programs and a transfer of the allowance for loan losses to better reflect the estimated losses for the bond program.

At June 30, 2016 and 2015, restricted net position in the Operating Fund, comprised of the amount of assets required to be pledged as collateral to a lender in excess of outstanding amounts borrowed, as well as assets restricted for federal programs, totaled $5,710,537 and $4,769,283, respectively.

k. 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.

l. 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.

m. Recent Accounting Pronouncements

Effective for the fiscal year ended June 30, 2016, the Corporation adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurement, and provides guidance for determining a fair value measurement for financial reporting purposes. In addition, GASB 72 provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of GASB 72 had no effect on the Corporation's financial position at June 30, 2016 and 2015 or its changes in financial position for the years then ended.

Effective for the fiscal year ending June 30, 2017, the Corporation will be required to adopt the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits (OPEB) administered through trusts or equivalent arrangements. For defined benefit OPEBs, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB 75 will require more extensive footnote disclosures in employer financial statements. The Corporation is currently evaluating the effects of GASB 75 on its financial statements.

n. Reclassifications

Certain amounts in the accompanying 2015 financial statements have been reclassified to conform to the 2016 presentation.

2. Restricted Assets

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

At June 30, 2016 and 2015, all assets in the Corporation's Single-Family and Multi-Family Funds; and $160,672,961 and $149,047,786, respectively, of investments and cash and cash equivalents, and $237,469,314 and $223,067,397, 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. The mortgage loans are generally required to be insured through the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Administration (VA) or USDA Rural Development, or conventionally financed with traditional primary mortgage insurance. Under the single-family program guidelines, conventionally financed single-family mortgage loans with an initial loan-to-value ratio of greater than 80% are insured by private mortgage insurance carriers. As these loans amortize and the loan to-value ratio falls below 80%, the private mortgage insurance coverage may be terminated.

At June 30, 2016 and 2015, the single-family mortgage loan balances in the Single-Family Fund are insured, subject to maximum insurable limits described below:

	2016	2015
Private Mortgage Insurance	$ 338,268,739	$ 394,102,138
FHA Insurance	152,954,590	142,624,798
VA Guaranteed	8,460,290	9,941,218
USDA/RD Guaranteed	12,719,155	13,370,752
Uninsured	203,569,755	208,955,045
Total	$ 715,972,529	$ 768,993,951

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

The Corporation has entered into a risk-sharing agreement with HUD whereby HUD will provide partial mortgage insurance on affordable multifamily housing developments financed by the Corporation. The risk of loss to the Corporation varies from 10% to 50% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at June 30, 2016 of $308,297,606 and $19,733,542, respectively, and at June 30, 2015, of $317,267,435 and $7,795,936, respectively, are insured under such agreements subject to maximum participation limits. At June 30, 2016 and 2015, loan balances of $18,448,918 and $18,605,160, respectively, in the Affordability Housing Trust are also insured under such agreements.

In May of 2012, Rhode Island Housing entered into an agreement with FNMA whereby single-family mortgage loans originated under Rhode Island Housing's program guidelines may be sold directly to FNMA or pooled into a mortgage-backed security that will be guaranteed by FNMA. As of June 30, 2016, nine hundred and fifty-six loans had been sold directly to FNMA and eight mortgage-backed securities had been issued. As of June 30, 2015, five hundred and ninety-eight loans had been sold directly to FNMA and eight mortgage-backed securities had been issued.

In the Single-Family Fund, 96% of the loan portfolio is in first lien position for the fiscal years ended June 30, 2016 and 2015. In the Multi-Family Fund, 99% of the loan portfolio is in first lien position for the fiscal years ended June 30, 2016 and 2015. For the years ended June 30, 2016 and 2015, 33% and 30%, respectively, of the Operating Fund's loan portfolio is in first lien position, while 51% and 55%, respectively, of the Affordable Housing Trust's loan portfolio is in first lien position.

The payment of interest by borrowers on certain loans recorded in the Corporation's Operating Fund, Single-Family Fund and Multi-Family Fund is deferred and is payable by borrowers only from available cash flow, as defined in the loan agreements, or other specified sources. Interest income on such loans is recorded only when received from the borrower. For the years ended June 30, 2016 and 2015, interest received under such deferred loan arrangements was $303,448 and $581,226, respectively, in the Operating Fund and $146,572 and $162,059, respectively, in the Single-Family Fund. In addition, the Corporation administers certain federal and state loan programs, which are either deferred forgivable loans or non-interest bearing. Loans under these programs totaled $205,908,202 and $207,331,159 at June 30, 2016 and 2015, respectively.

At June 30, 2016 and 2015, principal outstanding under such deferred loan arrangements is as follows:

	2016	2015
Operating Fund:		
Single-family loans	$ 68,599,219	$ 78,496,510
Multi-family loans	196,273,262	185,082,621
Subtotal	264,872,481	263,579,131
Single-Family Fund:		
Single-family loans	18,536,405	18,178,540
Total	$ 283,408,886	$ 281,757,671

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, 2016 and 2015, principal outstanding under such non-accrual status loans is as follows:

	2016	2015
Operating Fund:		
Single-family loans	$ 2,708,332	$ 1,678,170
Multi-family loans	894,747	9,219,146
Subtotal	3,603,079	10,897,316
Single-Family Fund:		
Single-family loans	17,311,452	22,879,536
Total	$ 20,914,531	$ 33,776,852

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

	2016	2015
Balance at beginning of year	$ 34,000,000	$ 29,100,000
Loans charged off, net of recoveries	(2,812,812)	(3,371,497)
Write-down of REO properties	(1,771,102)	(2,854,444)
Provision for loan losses	8,583,914	11,125,941
Balance at end of year	$ 38,000,000	$ 34,000,000

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, 2016 and 2015, the Mortgage Lender's Reserve Account totaled $467,739 and $562,026, respectively.

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 of Rhode Island Housing were exposed to custodial credit risk at June 30, 2016 and 2015 as follows:

	June 30, 2016			
	Category			Total Bank
	A	C	Insured	Balance
Operating Fund	$ 2,494,665	$ 44,252,148	$ 1,072,750	$ 47,819,563
Single-Family Fund	-	-	-	-
Multi-Family Fund	167,705	-	-	167,705
Trust	-	14,632,929	250,000	14,882,929
Subtotal	2,662,370	58,885,077	1,322,750	62,870,197
Escrows	-	30,560,011	-	30,560,011
Total	$ 2,662,370	$ 89,445,088	$ 1,322,750	$ 93,430,208

	June 30, 2015			
	Category			Total Bank
	A	C	Insured	Balance
Operating Fund	$ 2,308,322	$ 41,529,867	$ 1,110,065	$ 44,948,254
Single-Family Fund	-	-	-	-
Multi-Family Fund	58,379	-	-	58,379
Trust	-	5,925,696	250,000	6,175,696
Subtotal	2,366,701	47,455,563	1,360,065	51,182,329
Escrows	-	16,222,516	-	16,222,516
Total	$ 2,366,701	$ 63,678,079	$ 1,360,065	$ 67,404,845

