

**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, 2014 and 2013**



**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, 2014 and 2013**

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## **Independent Auditors' Report**

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, 2014 and 2013, 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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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## **Independent Auditors' Report (Continued)**

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, 2014 and 2013, 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.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, for the year ended June 30, 2014, Rhode Island Housing adopted new accounting guidance affecting the accounting for bond issuance costs and loan origination fees and costs, and the reporting of deferred inflows and outflows. Due to the adoption of this guidance, the Authority restated its 2013 financial statements, resulting in a decrease in net position of \$5,918,173 at June 30, 2013. Our opinion is not modified with respect to this matter.

### ***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 10 and the Schedule of Funding Progress presented on page 56 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.

## **Independent Auditors' Report (Continued)**

Board of Commissioners  
Rhode Island Housing and Mortgage  
Finance Corporation

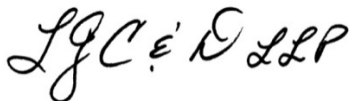
### **Other Matters (continued)**

#### *Other Information*

Our audit was 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 57 through 66 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 30, 2014 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.



Providence, Rhode Island  
September 30, 2014

## Management's Discussion and Analysis

The accompanying basic financial statements include Rhode Island Housing and Mortgage Finance Corporation (the Corporation), a component unit of the State of Rhode Island (the State), 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, 2014 and 2013 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, 2014 and 2013 increased (decreased) from the previous year as follows:

	2014		2013 (Restated)	
	\$	%	\$	%
Mortgage loans, gross	(60.1)	(3.5)	(16.6)	(1.0)
Investments	(13.4)	(4.9)	0.1	-
Cash and cash equivalents	(25.1)	(10.8)	15.3	7.1
Total assets	(99.6)	(4.5)	(7.2)	(0.3)
Bonds and notes payable	(117.7)	(7.5)	(36.6)	(2.3)
Total net position	5.6	2.0	(5.2)	(1.8)
Total revenues	4.5	4.9	(15.2)	(14.3)
Total expenses	(6.4)	(6.6)	(1.8)	(1.9)
Operating income	10.8	208.9	(13.4)	(163.4)

Mortgage loans comprise the largest segment of the Corporation's asset base. Single-family new loan production increased over last year, which adds to the Corporation's loan servicing portfolio; 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 \$78.8 million. Multi-family new loan production increased by \$2.2 million and Operating fund loans increased \$16.5 million due mainly to an increase in loans held in warehouse prior to them being sold and Hardest Hit Loans.

Bonds and notes payable, the largest component of liabilities, decreased by approximately \$118 million in 2014. 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.

Effective for the fiscal year ended June 30, 2014, the Corporation adopted the provisions of Statement No. 65 of the Governmental Accounting Standards Board, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 requires that certain items no longer be reported in the statements of net position since they do not meet the definition of assets, liabilities, deferred outflows of resources, or deferred inflows of resources. In addition, GASB 65 requires that certain items previously reported as assets or liabilities be reported as deferred inflows or outflows of resources. As required by GASB 65, effective July 1, 2013, bond issuance costs are expensed as incurred and loan origination fees and costs, except those associated with points, are recognized as income and expenses when received. Previously, bond issuance costs were deferred and amortized using a method that approximated the interest method over the life of the related bonds, and loan origination fees and costs were deferred and amortized over the estimated average life of the related loans. The adoption of GASB 65 resulted in a \$5,774,099 decrease in net position at July 1, 2012. The Corporation has restated its 2013 financial statements, resulting in a \$5,918,173 decrease in net position at June 30, 2013. The restatement resulted in a \$12,283,200 decrease in assets, a \$6,365,027 decrease in liabilities, an increase in fee revenue of \$340,650, and a decrease in operating expenses of \$1,960,416.

## 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, 2014 and 2013 (in thousands)			
	2014	2013	% Change
Revenues:		(Restated)	
Interest income on loans	\$ 74,735	\$ 78,940	(5.3)%
Earnings on investments	7,791	9,554	(18.4)
Gain on sale of loans	4,044	175	2,213.8
Other	8,491	8,115	4.6
Total revenues	95,061	96,784	(1.8)
Expenses:			
Interest expense	53,025	58,640	(9.6)
Provision for loan losses	9,456	9,590	(1.4)
REO expenditures	2,718	4,210	(35.4)
Bond issuance costs	1,067	2,445	(56.4)
Other operating expenses	17,253	18,915	(8.8)
Other	6,618	2,705	144.7
Total expenses	90,137	96,505	(6.6)
Operating income, before adjusting investments to fair value	\$ 4,924	\$ 279	1,664.9%

For the Years Ended June 30, 2013 and 2012 (in thousands)			
	2013	2012	% Change
Revenues:	(Restated)	(Restated)	
Interest income on loans	\$ 78,940	\$ 83,502	(5.5)%
Earnings on investments	9,554	8,727	9.5
Gain on sale of loans	175	-	100.0
Other	8,115	8,268	1.9
Total revenues	96,784	100,497	(3.7)
Expenses:			
Interest expense	58,640	63,150	(7.1)
Provision for loan losses	9,590	2,457	290.3
REO expenditures	4,210	3,162	33.1
Bond issuance costs	2,445	937	160.9
Other operating expenses	18,915	20,224	(6.5)
Other	2,705	8,402	(67.8)
Total expenses	96,505	98,332	(2.7)
Operating income, before adjusting investments to fair value	\$ 279	\$ 2,165	(87.1)%