Cash and cash equivalents in the Single-Family Fund and Multi-Family Fund are principally invested in short-term United States Government Money Market Funds. At June 30, 2016, $99,769 in the Operating Fund, $61,765,433 in the Single-Family Fund, $54,494,255 in the Multi-Family Fund and $10,695,158 in the Trust was invested in short-term United States Government Money Market Funds. At June 30, 2015, $24,470 in the Operating Fund, $69,098,200 in the Single-Family Fund, $48,210,829 in the Multi-Family Fund and $10,695,158 in the Trust was invested in short-term United States Government Money Market Funds. The funds are rated AAA and invested only in U.S. Treasuries, U.S. Agencies, and repurchase agreements collateralized by U.S. Treasury and Agency securities. Since the funds offer a floating rate that tends to move with other market U.S. risk-free rates, there is substantially no interest rate risk associated with these short-term investments. Because of the quality of the underlying securities in the asset pool and the institutions involved in the management and custody, there is no material credit or custodial risk in this portfolio.

Investments The first 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%

At June 30, 2016 and 2015, the Operating Fund holds one investment with a maturity of greater than five years. This investment is a marketable security that is pledged as collateral to a lender for borrowings.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, 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, 2016 and 2015, the distribution of investments by remaining or re-pricing maturity is as follows:

	June 30, 2016			
	1 year or less	>1 to 5 Years	>5 Years	Total
Operating Fund:				
U.S. Government Obligations	$ 8,793,995	$ -	$ 1,672,292	$ 10,466,287
Single-Family Fund:				
U.S. Government Obligations	-	-	68,719,848	68,719,848
U.S. Agency Obligations	2,020,838	-	24,109,958	26,130,796
Guaranteed Investment Contracts	-	-	2,883,495	2,883,495
Total Single-Family Fund	2,020,838	-	95,713,301	97,734,139
Multi-Family Fund:				
U.S. Agency Obligations	456,075	3,245,933	2,325,325	6,027,333
Guaranteed Investment Contracts	-	17,911,140	-	17,911,140
Total Multi-Family Fund	456,075	21,157,073	2,325,325	23,938,473
Escrows*	-	87,009,540	-	87,009,540
Subtotal	11,270,908	108,166,613	99,710,918	219,148,439
Trust:				
U.S. Agency Obligations	55,882	-	-	55,882
Total	$ 11,326,790	$ 108,166,613	$ 99,710,918	$ 219,204,321

	June 30, 2015			
	1 year or less	>1 to 5 Years	>5 Years	Total
Operating Fund:				
U.S. Government Obligations	$ 9,811,048	$ -	$ 1,883,146	$ 11,694,194
Single-Family Fund:				
U.S. Government Obligations	-	-	82,141,736	82,141,736
U.S. Agency Obligations	-	2,119,591	24,486,798	26,606,389
Guaranteed Investment Contracts	-	-	2,883,495	2,883,495
Total Single-Family Fund	-	2,119,591	109,512,029	111,631,620
Multi-Family Fund:				
U.S. Government Obligations	39,277	-	-	39,277
U.S. Agency Obligations	-	3,439,044	2,639,544	6,078,588
Guaranteed Investment Contracts	-	17,884,602	-	17,884,602
Total Multi-Family Fund	39,277	21,323,646	2,639,544	24,002,467
Escrows*	-	86,291,712	-	86,291,712
Subtotal	9,850,325	109,734,949	114,034,719	233,619,993
Trust:				
U.S. Agency Obligations	58,590	-	-	58,590
Total	$ 9,908,915	$ 109,734,949	$ 114,034,719	$ 233,678,583

* 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 investments 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 either the Government National Mortgage Association (GNMA) or FNMA. The securities are subject to interest rate risk due to prepayments before maturity and the fair value of the securities which will vary with the change in market interest rates. The Corporation does not expect to realize a loss on the sale of the securities as they are intended to be held to maturity. The securities are held by the Single-Family and Operating Funds and are carried at fair value totaling $94,502,098 and $108,511,680 at June 30, 2016 and 2015, respectively.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset.

The Corporation has recurring fair value measurements in the form of Fixed Income Securities (U.S. Treasuries, mortgage-backed securities and obligations of government-sponsored enterprises) as of June 30, 2016 of $97,475,827 in the Operating Fund, $94,850,644 in the Single-Family fund, and $6,027,333 in the Multi-Family Fund that are valued using quoted market prices (Level 1 inputs). Included in Operating Fund investments are fair value measurements for escrow funds relating to homeowners and to multi-family developments. The Corporation does not measure the fair value of guaranteed investment contracts in the amount of $2,883,495 in the Single-Family Fund and $17,911,140 in the Multi-Family Fund as of June 30, 2016.

The Corporation had recurring fair value measurements in the same form as of June 30, 2015 of $97,985,906 in the Operating Fund, $108,748,125 in the Single-Family fund, and $6,117,864 in the Multi-Family Fund that are valued using quoted market prices (Level 1 inputs). Included in Operating Fund investments were fair value measurements for escrow funds relating to homeowners and to multi-family developments. The Corporation did not measure the fair value of guaranteed investment contracts in the amount of $2,883,495 in the Single-Family Fund and $17,884,602 in the Multi-Family Fund as of June 30, 2015.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The current Board-approved policy requires all investments in the Operating Fund to be rated at least Single A by a nationally recognized rating agency. Each of the bonded resolutions in the Single-Family Fund and Multi-Family Fund contains policies that generally require investments that do not impair the existing ratings on the related bonds. The Trust has no minimum rating requirements.

At June 30, 2016 and 2015, 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:

Rating Investment	June 30, 2016 AA+/Aaa U.S. Agencies	June 30, 2016 Unrated GICS
Operating Fund	$ -	$ -
Single-Family Fund	26,130,796	2,883,495
Multi-Family Fund	6,027,333	17,911,140
Trust	55,882	-

Rating Investment	June 30, 2015 AA+/Aaa U.S. Agencies	June 30, 2015 Unrated GICS
Operating Fund	$ -	$ -
Single-Family Fund	26,606,389	2,883,495
Multi-Family Fund	6,078,588	17,884,602
Trust	58,590	-

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016		
Issuer	Single-Family Fund	Multi-Family Fund	Trust
Federal Home Loan Bank	$ -	$ 2,775,849	$ -
Federal Farm Credit Bank	-	2,325,325	-
HSBC Bank	-	17,911,140	-
Federal National Mtg. Assoc.	24,109,958	-	55,882

	June 30, 2015		
Issuer	Single-Family Fund	Multi-Family Fund	Trust
Federal Home Loan Bank	$ -	$ 2,818,123	$ -
Federal Farm Credit Bank	-	2,274,036	-
HSBC Bank	-	17,884,602	-
Federal National Mtg. Assoc.	24,486,798	-	58,590

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, 2016 and 2015, 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 in other funds are either in Guaranteed Investment Contracts (GICs) in bonded resolutions, which are direct investments not subject to custodial credit risk, or in accounts managed by a financial advisory firm with underlying investments restricted to U.S. Government and Agency securities. At June 30, 2016 and 2015, 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, 2016 and 2015, the Corporation was not party to any interest rate swap agreements. At June 30, 2015, the Corporation had entered into certain commitments to sell loans, which exposes the Corporation to interest rate risk as discussed further in Note 8.

5. Other Assets

Other assets, net, consisted of the following at June 30:

	2016	2015
Real estate owned	$ 11,432,030	$ 15,409,510
Capital assets (*depreciable*), net	8,701,437	8,186,935
Purchased mortgage servicing rights and excess servicing, net	2,685,989	1,800,967
Other assets and control accounts	86,807	31,820
Total	$ 22,906,263	$ 25,429,232

Depreciation expense related to capital assets for the years ended June 30, 2016 and 2015 was $832,376 and $737,640, respectively.

Amortization expense related to purchased mortgage servicing rights for the years ended June 30, 2016 and 2015 was $594,126 and $502,692, respectively.

Other assets of the Trust consisted of federal program properties totaling $1,220,183 and $2,231,566 at June 30, 2016 and June 30, 2015, 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 and interest on substantially all bonds is payable semi-annually.

The Corporation is required by the Internal Revenue Service as well as its various bond resolutions to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Corporation must comply with various restrictions on investment earnings from bond proceeds. The Corporation's management believes it was in compliance with these covenants as of June 30, 2016.

Bonds and notes payable at June 30, 2016 and 2015 are as follows:

	2016	2015
Operating Fund Bonds and Notes:		
Federal Home Loan Bank:		
Due 2016 to 2020, interest from .72% to 2.47%	$ 12,000,000	$ 13,500,000
Federal Financing Bank:		
Due 2056, interest at 2.71%	11,400,000	-
General Obligation Bonds Series 2013:		
Mandatory tender bonds, due 2018, interest at 2.49%	5,000,000	5,000,000
Notes Payable, due 2027 to 2043, interest from 2.75% to 6.25%	12,316,568	7,772,120
Lines of Credit, payable on demand, interest from 1.360% to 1.924%	74,000,000	58,000,000
Total Operating Fund	114,716,568	84,272,120
Single-Family Fund:		
Homeownership Opportunity Bonds and Notes:		
Series 10-A:		
Term bonds, due 2022 to 2027, interest at 6.50%	1,000,000	1,000,000
Series 15-A:		
Term bonds, due 2024, interest at 6.85%	500,000	500,000
Series 46-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 48-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 51-A:		
Serial bonds, due 2015 to 2017, interest from 4.00% to 4.125%	-	4,060,000
Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%	-	24,555,000
	-	28,615,000

Series 51-B:		
Term bonds, due 2036, interest at 5.00%	-	1,020,000
Series 52-A:		
Serial bonds, due 2015 to 2018, interest from 4.10% to 4.30%	-	2,990,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	-	8,530,000
	-	11,520,000
Series 52-B:		
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	-	22,225,000
Series 53-A:		
Serial bonds, due 2015 to 2017, interest from 3.95% to 4.05%	-	4,350,000
Term bonds, due 2034, interest at 4.60%	-	3,150,000
	-	7,500,000
Series 53-B:		
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	-	37,620,000
Series 54:		
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	56,970,000	56,970,000
Series 55-A:		
Serial bonds, due 2016 to 2017, interest from 3.90% to 3.95%	1,640,000	3,800,000
Term bonds, due 2034, interest at 4.50%	2,280,000	2,280,000
	3,920,000	6,080,000
Series 55-B:		
Serial bonds, due 2017, interest at 4.375%	1,110,000	1,110,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	51,925,000	53,015,000
	53,035,000	54,125,000
Series 56-A:		
Serial bonds, due 2015, interest at 4.65%.	-	245,000
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	44,765,000	46,170,000
	44,765,000	46,415,000
Series 56-B1-T:		
Term bonds, due 2047, interest at 6.074%	-	505,000
Series 57-A:		
Serial bonds, due 2016 to 2017, interest from 4.20% to 4.25%	1,335,000	3,010,000
Term bonds, due 2034, interest at 5.00%	475,000	475,000
	1,810,000	3,485,000
Series 57-B:		
Term bonds, due 2022, interest at 5.15%	1,655,000	5,425,000

Series 58-A:		
Term bonds, due 2023 to 2037, interest from 5.05% to 5.50%	8,300,000	19,085,000
Series 59-A:		
Serial bonds, due 2016 to 2017, interest from 4.00% to 4.125%	1,860,000	4,375,000
Term bonds, due 2034, interest at 5.15%	2,820,000	3,155,000
	4,680,000	7,530,000
Series 60-A1:		
Serial bonds, due 2016 to 2017, interest from 4.20% to 4.30%	490,000	2,410,000
Series 61-A:		
Serial bonds, due 2016 to 2023, interest from 1.40% to 3.05%	12,755,000	13,435,000
Series 61-B:		
Term bonds, due 2026 to 2037, interest from 3.45% to 4.10%	7,020,000	8,730,000
Series 61-C:		
Serial bonds, due 2016 to 2020, interest from 2.00% to 3.00%	22,540,000	24,210,000
Term bonds, due 2034, interest at 4.00%	900,000	3,055,000
	23,440,000	27,265,000
Series 62-A:		
Serial bonds, due 2016 to 2021, interest from 1.50% to 3.125%	6,080,000	7,165,000
Series 62-B:		
Serial bonds, due 2021 to 2022, interest from 3.125% to 3.25%	4,025,000	4,025,000
Term bonds, due 2024 to 2028, interest from 3.50% to 4.00%	10,975,000	10,975,000
	15,000,000	15,000,000
Series 62-C:		
Serial bonds, due 2016 to 2022, interest from 2.25% to 3.85%	11,405,000	13,995,000
Term bonds, due 2022 to 2028, interest from 3.875% to 4.50%	19,865,000	38,395,000
	31,270,000	52,390,000
Series 63-A:		
Term bonds, due 2027 to 2040, interest from 3.50% to 4.00%	13,570,000	15,120,000
Series 63-B:		
Term bonds, due 2032 to 2042, interest from 3.80% to 4.125%	2,065,000	2,725,000
Series 63-C:		
Serial bonds, due 2016 to 2022, interest from 1.85% to 3.50%	8,700,000	9,865,000
Term bonds, due 2025, interest at 3.75%	3,680,000	3,680,000
	12,380,000	13,545,000