Operating income (loss), after adjusting investments to fair value, was \$5.6 million for the year ended June 30, 2014 (2014), \$(5.2) million (as restated) for the year ended June 30, 2013 (2013), and \$8.2 million (as restated) for the year ended June 30, 2012 (2012). GASB Statement No. 31, which requires investments to be recorded at fair value, caused an increase in operating income of \$720 thousand in 2014 compared to a decrease of \$5.5 million in 2013 and an increase of \$5.5 million in 2012. Operating income, excluding the unrealized gains and losses on investments, increased 1,664.9% in 2014 to \$4.9 million from \$279 thousand in 2013, which had decreased 87.1% from \$2.2 million in 2012. The fluctuations are primarily due to changes in interest expense, program expenses and administrative expenses.

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

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to \$17.3 million in 2014, a decrease of 12.6% from \$19.7 million (as restated) in 2013, which had decreased 6.5% from \$20.2 million (as restated) in 2012.

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 35.4% to \$2.7 million in 2014 from \$4.2 million in 2013, which had increased 33.3% from \$3.2 million in 2012 due to a decrease in the amount of time between foreclosure and sale of the REO properties.

Net interest income (interest on loans and earnings on investments less interest expense) is the largest component of the Corporation's operating income. Net interest income decreased from \$29.9 million in 2013 to \$29.5 million in 2014. Interest income on loans decreased \$4.2 million in 2014 compared to a decrease of \$4.6 million in 2013. Earnings on investments decreased \$1.8 million in 2014 after an increase of \$828 thousand in 2013. Net interest income as a percentage of average bonds and notes payable was 1.96% in 2014 and 1.88% in 2013, respectively. Interest income on loans as a percentage of total loans decreased from 4.60% in 2013 to 4.46% in 2014, due to a reduction in mortgage rates, while interest expense on bonds and notes decreased from 3.70% to 3.52%, primarily due to bond refundings, resulting in a net increase in the spread margin (i.e., differential between loans and bonds) from 0.90% in 2013 to 0.94% in 2014.

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

The provision for loan losses decreased to \$9.5 million from \$9.6 million 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.

In December 2009, the Corporation issued bonds under two indentures following the announcement by the United States Treasury Department of its intent to purchase bonds from state and local housing finance agencies. This program is part of a federal plan to help stabilize the United States housing market and provide families with access to affordable rental housing and homeownership. The Treasury Department agreed to purchase from the Corporation up to \$128 million of single-family bonds under the Home Funding Bonds indenture, and up to \$65.1 million of rental housing bonds under the Multi-Family Funding Bonds indenture. As of June 30, 2013, all available bonds had been issued under this program.

### **Financial Analysis of the Corporation**

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

June 30, 2014 and 2013 (in millions)			
	2014	2013	% Change
		(Restated)	
Loans receivable, net	\$ 1,617	\$ 1,678	(3.6)%
Investments	257	271	(4.9)
Cash and cash equivalents	207	232	(10.8)
Other assets	44	44	-
Total assets	2,125	2,225	(4.5)
Deferred outflows of resources	1	-	100.0
Bonds and notes payable	1,449	1,566	(7.5)
Total liabilities	1,835	1,939	(5.4)
Net position:			
Net investment in capital assets	8	8	-
Restricted	211	210	0.7
Unrestricted	72	68	6.7

June 30, 2013 and 2012 (in millions)			
	2013	2012	% Change
	(Restated)	(Restated)	
Loans receivable, net	\$ 1,678	\$ 1,694	(1.0)%
Investments	271	271	0.0
Cash and cash equivalents	232	217	7.1
Other assets	44	50	(12.0)
Total assets	2,225	2,232	(0.8)
Bonds and notes payable	1,566	1,603	(2.3)
Total liabilities	1,939	1,941	(0.1)
Net position:			
Net investment in capital assets	8	8	0.0
Restricted	210	231	(9.1)
Unrestricted	68	52	30.8

At June 30, 2014, total assets of the Corporation decreased 4.5% from 2013, as compared to a 0.8% decrease from 2012 to 2013. Net loans receivable decreased \$61 million, or 3.6%, from the previous year to \$1.6 billion. Bonds and notes payable totaled \$1.4 billion as of June 30, 2014, a decrease of \$117 million, or 7.5%, from June 30, 2013, which had decreased \$37 million, or 2.3%, from June 30, 2012. During 2014, new bond issuance consisted of \$84.2 million to refund existing single-family bonds and \$29.2 million to refund existing multi-family bonds, as well as \$18.5 million to fund new multi-family loans. In addition, \$81.3 million of single-family bonds and \$8.9 million of multi-family bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose.