Series 63-T:		
Term bonds, due 2042, interest at variable rate	23,345,000	23,935,000
Series 64-T:		
Serial bonds, due 2016 to 2018, interest from 1.27% to 2.58%	11,820,000	18,270,000
Term bonds, due 2023 to 2034, interest from 3.00% to 5.00%	43,210,000	47,855,000
	55,030,000	66,125,000
Series 65-T:		
Serial bonds, due 2016 to 2025, interest from .875% to 3.886%	32,825,000	35,815,000
Term bonds, due 2029 to 2039, interest from 2.913% to 4.433%	44,305,000	46,810,000
	77,130,000	82,625,000
Series 66 A-1:		
Term bonds, due 2033, interest at 4.00%	23,840,000	-
Series 66 A-2:		
Term bonds, due 2032, interest at 4.00%	7,390,000	-
Series 66-B:		
Term bonds, due 2045, interest variable	15,000,000	-
Series 66 C-2:		
Term bonds, due 2016 to 2026, interest from 0.90% to 3.65%	21,750,000	-
Series 67-A:		
Term bonds, due 2041, interest at 3.55%	5,610,000	-
Series 67-B:		
Term bonds, due 2026 to 2046, interest from 2.40% to 3.55%	11,650,000	-
Series 67-C:		
Serial bonds, due 2017 to 2027, interest from 0.90% to 3.00%	15,380,000	-
Term bonds, due 2030 to 2038, interest from 3.25% to 3.50%	20,025,000	-
	35,405,000	-
Unamortized bond premium	4,849,448	1,462,993
Subtotal	611,704,448	671,552,993
Home Funding Bonds and Notes:		
Series 1-A:		
Serial bonds, due 2016 to 2021, interest from 3.125% to 4.125%	6,855,000	7,920,000
Term bonds, due 2024 to 2027, interest from 4.375% to 4.625%	2,450,000	8,100,000
	9,305,000	16,020,000

Series 2, Subseries 2A:		
Term bonds, due 2041, interest at 3.16%	21,260,000	24,760,000
Series 2, Subseries 2B:		
Term bonds, due 2041, interest at 2.63%	18,300,000	19,600,000
Series 2, Subseries 2C:		
Term bonds, due 2041, interest at 2.73%	29,010,000	30,450,000
Series 3:		
Serial bonds, due 2016 to 2020, interest from 2.30% to 3.20%	4,765,000	5,700,000
Term bonds, due 2025 to 2028, interest from 4.00% to 4.10%	6,855,000	9,020,000
	11,620,000	14,720,000
Series 4:		
Serial bonds, due 2016 to 2022, interest from 2.00% to 3.50%	5,105,000	5,770,000
Term bonds, due 2026 to 2028, interest from 4.05% to 4.20%	4,615,000	5,325,000
	9,720,000	11,095,000
Series 5:		
Term bonds, due 2028 to 2040, interest from 2.75% to 3.45%	30,465,000	32,690,000
Unamortized bond premium	582,468	616,642
Subtotal	130,262,468	149,951,642
Total Single-Family Fund	741,966,916	821,504,635
Multi-Family Fund:		
Multi-Family Housing Bonds:		
1995 Series A:		
Term bonds, due 2017, interest at 6.15%	275,000	400,000
1998 Series A:		
Term bonds, due 2018, interest at 5.375%	355,000	460,000
Subtotal	630,000	860,000
Housing Bonds:		
2001 Series B-2T:		
Term bonds, due 2031, interest at variable rate	3,325,000	3,440,000
2003 Series A-2T:		
Term bonds, due 2034, interest at variable rate	19,150,000	19,670,000

2003 Series B-2T:		
Term bonds, due 2035, interest at variable rate	8,515,000	8,620,000
2006 Series A-1:		
Serial bonds, due 2015 to 2016, interest from 4.00% to 4.05%	-	540,000
Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%	-	19,680,000
	-	20,220,000
2007 Series A-1:		
Serial bonds, due 2016 to 2017, interest from 4.30% to 4.35%	690,000	1,000,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	29,680,000	29,680,000
	30,370,000	30,680,000
2007 Series B-1A/B:		
Serial bonds, due 2016 to 2017, interest from 4.40% to 4.50%	440,000	635,000
Term bonds, due 2022 to 2027, interest from 5.0% to 5.25%	3,335,000	3,335,000
	3,775,000	3,970,000
Unamortized bond discount	(95,868)	(100,142)
Subtotal	65,039,132	86,499,858
Multi-Family Funding Bonds:		
2009 Series A, Subseries 2009A-1:		
Term bonds, due 2051, interest at 3.01%	51,000,000	51,000,000
2009 Series A, Subseries 2009A-2:		
Term bonds, due 2051, interest at 2.32%	14,100,000	14,100,000
2010 Series A:		
Serial bonds, due 2016 to 2021, interest from 2.75% to 4.00%	3,535,000	4,055,000
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000	15,550,000
	19,085,000	19,605,000
2011 Series A:		
Serial bonds, due 2016 to 2017, interest from 2.20% to 2.50%	265,000	430,000
Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,310,000	4,310,000
	4,575,000	4,740,000
Subtotal	88,760,000	89,445,000
Multi-Family Development Bonds:		
2010 Series 1:		
Serial bonds, due 2016 to 2021, interest from 2.80% to 4.25%	400,000	455,000
Term bonds, due 2025 to 2051, interest from 4.75% to 5.875%	8,285,000	8,285,000
	8,685,000	8,740,000

2013 Series 1-AB:		
Serial bonds, due 2016 to 2023, interest from 1.15% to 2.85%	3,500,000	3,855,000
Term bonds, due 2027 to 2048, interest from 3.25% to 4.125%	30,905,000	30,905,000
	34,405,000	34,760,000
2013 Series 2-T:		
Serial bonds, due 2016 to 2023, interest from 1.17% to 3.218%	14,375,000	15,835,000
Term bonds, due 2027 to 2036, interest from 3.768% to 4.606%	36,725,000	36,725,000
	51,100,000	52,560,000
2013 Series 3-A:		
Term bonds, due 2016, interest at .85%	2,600,000	2,600,000
2013 Series 3-B:		
Serial bonds, due 2016 to 2024, interest from .85% to 3.85%	290,000	305,000
Term bonds, due 2028 to 2048, interest from 4.375% to 5.20%	2,195,000	2,195,000
	2,485,000	2,500,000
2013 Series 3-C:		
Term bonds, due 2028 to 2030, interest from 4.375% to 4.60%	8,795,000	8,795,000
2013 Series 3-D:		
Serial bonds, due 2016 to 2024, interest from 1.20% to 4.35%	4,045,000	4,045,000
Term bonds, due 2024 to 2028, interest from 4.00% to 4.80%	12,715,000	12,715,000
	16,760,000	16,760,000
2013 Series 4-T:		
Serial bonds, due 2016 to 2018, interest from 1.37% to 2.774%	1,075,000	2,810,000
Term bonds, due 2023 to 2030, interest from 4.207% to 5.257%	3,970,000	3,970,000
	5,045,000	6,780,000
2014 Series 1-T:		
Term bonds, due 2044, interest of .85%	-	12,000,000
2014 Series 2-T:		
Serial bonds, due 2016 to 2027, interest from 1.064% to 3.823%	17,400,000	18,755,000
2014 Series 3-A:		
Term bond, due 2018, interest of 1.35%	2,100,000	2,100,000
2014 Series 3-B:		
Serial bonds, due 2016 to 2025, interest from .55% to 2.95%	1,985,000	1,985,000
Term bonds, due 2029 to 2049, interest from 3.40% to 4.125%	13,715,000	13,715,000
	15,700,000	15,700,000
2016 Series 1-A:		
Term bonds, due 2044, interest from 0.80% to 1.05%	13,200,000	-