As of June 30, 2014 and June 30, 2013, the equity-to-asset ratio was 13.7 and 12.9, respectively, and the loan-to-asset ratio was 76.1% and 75.4%, respectively. 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, 2014 and 2013, single-family residential mortgages in bond resolutions totaled \$849 million and \$928 million, respectively, and multi-family loans in bond resolutions totaled \$423 million and \$421 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**

With very few exceptions, most states are contending with the negative ramifications of the economic downturn occurring nationally. The most pronounced implication of the downturn is a high level of unemployment across the country. Rhode Island's unemployment rate is presently 7.9% while the national rate is 6.1%. The soft economy and the high level of unemployment produce an adverse effect for any lending institution. Notwithstanding the fact that households historically place a very high priority on making their mortgage payments to their mortgage lenders, there is an unavoidable ripple effect produced in a lending institution's delinquency statistics. High unemployment also negatively affects the resale value and the market equity in houses, since there are fewer households financially able to upgrade their housing burden in an economic downturn. The Corporation's loans (1) do not include sub-prime loans, (2) are conservatively underwritten and (3) represent financing of the borrower's first home; however, the Corporation's delinquency experience is directly impacted by the high unemployment and economic burdens of the State's residents.

In February 2011, the U.S. Department of the Treasury established the Hardest Hit Fund to provide targeted aid to families in states hit hard by the economic and housing market downturn. Rhode Island has been chosen to receive assistance as one of the states struggling with unemployment rates at or above the national average or steep home price declines greater than 20 percent since the housing market downturn. The Corporation is helping our borrowers, through the application process, to obtain federal aid available in the Hardest Hit Fund to provide funds for mortgage payment assistance for unemployed or underemployed homeowners, funds for principal reduction and loan modification to help homeowners get into more affordable mortgages and funds for homeowners transitioning out of their homes. As of January 31, 2013, the Corporation stopped accepting applications.

As of October 1, 2011, the U.S. Department of Housing and Urban Development (HUD) made changes to its Project Based Section 8 Contract Administration Program. Under the new Annual Contributions Contract, HUD has reduced the number of tasks to be performed and has reduced the associated administrative fees earned by the Corporation. The current contract has been extended by HUD through December 31, 2014. On August 6, 2013, HUD issued a Notice of Funding Availability to award the contract from January 1, 2014 until December 31, 2015; however, this continues to be under appeal.

### **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](http://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, 2014 and 2013**

	<b>Operating Fund</b>		<b>Single-Family Fund</b>	
	<b>2014</b>	<b>2013</b> <b>(Restated)</b>	<b>2014</b>	<b>2013</b> <b>(Restated)</b>
<b>Assets</b>				
Loans receivable	\$ 373,542,913	\$ 356,999,826	\$ 849,404,600	\$ 928,237,061
Less allowance for loan losses	(15,200,000)	(12,001,033)	(13,900,000)	(16,360,570)
Loans receivable, net	<u>358,342,913</u>	<u>344,998,793</u>	<u>835,504,600</u>	<u>911,876,491</u>
Investments	99,597,624	101,067,501	125,800,698	132,034,561
Accrued interest-loans	380,222	601,461	3,034,722	3,536,559
Accrued interest-investments	22,760	25,495	442,643	475,470
Cash and cash equivalents	59,869,424	66,238,858	88,481,782	116,714,910
Accounts receivable	13,449,097	11,840,832	-	-
Other assets, net	9,407,026	10,278,316	14,946,554	14,912,261
Interfund receivable (payable)	(7,532,050)	(18,597)	131,801	18,597
<b>Total assets</b>	<b><u>533,537,016</u></b>	<b><u>535,032,659</u></b>	<b><u>1,068,342,800</u></b>	<b><u>1,179,568,849</u></b>
<b>Deferred Outflows of Resources</b>				
Loan origination costs	923	-	5,529	-
Hedging instruments	1,035,362	-	-	-
<b>Total deferred outflows of resources</b>	<b><u>1,036,285</u></b>	<b><u>-</u></b>	<b><u>5,529</u></b>	<b><u>-</u></b>
<b>Combined Assets and Deferred Outflows of Resources</b>	<b><u>\$ 534,573,301</u></b>	<b><u>\$ 535,032,659</u></b>	<b><u>\$ 1,068,348,329</u></b>	<b><u>\$ 1,179,568,849</u></b>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Bonds and notes payable	\$ 84,903,882	\$ 96,291,718	\$ 930,510,093	\$ 1,040,399,496
Accrued interest payable on bonds and notes	118,852	194,549	8,925,885	10,458,734
Accounts payable and accrued liabilities	8,310,199	5,777,350	245,801	297,492
Fees, net	981,650	1,571,391	247,865	276,017
Escrow deposits	352,601,913	345,594,853	-	-
<b>Total liabilities</b>	<b><u>446,916,496</u></b>	<b><u>449,429,861</u></b>	<b><u>939,929,644</u></b>	<b><u>1,051,431,739</u></b>
<b>Net Position</b>				
Net investment in capital assets	7,963,845	8,346,553	-	-
Restricted by bond resolutions	7,266,003	9,406,445	128,418,685	128,137,110
Unrestricted	72,426,957	67,849,800	-	-
<b>Total net position</b>	<b><u>87,656,805</u></b>	<b><u>85,602,798</u></b>	<b><u>128,418,685</u></b>	<b><u>128,137,110</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 534,573,301</u></b>	<b><u>\$ 535,032,659</u></b>	<b><u>\$ 1,068,348,329</u></b>	<b><u>\$ 1,179,568,849</u></b>

(Continued)

**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Statements of Net Position**  
**June 30, 2014 and 2013**

	<b>Multi-Family Fund</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b> <b>(Restated)</b>	<b>2014</b>	<b>2013</b> <b>(Restated)</b>
<b>Assets</b>				
Loans receivable	\$ 423,445,056	\$ 421,238,197	\$ 1,646,392,569	\$ 1,706,475,084
Less allowance for loan losses	-	-	(29,100,000)	(28,361,603)
Loans receivable, net	423,445,056	421,238,197	1,617,292,569	1,678,113,481
Investments	32,028,871	37,729,305	257,427,193	270,831,367
Accrued interest-loans	2,079,430	2,107,630	5,494,374	6,245,650
Accrued interest-investments	154,558	317,459	619,961	818,424
Cash and cash equivalents	58,350,099	48,894,252	206,701,305	231,848,020
Accounts receivable	-	-	13,449,097	11,840,832
Other assets, net	-	-	24,353,580	25,190,577
Interfund receivable (payable)	7,400,249	-	-	-
<b>Total assets</b>	<b>523,458,263</b>	<b>510,286,843</b>	<b>2,125,338,079</b>	<b>2,224,888,351</b>
<b>Deferred Outflows of Resources</b>				
Loan origination costs	-	-	6,452	-
Hedging instruments	-	-	1,035,362	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>1,041,814</b>	<b>-</b>
<b>Combined Assets and Deferred Outflows of Resources</b>	<b>\$ 523,458,263</b>	<b>\$ 510,286,843</b>	<b>\$ 2,126,379,893</b>	<b>\$ 2,224,888,351</b>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Bonds and notes payable	\$ 433,145,028	\$ 429,522,632	\$ 1,448,559,003	\$ 1,566,213,846
Accrued interest payable on bonds and notes	3,364,199	3,783,595	12,408,936	14,436,878
Accounts payable and accrued liabilities	1,018,920	1,402,569	9,574,920	7,477,411
Fees, net	-	-	1,229,515	1,847,408
Escrow deposits	10,402,939	3,359,723	363,004,852	348,954,576
<b>Total liabilities</b>	<b>447,931,086</b>	<b>438,068,519</b>	<b>1,834,777,226</b>	<b>1,938,930,119</b>
<b>Net Position</b>				
Net investment in capital assets	-	-	7,963,845	8,346,553
Restricted by bond resolutions	75,527,177	72,218,324	211,211,865	209,761,879
Unrestricted	-	-	72,426,957	67,849,800
<b>Total net position</b>	<b>75,527,177</b>	<b>72,218,324</b>	<b>291,602,667</b>	<b>285,958,232</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 523,458,263</b>	<b>\$ 510,286,843</b>	<b>\$ 2,126,379,893</b>	<b>\$ 2,224,888,351</b>

**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, 2014 and 2013**

	<b>Operating Fund</b>		<b>Single-Family Fund</b>	
	<b>2014</b>	<b>2013</b> <b>(Restated)</b>	<b>2014</b>	<b>2013</b> <b>(Restated)</b>
<b>Operating revenues:</b>				
Interest income on loans	\$ 6,182,599	\$ 6,170,336	\$ 41,699,400	\$ 47,172,174
Interest income attributable to internal servicing activities	2,578,259	2,650,349	-	-
Total interest income on loans	<u>8,760,858</u>	<u>8,820,685</u>	<u>41,699,400</u>	<u>47,172,174</u>
Income on investments:				
Earnings on investments	388,044	365,159	5,227,301	4,939,659
Net increase (decrease) in fair value of investments	(109,109)	(34,948)	1,248,768	(2,819,459)
Fees	7,331,521	7,557,114	-	-
Servicing fee income	1,157,849	557,206	-	-
Miscellaneous income	1,242	1,002	-	-
Gain on sale of loans	4,044,477	174,800	-	-
<b>Total operating revenues</b>	<u><b>21,574,882</b></u>	<u><b>17,441,018</b></u>	<u><b>48,175,469</b></u>	<u><b>49,292,374</b></u>
<b>Operating expenses:</b>				
Interest expense	1,637,166	1,766,552	38,032,797	43,045,292
Personnel services	11,882,528	12,616,768	-	-
Other administrative expenses	4,183,990	5,180,333	-	20,750
Housing initiatives	4,884,587	1,175,184	22,567	29,091
Provision for loan losses (recoveries)	2,105,826	2,945	7,350,000	9,587,008
REO expenditures	2,320,002	3,378,630	397,772	831,139
Arbitrage rebate	-	-	(51,694)	28,876
Bond issuance costs	-	119,401	649,290	1,944,116
Depreciation and amortization of other assets	1,053,432	949,415	6,624	-
Loan costs	411,807	211,483	87,220	310,775
State Rental Subsidy Program	862,680	1,377,136	-	-
<b>Total operating expenses</b>	<u><b>29,342,018</b></u>	<u><b>26,777,847</b></u>	<u><b>46,494,576</b></u>	<u><b>55,797,047</b></u>
<b>Operating income (loss)</b>	<u><b>(7,767,136)</b></u>	<u><b>(9,336,829)</b></u>	<u><b>1,680,893</b></u>	<u><b>(6,504,673)</b></u>
Transfers in (out)	9,821,143	19,580,305	(1,399,318)	(6,015,225)
<b>Total change in net position</b>	<u><b>2,054,007</b></u>	<u><b>10,243,476</b></u>	<u><b>281,575</b></u>	<u><b>(12,519,898)</b></u>
Net position, beginning of year:				
As originally reported	85,602,798	69,903,176	128,137,110	151,747,682
Restatement	-	5,456,146	-	(11,090,674)
As restated	<u>85,602,798</u>	<u>75,359,322</u>	<u>128,137,110</u>	<u>140,657,008</u>
Net position, end of year	<u><u>\$ 87,656,805</u></u>	<u><u>\$ 85,602,798</u></u>	<u><u>\$ 128,418,685</u></u>	<u><u>\$ 128,137,110</u></u>