2016 Series 1-B:		
Serial bonds, due 2017 to 2026, interest from 0.625% to 2.650%	1,550,000	-
Term bonds, due 2031 to 2056, interest from 3.15% to 4.10%	15,350,000	-
	16,900,000	-
2016 Series 1-C:		
Serial bonds, due 2016 to 2026, interest from 0.50% to 3.00%	4,455,000	-
Term bonds, due 2031 to 2041, interest from 3.50% to 4.10%	15,170,000	-
	19,625,000	-
Unamortized bond discount	(41,572)	(43,509)
Subtotal	214,758,428	182,006,491
Multi-Family Mortgage Revenue Bonds:		
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	28,650,000	29,250,000
Series 2015 (Charles Place):		
Note payable, due 2045, interest at 4.16%	25,616,101	25,954,890
Series 2016 (EPN):		
Note payable, due 2049, interest at 4.07%	12,724,909	-
Subtotal	100,691,010	88,904,890
Total Multi-Family Fund	469,878,570	447,716,239
Total Bonds and Notes Payable	$1,326,562,054	$1,353,492,994

On May 16, 2016, the Corporation refunded $41,805,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.78% by the issuance of $41,015,000 Homeownership Opportunity Bonds Series 67-A and 67-C dated May 16, 2016 with an average interest rate of 3.03%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twelve years by $5,275,768 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of $4,595,411.

Homeownership Opportunity Bonds Payable	Date of Issue	Outstanding Principal Balance
Series 53-A	09/13/2006	$ 5,610,000
Series 53-B	09/13/2006	36,195,000
		$ 41,805,000

On April 1, 2016, the Corporation refunded $19,625,000 of certain Housing Bond Program bonds with an average interest rate of 4.79% by the issuance of $19,625,000 Multi-Family Development Bonds 2016 Series 1-C dated March 31, 2016 with an average interest rate of 3.75%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twelve years by $5,346,298 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of $2,596,912.

Housing Bond Program Bonds Payable	Date of Issue	Outstanding Principal Balance
Series 2006 A-1A	12/21/2006	$ 19,625,000
		$ 19,625,000

On August 10, 2015 and October 1, 2015, the Corporation refunded $62,565,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.75% by the issuance of $60,000,000 Homeownership Opportunity Bonds Series 66-A1 and Series 66-C1 dated August 7, 2015 and 66-A2 and 66-C2 dated August 20, 2015, with an average interest rate of 3.42%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twelve years by $9,301,345 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of $6,333,467.

Homeownership Opportunity Bonds Payable	Date of Issue	Outstanding Principal Balance
Series 51-A	01/19/2006	$ 28,165,000
Series 51-B	01/19/2006	1,020,000
Series 52-A	06/15/2006	11,155,000
Series 52-B	06/15/2006	22,225,000
		$ 62,565,000

On December 30, 2014, the Corporation refunded certain Housing Bond Program bonds with an average interest rate of 4.98% by the issuance of $18,930,000 Multi-Family Development Bonds Series 2014 2T dated December 30, 2014 with an average interest rate of 3.24%. Of the total amount, $17,930,000 was used for refunding and $1,000,000 to fund reserves.

The Corporation refunded the following debt to reduce its total debt service payments over the next thirteen years by $7,695,673 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of $3,185,302.

Housing Bond Program Bonds Payable	Date of Issue	Outstanding Principal Balance
Series 2005 A-1A	10/20/2005	$ 17,660,000
Series 2005 A-1B	10/20/2005	270,000
		$ 17,930,000

On October 30, 2014, the Corporation refunded $86,505,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.60% by the issuance of $86,505,000 Homeownership Opportunity Bonds Series 65-T dated October 30, 2014 with an average interest rate of 3.74%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twelve years by $2,636,208 and to obtain an economic gain of $3,425,925.

Homeownership Opportunity Bonds Payable	Date of Issue	Outstanding Principal Balance
Series 49-A	03/23/2005	$ 5,895,000
Series 49-A	03/23/2005	26,005,000
Series 50-A	07/28/2005	16,240,000
Series 50-B	07/28/2005	38,365,000
		$ 86,505,000

The Operating Fund's lines of credit were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At June 30, 2016, the Corporation may borrow up to a maximum of $90,000,000 under various revolving loan agreements expiring between August 2016 and January 2017. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit, in the outstanding amount of $17,000,000, has a variable interest rate, which was 1.72% at June 30, 2016. The outstanding remaining lines of credit of $57,000,000 have fixed rates which range from 1.360% - 1.924% at June 30, 2016.

The schedule below includes amounts required for debt service sinking funds for each fiscal year relating to the respective bonds and notes as of June 30, 2016 (dollars in thousands):

	Operating Fund Bonds/Notes		Single-Family Fund Bonds/Notes		Multi-Family Fund Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 79,016	$ 1,560	$ 24,460	$ 25,398	$ 11,459	$ 14,388
2018	3,500	1,288	35,600	24,881	9,275	14,193
2019	5,000	1,162	34,700	23,927	9,210	13,991
2020	3,500	1,106	31,575	22,847	9,125	13,757
2021	-	1,012	31,140	21,817	9,555	13,494
2022-2026	-	5,063	146,405	91,898	56,500	62,493
2027-2031	6,464	4,688	158,520	63,840	67,685	51,273
2032-2036	4,677	2,939	150,970	34,739	55,050	40,009
2037-2041	-	1,720	89,950	12,421	108,960	30,707
2042-2046	1,160	1,632	30,070	2,805	73,372	19,774
2047-2051	-	1,545	3,145	118	53,005	6,597
2052-2056	-	1,545	-	-	5,785	718
2057-2061	11,400	25	-	-	1,035	21
	$ 114,717	$ 25,285	$ 736,535	$ 324,691	$ 470,016	$ 281,415

Homeownership Opportunity Bonds Series 46-T, 48-T, and 63-T, and Housing Bonds 2001 Series B-2T, 2003 Series A-2T and 2003 Series B-2T bear interest at taxable rates established monthly or quarterly, which range from .86% - 1.36% at June 30, 2016. Homeownership Opportunity Bonds Series HOB 66-B and certain Multi-Family Mortgage Revenue Bonds bear interest at tax-exempt rates established weekly, which range from .43% - 1.11% at June 30, 2016.