(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, 2014 and 2013**

	<b>Multi-Family Fund</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b> <b>(Restated)</b>	<b>2014</b>	<b>2013</b> <b>(Restated)</b>
<b>Operating revenues:</b>				
Interest income on loans	\$ 24,274,999	\$ 22,947,591	\$ 72,156,998	\$ 76,290,101
Interest income attributable to internal servicing activities	-	-	2,578,259	2,650,349
<b>Total interest income on loans</b>	<b>24,274,999</b>	<b>22,947,591</b>	<b>74,735,257</b>	<b>78,940,450</b>
Income on investments:				
Earnings on investments	2,175,674	4,248,689	7,791,019	9,553,507
Net increase (decrease) in fair value of investments	(419,857)	(2,609,728)	719,802	(5,464,135)
Fees	-	-	7,331,521	7,557,114
Servicing fee income	-	-	1,157,849	557,206
Miscellaneous income	-	-	1,242	1,002
Gain on sale of loans	-	-	4,044,477	174,800
<b>Total operating revenues</b>	<b>26,030,816</b>	<b>24,586,552</b>	<b>95,781,167</b>	<b>91,319,944</b>
<b>Operating expenses:</b>				
Interest expense	13,355,288	13,828,427	53,025,251	58,640,271
Personnel services	-	-	11,882,528	12,616,768
Other administrative expenses	126,600	146,630	4,310,590	5,347,713
Housing initiatives	-	-	4,907,154	1,204,275
Provision for loan losses (recoveries)	-	-	9,455,826	9,589,953
REO expenditures	-	-	2,717,774	4,209,769
Arbitrage rebate	(383,648)	(1,175,280)	(435,342)	(1,146,404)
Bond issuance costs	417,952	381,623	1,067,242	2,445,140
Depreciation and amortization of other assets	-	-	1,060,056	949,415
Loan costs	783,946	748,222	1,282,973	1,270,480
State Rental Subsidy Program	-	-	862,680	1,377,136
<b>Total operating expenses</b>	<b>14,300,138</b>	<b>13,929,622</b>	<b>90,136,732</b>	<b>96,504,516</b>
<b>Operating income (loss)</b>	<b>11,730,678</b>	<b>10,656,930</b>	<b>5,644,435</b>	<b>(5,184,572)</b>
Transfers in (out)	(8,421,825)	(13,565,080)	-	-
<b>Total change in net position</b>	<b>3,308,853</b>	<b>(2,908,150)</b>	<b>5,644,435</b>	<b>(5,184,572)</b>
Net position, beginning of year:				
As originally reported	72,218,324	75,266,045	285,958,232	296,916,903
Restatement	-	(139,571)	-	(5,774,099)
As restated	72,218,324	75,126,474	285,958,232	291,142,804
Net position, end of year	\$ 75,527,177	\$ 72,218,324	\$ 291,602,667	\$ 285,958,232