Bonds and notes payable activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and notes payable:				
General obligation bonds	$ 5,000,000	$ -	$ -	$ 5,000,000
Unsecured notes	58,000,000	315,000,000	(299,000,000)	74,000,000
Secured notes	21,272,119	21,082,218	(6,637,769)	35,716,568
Revenue bonds	1,269,220,875	193,976,389	(251,351,778)	1,211,845,486
	$1,353,492,994	$ 530,058,607	$(556,989,547)	$1,326,562,054

Bonds and notes payable activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and notes payable:				
General obligation bonds	$ 5,000,000	$ -	$ -	$ 5,000,000
Unsecured notes	58,000,000	232,000,000	(232,000,000)	58,000,000
Secured notes	21,903,882	13,500,000	(14,131,763)	21,272,119
Revenue bonds	1,363,655,121	161,444,150	(255,878,396)	1,269,220,875
	$ 1,448,559,003	$ 406,944,150	$(502,010,159)	$1,353,492,994

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 combining statements of net position. The Corporation's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. The Corporation uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Total credit exposure as a result of loan commitments at June 30, 2016 is as follows:

Operating Fund	$ 95,869,307
Single-Family Fund	16,667
Multi-Family Fund	7,400,091
Trust	580,162
Total	$ 103,866,227

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

The Corporation has entered into contracts with multiple developments under the Neighborhood Opportunities Program to fund projects over the next nine years for a total of $3,789,701, subject to the availability of funds. As of June 30, 2016, $1,213,511 has been paid under these contracts.

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, 2016 because Rhode Island Housing officials are of the opinion that, based on prior experience, such claims will not be material.

8. Derivative Instruments

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

At June 30, 2016, TBA Mortgage-Backed Securities Contracts with a total notional amount of $38,463,348 and fair values totaling $2,237,755 were outstanding. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are included in the combining statements of net position as deferred outflows of resources. In addition, the Corporation entered into commitments to sell loans to Fannie Mae with a total notional amount of $14,500,000 and fair values totaling $659,190. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are also included in the combining statements of net position as deferred outflows of resources.

At June 30, 2015, TBA Mortgage-Backed Securities Contracts with a total notional amount of $31,000,000 and fair values totaling $1,044,610 were outstanding. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are included in the combining statements of net position as deferred outflows of resources. In addition, the Corporation entered into commitments to sell loans to Fannie Mae with a total notional amount of $15,025,000 and fair values totaling $193,125. These contracts are valued using quoted market prices (Level 1 inputs) and the fair values of such contracts are also included in the combining statements of net position as deferred outflows of resources.

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 for the years ended June 30, 2016 and 2015 totaled $1,023,262 and $869,831, 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. As of June 30, 2016, the plan included 23 retirees, 17 of which are receiving benefits, and 195 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 No. 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, 2016 and 2015, plan members receiving benefits contributed $18,408 and $9,536, respectively, as their required contribution.

The annual OPEB cost and related information for the fiscal years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Annual required contribution (ARC)	$ 495,062	$ 375,276
Interest on OPEB obligation	166,800	150,844
Adjustments to ARC	(154,540)	(139,756)
Annual OPEB cost	507,322	386,364
Net estimated employer contributions	(56,248)	(31,777)
Increase in net OPEB obligation	451,074	354,587
Net OPEB obligation, beginning of year	3,706,672	3,352,085
Net OPEB obligation, end of year	$ 4,157,746	$ 3,706,672
Percent of annual OPEB cost contributed	11.1%	8.2%

The net OPEB obligation is included in accounts payable and accrued liabilities in the accompanying statements of net position. The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2016 and the preceding two fiscal years ended June 30 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
June 30, 2014	$ (60,471)	$ 30,495	(50.4%)	$ 3,352,085
June 30, 2015	386,364	31,777	8.2%	3,706,672
June 30, 2016	507,322	56,248	11.1%	4,157,746

Funding Status and Funding Progress:
Under the reporting parameters, the Corporation’s retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $3,352,085 as of June 30, 2014, the most recent actuarial valuation date. As of June 30, 2016, the unfunded accrued liability as a percentage of covered payroll of $11,215,426 was 37%.

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.

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%, payroll growth of 3.00% and a 30-year open amortization period. The initial annual healthcare cost trend rate used was 7.50%, declining to an ultimate rate of 4.50% after 12 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. Subsequent Events

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

Date of Call	Principal Program	Outstanding
October 1, 2016	Homeownership Opportunity Bonds	$ 10,820,000
October 1, 2016	Home Funding Bonds	$ 7,175,000
October 14, 2016	Homeownership Opportunity Bonds	$ 157,560,000

The Corporation intends to issue debt as outlined below:

Date of Issuance	Principal Program	Amount
October 14, 2016	Homeownership Opportunity Bonds	$ 193,105,000

Required Supplementary Information
Retiree Healthcare Benefit Plan
Schedule of Funding Progress
Year Ended June 30, 2016

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, 2008	-	$ 1,882,457	$ 1,882,457	0%	$ 8,596,893	21.9%
June 30, 2011	-	2,764,235	2,764,235	0%	9,052,294	30.5%
June 30, 2014	-	3,352,085	3,352,085	0%	8,033,831	42.0%

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Single-Family Fund
June 30, 2016 and 2015

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2016	**2015**	**2016**	**2015**
Assets				
Loans receivable	$ 667,830,730	$ 715,379,530	$ 48,141,799	$ 53,614,421
Less allowance for loan losses	(11,000,000)	(12,500,000)	-	-
Loans receivable, net	656,830,730	702,879,530	48,141,799	53,614,421
Investments	17,028,915	18,741,804	80,705,224	92,889,816
Accrued interest-loans	2,349,652	2,560,190	161,762	179,270
Accrued interest-investments	101,209	106,287	242,352	291,483
Cash and cash equivalents	53,020,322	57,203,674	10,673,274	14,333,303
Other assets, net	9,481,328	14,205,815	1,050,230	1,141,667
Interfund receivable	(125,234)	104,298	18,597	18,597
Total assets	**738,686,922**	**795,801,598**	**140,993,238**	**162,468,557**
Deferred Outflows of Resources				
Loan origination costs	5,014	5,271	-	-
Total deferred outflows of resources	**5,014**	**5,271**	-	-
Combined Assets and Deferred Outflows of Resources	**$ 738,691,936**	**$ 795,806,869**	**$ 140,993,238**	**$ 162,468,557**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 611,704,448	$ 671,552,993	$ 130,262,468	$ 149,951,642
Accrued interest payable on bonds and notes	5,290,453	6,190,949	1,044,586	1,208,486
Accounts payable and accrued liabilities	-	181,722	-	-
Fees, net	188,415	209,124	-	-
Total liabilities	**617,183,316**	**678,134,788**	**131,307,054**	**151,160,128**
Net Position				
Net position, restricted	121,508,620	117,672,081	9,686,184	11,308,429
Total Liabilities and Net Position	**$ 738,691,936**	**$ 795,806,869**	**$ 140,993,238**	**$ 162,468,557**

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Single-Family Fund
June 30, 2016 and 2015

	Single-Family Fund Totals	
	2016	**2015**
Assets		
Loans receivable	$ 715,972,529	$ 768,993,951
Less allowance for loan losses	(11,000,000)	(12,500,000)
Loans receivable, net	704,972,529	756,493,951
Investments	97,734,139	111,631,620
Accrued interest-loans	2,511,414	2,739,460
Accrued interest-investments	343,561	397,770
Cash and cash equivalents	63,693,596	71,536,977
Other assets, net	10,531,558	15,347,482
Interfund receivable	(106,637)	122,895
Total assets	**879,680,160**	**958,270,155**
Deferred Outflows of Resources		
Loan origination costs	5,014	5,271
Total deferred outflows of resources	**5,014**	**5,271**
Combined Assets and Deferred Outflows of Resources	**$ 879,685,174**	**$ 958,275,426**
Liabilities and Net Position		
Liabilities		
Bonds and notes payable	$ 741,966,916	$ 821,504,635
Accrued interest payable on bonds and notes	6,335,039	7,399,435
Accounts payable and accrued liabilities	-	181,722
Fees, net	188,415	209,124
Total liabilities	**748,490,370**	**829,294,916**
Net Position		
Net position, restricted	131,194,804	128,980,510
Total Liabilities and Net Position	**$ 879,685,174**	**$ 958,275,426**

(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 Net Position - Single-Family Fund
For the Years Ended June 30, 2016 and 2015

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2016	**2015**	**2016**	**2015**
Operating revenues:				
Interest income on loans	$ 31,550,569	$ 35,351,228	$ 2,046,667	$ 2,284,409
Earnings on investments:				
Interest on investments	874,341	881,717	3,358,754	3,838,608
Net increase (decrease) in fair value of investments	(25,334)	(302,295)	(328,784)	(1,379,457)
Total operating revenues	**32,399,576**	**35,930,650**	**5,076,637**	**4,743,560**
Operating expenses:				
Interest expense	24,065,396	27,606,824	4,298,152	4,873,442
Housing initiatives	939	-	-	-
Provision for loan losses	6,200,000	6,060,000	-	-
REO expenditures	1,077,533	1,428,331	(5,835)	28,947
Arbitrage rebate	(181,723)	(64,078)	-	-
Bond issuance costs	1,236,681	597,116	-	-
Depreciation and amortization of other assets	2,949	1,836	6,565	4,116
Loan costs	257	257	-	-
Total operating expenses	**32,402,032**	**35,630,286**	**4,298,882**	**4,906,505**
Operating income (loss)	**(2,456)**	**300,364**	**777,755**	**(162,945)**
Transfers in (out)	3,838,995	2,824,406	(2,400,000)	(2,400,000)
Total change in net position	**3,836,539**	**3,124,770**	**(1,622,245)**	**(2,562,945)**
Net position, beginning of year	117,672,081	114,547,311	11,308,429	13,871,374
Net position, end of year	$ 121,508,620	$ 117,672,081	$ 9,686,184	$ 11,308,429

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Single-Family Fund
For the Years Ended June 30, 2016 and 2015

	Single-Family Fund Total	
	2016	**2015**
Operating revenues:		
Interest income on loans	$ 33,597,236	$ 37,635,637
Earnings on investments:		
Interest on investments	4,233,095	4,720,325
Net increase (decrease) in fair value of investments	(354,118)	(1,681,752)
Total operating revenues	**37,476,213**	**40,674,210**
Operating expenses:		
Interest expense	28,363,548	32,480,266
Housing initiatives	939	-
Provision for loan losses	6,200,000	6,060,000
REO expenditures	1,071,698	1,457,278
Arbitrage rebate	(181,723)	(64,078)
Bond issuance costs	1,236,681	597,116
Depreciation and amortization of other assets	9,514	5,952
Loan costs	257	257
Total operating expenses	**36,700,914**	**40,536,791**
Operating income (loss)	**775,299**	**137,419**
Transfers in (out)	1,438,995	424,406
Total change in net position	**2,214,294**	**561,825**
Net position, beginning of year	128,980,510	128,418,685
Net position, end of year	$ 131,194,804	$ 128,980,510

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
June 30, 2016 and 2015

	Multi-Family Housing Bond Program		Housing Bond Program	
	2016	2015	2016	2015
Assets				
Loans receivable	$ 866,013	$ 890,034	$ 66,683,317	$ 87,199,039
Less allowance for loan losses	-	-	-	-
Loans receivable, net	866,013	890,034	66,683,317	87,199,039
Investments	17,911,140	17,884,602	2,888,874	4,942,038
Accrued interest-loans	5,557	5,711	427,913	541,085
Accrued interest-investments	9,952	23,624	59,929	45,917
Cash and cash equivalents	2,500,987	1,683,003	10,761,092	8,633,437
Accounts receivable, net	-	-	-	39,277
Interfund receivable (payable)	-	-	-	-
Total assets	**21,293,649**	**20,486,974**	**80,821,125**	**101,400,793**
Deferred Outflows of Resources				
Loan origination costs	-	-	-	-
Total deferred outflows of resources	-	-	-	-
Combined Assets and Deferred Outflows of Resources	**$ 21,293,649**	**$ 20,486,974**	**$ 80,821,125**	**$ 101,400,793**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 630,000	$ 860,000	$ 65,039,132	$ 86,499,858
Accrued interest payable on bonds and notes	17,997	24,663	480,045	712,511
Accounts payable and accrued liabilities	-	121,516	233,511	597,071
Escrow deposits	-	-	-	39,277
Total liabilities	**647,997**	**1,006,179**	**65,752,688**	**87,848,717**
Net Position				
Net position, restricted	20,645,652	19,480,795	15,068,437	13,552,076
Total Liabilities and Net Position	**$ 21,293,649**	**$ 20,486,974**	**$ 80,821,125**	**$ 101,400,793**

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
June 30, 2016 and 2015

	Multi-Family Mortgage Revenue Bond		Multi-Family Funding Bond Program	
	2016	**2015**	**2016**	**2015**
Assets				
Loans receivable	$ 100,691,010	$ 88,904,890	$ 88,812,014	$ 89,490,619
Less allowance for loan losses	-	-	-	-
Loans receivable, net	100,691,010	88,904,890	88,812,014	89,490,619
Investments	-	-	-	-
Accrued interest-loans	71,875	20,688	472,758	476,373
Accrued interest-investments	-	-	-	-
Cash and cash equivalents	3,716,515	10,344,851	8,251,941	7,919,832
Accounts receivable, net	-	-	-	-
Interfund receivable (payable)	-	-	-	-
Total assets	**104,479,400**	**99,270,429**	**97,536,713**	**97,886,824**
Deferred Outflows of Resources				
Loan origination costs	-	-	-	-
Total deferred outflows of resources	-	-	-	-
Combined Assets and Deferred Outflows of Resources	**$ 104,479,400**	**$ 99,270,429**	**$ 97,536,713**	**$ 97,886,824**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 100,691,010	$ 88,904,890	$ 88,760,000	$ 89,445,000
Accrued interest payable on bonds and notes	164,549	6,512	738,240	742,440
Accounts payable and accrued liabilities	-	-	-	-
Escrow deposits	3,722,587	10,350,924	-	-
Total liabilities	**104,578,146**	**99,262,326**	**89,498,240**	**90,187,440**
Net Position				
Net position, restricted	(98,746)	8,103	8,038,473	7,699,384
Total Liabilities and Net Position	**$ 104,479,400**	**$ 99,270,429**	**$ 97,536,713**	**$ 97,886,824**