**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, 2014 and 2013**

	Operating Fund		Single-Family Fund	
	2014	2013 (Restated)	2014	2013 (Restated)
<b>Cash Flows from Operating Activities</b>				
Interest on loans receivable	\$ 8,982,098	\$ 8,968,628	\$ 42,201,238	\$ 47,504,225
Repayment of loans receivable	83,211,315	65,514,875	122,015,981	153,925,919
Fees collected	7,899,629	8,952,038	(28,153)	(25,969)
Other receipts (disbursements), net	7,008,302	37,042,408	-	-
Loans disbursed	(99,754,402)	(105,975,763)	(43,183,520)	(68,420,940)
Accounts receivable, net	(1,608,264)	446,811	-	-
Loss on loans receivable	1,093,141	(6,401,912)	(9,810,570)	(3,426,437)
Loss on REO properties	(2,320,002)	(3,378,630)	(397,772)	(831,140)
Bond issuance costs	20,922	(119,400)	(649,290)	(1,944,117)
Personnel services	(11,882,529)	(12,616,768)	-	-
Other administrative expenses	(4,204,913)	(5,180,333)	-	(96,761)
Housing initiative expenses	(4,884,587)	(1,175,184)	(22,567)	(29,091)
Other assets	(182,141)	3,062,426	(40,914)	935,665
Arbitrage rebate	-	-	51,694	(28,876)
Accounts payable and accrued liabilities	2,532,846	(1,889,511)	(51,694)	(82,464)
Gain on sale of loans	2,596,386	-	(92,748)	-
State Rental Subsidy Program	(862,680)	(1,377,136)	-	-
Transfers from (to) other programs	17,334,596	19,579,033	(1,512,522)	(6,013,952)
<b>Net cash provided by (used for) operating activities</b>	<b>4,979,717</b>	<b>5,451,582</b>	<b>108,479,163</b>	<b>121,466,062</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Proceeds from sale of bonds and notes	293,225,000	334,000,000	84,203,811	225,207,803
Payment of bond and note principal	(304,612,837)	(336,594,266)	(194,093,214)	(287,944,809)
Interest paid on bonds and notes	(1,712,861)	(1,765,597)	(39,565,645)	(43,685,405)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(13,100,698)</b>	<b>(4,359,863)</b>	<b>(149,455,048)</b>	<b>(106,422,411)</b>
<b>Cash Flows from Investing Activities:</b>				
Redemption of investments	26,751,527	1,746,928	10,042,971	58,502,714
Earnings on investments	390,779	367,814	5,260,127	4,932,783
Purchase of investments	(25,390,759)	(291,463)	(2,560,341)	(82,335,586)
<b>Net cash provided by (used for) investing activities</b>	<b>1,751,547</b>	<b>1,823,279</b>	<b>12,742,757</b>	<b>(18,900,089)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(6,369,434)</b>	<b>2,914,998</b>	<b>(28,233,128)</b>	<b>(3,856,438)</b>
Cash and Cash Equivalents, beginning of year	66,238,858	63,323,860	116,714,910	120,571,348
Cash and Cash Equivalents, end of year	\$ 59,869,424	\$ 66,238,858	\$ 88,481,782	\$ 116,714,910

(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, 2014 and 2013**

	<u>Multi-Family Fund</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u> (Restated)	<u>2014</u>	<u>2013</u> (Restated)
<b>Cash Flows from Operating Activities</b>				
Interest on loans receivable	\$ 25,405,633	\$ 21,995,846	\$ 76,588,969	\$ 78,468,699
Repayment of loans receivable	5,181,355	(16,976,054)	210,408,651	202,464,740
Fees collected	-	-	7,871,476	8,926,069
Other receipts (disbursements), net	7,043,215	1,024,201	14,051,517	38,066,609
Loans disbursed	(8,488,212)	(11,515,897)	(151,426,134)	(185,912,600)
Accounts receivable, net	-	-	(1,608,264)	446,811
Loss on loans receivable	-	-	(8,717,429)	(9,828,349)
Loss on REO properties	-	-	(2,717,774)	(4,209,770)
Bond issuance costs	(417,952)	(350,855)	(1,046,320)	(2,414,372)
Personnel services	-	-	(11,882,529)	(12,616,768)
Other administrative expenses	(126,600)	(177,397)	(4,331,513)	(5,454,491)
Housing initiative expenses	-	-	(4,907,154)	(1,204,275)
Other assets	-	-	(223,055)	3,998,091
Arbitrage rebate	383,648	1,175,280	435,342	1,146,404
Accounts payable and accrued liabilities	(383,648)	(2,031,786)	2,097,504	(4,003,761)
Gain on sale of loans	(783,947)	-	1,719,691	-
State Rental Subsidy Program	-	-	(862,680)	(1,377,136)
Transfers from (to) other programs	(15,822,074)	(13,565,081)	-	-
<b>Net cash provided by (used for) operating activities</b>	<b><u>11,991,418</u></b>	<b><u>(20,421,743)</u></b>	<b><u>125,450,298</u></b>	<b><u>106,495,901</u></b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Proceeds from sale of bonds and notes	47,291,378	99,396,267	424,720,189	658,604,070
Payment of bond and note principal	(43,668,980)	(70,639,437)	(542,375,031)	(695,178,512)
Interest paid on bonds and notes	(13,777,120)	(13,507,193)	(55,055,626)	(58,958,195)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b><u>(10,154,722)</u></b>	<b><u>15,249,637</u></b>	<b><u>(172,710,468)</u></b>	<b><u>(95,532,637)</u></b>
<b>Cash Flows from Investing Activities:</b>				
Redemption of investments	6,924,640	17,971,539	43,719,138	78,221,181
Earnings on investments	2,338,574	4,596,672	7,989,480	9,897,269
Purchase of investments	(1,644,063)	(1,123,908)	(29,595,163)	(83,750,957)
<b>Net cash provided by (used for) investing activities</b>	<b><u>7,619,151</u></b>	<b><u>21,444,303</u></b>	<b><u>22,113,455</u></b>	<b><u>4,367,493</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b><u>9,455,847</u></b>	<b><u>16,272,197</u></b>	<b><u>(25,146,715)</u></b>	<b><u>15,330,757</u></b>
Cash and Cash Equivalents, beginning of year	48,894,252	32,622,055	231,848,020	216,517,263
Cash and Cash Equivalents, end of year	<u>\$ 58,350,099</u>	<u>\$ 48,894,252</u>	<u>\$ 206,701,305</u>	<u>\$ 231,848,020</u>