(Continued)

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Multi-Family Fund
June 30, 2016 and 2015

	Multi-Family Development Bonds		Multi-Family Fund Total	
	2016	2015	2016	2015
Assets				
Loans receivable	$ 213,499,715	$ 187,274,582	$ 470,552,069	$ 453,759,164
Less allowance for loan losses	-	-	-	-
Loans receivable, net	213,499,715	187,274,582	470,552,069	453,759,164
Investments	3,138,459	1,175,827	23,938,473	24,002,467
Accrued interest-loans	1,121,939	1,065,538	2,100,042	2,109,395
Accrued interest-investments	9,971	4,490	79,852	74,031
Cash and cash equivalents	33,296,261	20,179,327	58,526,796	48,760,450
Accounts receivable, net	-	-	-	39,277
Interfund receivable (payable)	(2,600,000)	(4,300,000)	(2,600,000)	(4,300,000)
Total assets	**248,466,345**	**205,399,764**	**552,597,232**	**524,444,784**
Deferred Outflows of Resources				
Loan origination costs	-	-	-	-
Total deferred outflows of resources	-	-	-	-
Combined Assets and Deferred Outflows of Resources	**$ 248,466,345**	**$ 205,399,764**	**$ 552,597,232**	**$ 524,444,784**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 214,758,428	$ 182,006,491	$ 469,878,570	$ 447,716,239
Accrued interest payable on bonds and notes	1,906,484	1,589,215	3,307,315	3,075,341
Accounts payable and accrued liabilities	282,517	124,989	516,028	843,576
Escrow deposits	-	-	3,722,587	10,390,201
Total liabilities	**216,947,429**	**183,720,695**	**477,424,500**	**462,025,357**
Net Position				
Net position, restricted	31,518,916	21,679,069	75,172,732	62,419,427
Total Liabilities and Net Position	**$ 248,466,345**	**$ 205,399,764**	**$ 552,597,232**	**$ 524,444,784**

(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 Net Position - Multi-Family Fund
For the Years Ended June 30, 2016 and 2015

	Multi-Family Housing Bond Program		Housing Bond Program	
	2016	2015	2016	2015
Operating revenues:				
Interest income on loans	$ 67,542	$ 69,329	$ 5,478,048	$ 7,656,711
Earnings on investments:				
Interest on investments	1,121,995	1,132,438	263,713	1,216,071
Net increase (decrease) in fair value of investments	-	-	(362,920)	(1,029,808)
Total operating revenues	**1,189,537**	**1,201,767**	**5,378,841**	**7,842,974**
Operating expenses:				
Interest expense	35,994	49,325	2,616,130	4,490,809
Other administrative expenses	579	-	69,876	120,758
Arbitrage rebate	(11,893)	4,355	(363,560)	(139,845)
Bond issuance costs	-	-	-	-
Loan costs	45,699	46,246	556,937	551,710
Total operating expenses	**70,379**	**99,926**	**2,879,383**	**5,023,432**
Operating income	**1,119,158**	**1,101,841**	**2,499,458**	**2,819,542**
Transfers in (out)	45,699	46,246	(983,097)	(24,363,162)
Total change in net position	**1,164,857**	**1,148,087**	**1,516,361**	**(21,543,620)**
Net position, beginning of year	19,480,795	18,332,708	13,552,076	35,095,696
Net position, end of year	$ 20,645,652	$ 19,480,795	$ 15,068,437	$ 13,552,076

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Years Ended June 30, 2016 and 2015

	Multi-Family Mortgage Revenue Bond Program		Multi-Family Funding Bond Program	
	2016	**2015**	**2016**	**2015**
Operating revenues:				
Interest income on loans	$ 1,452,721	$ 568,386	$ 5,693,206	$ 5,735,338
Interest income attributable to internal servicing activitie	-	-	-	-
Total interest income on loans	1,452,721	568,386	5,693,206	5,735,338
Earnings on investments:				
Interest on investments	-	-	10,058	3,017
Net increase (decrease) in fair value of investments	-	-	-	-
Total operating revenues	**1,452,721**	**568,386**	**5,703,264**	**5,738,355**
Operating expenses:				
Interest expense	1,303,028	343,414	2,964,175	2,979,203
Other administrative expenses	-	-	-	-
Arbitrage rebate	-	-	-	-
Bond issuance costs	-	-	-	-
Loan costs	-	-	118,968	139,537
Total operating expenses	**1,303,028**	**343,414**	**3,083,143**	**3,118,740**
Operating income	**149,693**	**224,972**	**2,620,121**	**2,619,615**
Transfers in (out)	(256,542)	(223,077)	(2,281,032)	(2,260,463)
Total change in net position	**(106,849)**	**1,895**	**339,089**	**359,152**
Net position, beginning of year	8,103	6,208	7,699,384	7,340,232
Net position, end of year	$ (98,746)	$ 8,103	$ 8,038,473	$ 7,699,384

(Continued)

See Accompanying Notes to Financial Statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Revenues, Expenses and Changes in Net Position - Multi-Family Fund
For the Years Ended June 30, 2016 and 2015

	Multi-Family Development Bonds		Multi-Family Total	
	2016	**2015**	**2016**	**2015**
Operating revenues:				
Interest income on loans	$ 12,961,043	$ 10,439,853	$ 25,652,560	$ 24,469,617
Earnings on investments:				
Interest on investments	104,926	62,073	1,500,692	2,413,599
Net increase (decrease) in fair value of investments	309,584	(20,422)	(53,336)	(1,050,230)
Total operating revenues	**13,375,553**	**10,481,504**	**27,099,916**	**25,832,986**
Operating expenses:				
Interest expense	6,664,600	5,713,569	13,583,927	13,576,320
Other administrative expenses	-	-	70,455	120,758
Arbitrage rebate	157,529	(21,369)	(217,924)	(156,859)
Bond issuance costs	291,780	331,697	291,780	331,697
Loan costs	111,879	61,075	833,483	798,568
Total operating expenses	**7,225,788**	**6,084,972**	**14,561,721**	**14,670,484**
Operating income	**6,149,765**	**4,396,532**	**12,538,195**	**11,162,502**
Transfers in (out)	3,690,082	2,530,204	215,110	(24,270,252)
Total change in net position	**9,839,847**	**6,926,736**	**12,753,305**	**(13,107,750)**
Net position, beginning of year	21,679,069	14,752,333	62,419,427	75,527,177
Net position, end of year	$ 31,518,916	$ 21,679,069	$ 75,172,732	$ 62,419,427

(Continued)