(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, 2014 and 2013**

	<u>Operating Fund</u>		<u>Single-Family Fund</u>	
	<u>2014</u>	<u>2013</u> (Restated)	<u>2014</u>	<u>2013</u> (Restated)
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
<b>Operating income (loss)</b>	<b>\$ (7,767,136)</b>	<b>\$ (9,336,829)</b>	<b>\$ 1,680,893</b>	<b>\$ (6,504,673)</b>
Adjustments:				
Earnings on investments	(390,779)	(367,814)	(5,260,127)	(4,932,783)
Net (increase) decrease in fair value of investments	109,109	34,948	(1,248,768)	2,819,459
Interest paid on bonds and notes	1,712,861	1,765,597	39,565,645	43,685,405
Transfer of investments and/or net position	9,821,143	19,580,305	(1,399,318)	(6,015,225)
(Increase) decrease in assets:				
Loans receivable/loss allowance	(13,344,120)	(46,859,855)	76,371,891	91,665,548
Accrued interest-loans	221,240	87,297	501,838	332,054
Accrued interest-investments	2,735	2,656	32,827	(6,875)
Accounts receivable	(1,608,265)	446,812	-	-
Other assets	871,290	4,147,604	(34,293)	1,170,428
Interfund receivable (payable)	7,513,453	(1,272)	(113,204)	1,272
Deferred outflows	(1,036,285)	-	(5,529)	-
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	(75,697)	956	(1,532,849)	(640,113)
Accounts payable/accrued liabilities	2,532,849	(1,889,511)	(51,691)	(82,466)
Fees, net	(589,741)	974,082	(28,152)	(25,969)
Escrow deposits	7,007,060	36,866,606	-	-
<b>Total adjustments</b>	<b>12,746,853</b>	<b>14,788,411</b>	<b>106,798,270</b>	<b>127,970,735</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 4,979,717</b>	<b>\$ 5,451,582</b>	<b>\$ 108,479,163</b>	<b>\$ 121,466,062</b>

(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, 2014 and 2013**

	<u>Multi-Family Fund</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u> (Restated)	<u>2014</u>	<u>2013</u> (Restated)
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
<b>Operating income (loss)</b>	<b>\$ 11,730,678</b>	<b>\$ 10,656,930</b>	<b>\$ 5,644,435</b>	<b>\$ (5,184,572)</b>
Adjustments:				
Earnings on investments	(2,338,574)	(4,596,672)	(7,989,480)	(9,897,269)
Net (increase) decrease in fair value of investments	419,857	2,609,728	(719,802)	5,464,135
Interest paid on bonds and notes	13,777,120	13,507,193	55,055,626	58,958,195
Transfer of investments and/or net position	(8,421,825)	(13,565,080)	-	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(2,206,859)	(28,491,950)	60,820,912	16,313,743
Accrued interest-loans	28,198	(203,523)	751,276	215,828
Accrued interest-investments	162,901	347,983	198,463	343,764
Accounts receivable	-	-	(1,608,265)	446,812
Other assets	-	-	836,997	5,318,032
Interfund receivable (payable)	(7,400,249)	-	-	-
Deferred outflows	-	-	(1,041,814)	-
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	(419,396)	321,233	(2,027,942)	(317,924)
Accounts payable/accrued liabilities	(383,649)	(2,031,785)	2,097,509	(4,003,762)
Fees, net	-	-	(617,893)	948,113
Escrow deposits	7,043,216	1,024,200	14,050,276	37,890,806
<b>Total adjustments</b>	<b>260,740</b>	<b>(31,078,673)</b>	<b>119,805,863</b>	<b>111,680,473</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 11,991,418</b>	<b>\$ (20,421,743)</b>	<b>\$ 125,450,298</b>	<b>\$ 106,495,901</b>

**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, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
		<b>(Restated)</b>
<b>Assets</b>		
Loans receivable	\$ 59,625,045	\$ 56,861,368
Less allowance for loan losses	(3,507,441)	(3,300,000)
Loans receivable, net	56,117,604	53,561,368
Investments	64,772	144,710
Accrued interest-loans	191,581	181,084
Accrued interest-investments	380	549
Cash and cash equivalents	15,484,102	16,284,025
Accounts receivable	1,167,297	326,767
Other assets, net	2,355,764	2,362,920
<b>Total Assets</b>	<b>\$ 75,381,500</b>	<b>\$ 72,861,423</b>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 45,138	\$ 17,955
<b>Total liabilities</b>	<b>45,138</b>	<b>17,955</b>
<b>Net Position</b>		
Held in trust	75,336,362	72,843,468
<b>Total Liabilities and Net Position</b>	<b>\$ 75,381,500</b>	<b>\$ 72,861,423</b>

**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, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
		<b>(Restated)</b>
<b>Revenues:</b>		
Interest income on loans	\$ 2,432,404	\$ 1,851,882
Earnings on investments:		
Interest on investments	7,801	34,594
Net increase (decrease) in fair value of investments	(3,299)	9,238
Trust receipts	310,066	1,631,315
Fees	-	186,300
<b>Total revenues</b>	<b>2,746,972</b>	<b>3,713,329</b>
<b>Expenses:</b>		
Amortization of other assets	-	186,300
Other administrative expenses	45,137	36,362
Provision for loan losses (recoveries)	208,941	(322,763)
<b>Total expenses</b>	<b>254,078</b>	<b>(100,101)</b>
<b>Total change in net position</b>	<b>2,492,894</b>	<b>3,813,430</b>
Net position, beginning of year:		
As originally reported	72,843,468	66,904,500
Restatement		2,125,538
As restated	72,843,468	69,030,038
Net position, end of year	\$ 75,336,362	\$ 72,843,468

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**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 statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows (enterprise fund financial statements) present the financial information of the Corporation.

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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 interfund 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.



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**d. Loans Receivable and Allowance for Loan Losses**

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

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

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

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

**e. Cash and Cash Equivalents**

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

**f. Investments**

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

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

All investment income, including changes in the fair value of investments, is reported as revenue in the Corporation's statement of revenues, expenses and changes in net position and in the Trust's statement of changes in fiduciary net position. 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 combining statement of net position and recorded within operating expenses in the combining statement of revenues, expenses and changes in net position.

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

In accordance with GASB 65 (see Note 1m), 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 statement 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 prepaid 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.

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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 is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. At June 30, 2014, the Corporation's deferred outflows consist of the change in fair value of derivatives, and loan origination costs, as described below. The Corporation had no deferred outflows of resources at June 30, 2013 and no deferred inflows of resources at June 30, 2014 and 2013.

Fair values of both hedging derivatives and investment derivatives (if any) are presented on the combining statement 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 statement of net position. The Corporation's derivative instruments consist of mortgage-backed security forward contracts.

The application of GASB 65 (see Note 1m) resulted in a change to the method in which the Corporation records its loan origination fees. Loan origination fees, net of direct costs, are to be recognized as revenue or expense in the period incurred; previously, such costs were deferred and amortized over the life of the loans. Loan origination fees on loans which are held for sale are deferred until such time that the loans are sold. Loan origination fees, net of direct costs, on loans held for sale are reported as deferred outflows of resources in the Corporation's combining statement of net position.

**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.

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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, 2014 and 2013 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 programs.

At June 30, 2014 and 2013, 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 \$7,266,003 and \$9,406,445, 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 of America. Actual results could differ from those estimates. In 2013, the Corporation revised estimates relating to contract obligations for housing initiative programs. The effect of the change was a reduction to the Housing Initiatives expense in the Operating Fund of \$2,500,000 for the year ended June 30, 2013.

**m. Recent Accounting Pronouncement**

Effective for the fiscal year ended June 30, 2014, Rhode Island Housing adopted the provisions of Statement No. 65 of the Governmental Accounting Standards Board, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 requires that certain items no longer be reported in statements of net position since they do not meet the definition of assets, liabilities, deferred outflows of resources or deferred inflows of resources. In addition, GASB 65 requires that certain items previously reported as assets or liabilities be reported as deferred inflows or outflows of resources. As required by GASB 65, effective July 1, 2013, bond issuance costs are expensed as incurred and loan origination fees and costs, except those associated with points, are recognized as income and expenses when received. Previously, bond issuance costs were deferred and amortized using a method that approximated the interest method over the life of the related bonds, and loan origination fees and costs were deferred and amortized over the estimated average life of the related loans. Due to the adoption of GASB 65, Rhode

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Island Housing has restated its 2013 financial statements, resulting in an increase (decrease) in net position of \$5,456,146, (\$11,090,674), (\$139,571), and \$2,125,538 in the Operating Fund, Single-Family Fund, Multi-Family Fund, and Trust, respectively, at July 1, 2012. The restatement resulted in the following increases (decreases) to the 2013 financial statements:

	<u>Operating</u> <u>Fund</u>	<u>Single-Family</u> <u>Fund</u>	<u>Multi-Family</u> <u>Fund</u>	<u>Trust</u>
<b>Combining statement of net position:</b>				
Bond issuance costs, net	\$ (126,898)	\$ (8,964,265)	\$ (403,278)	\$ -
Other assets, net	(202,600)	(2,586,159)	-	-
Fees, net	(6,298,277)	-	(66,750)	(1,983,906)
Ending net position	5,968,779	(11,550,424)	(336,528)	1,983,906
<b>Combining statement of revenues, expenses, and changes in net position:</b>				
Fees	340,650	-	-	-
Bond issuance costs	96,908	1,281,589	335,143	-
Early retirement of debt	-	(533,135)	(107,418)	-
Other administrative expense	-	(76,009)	(30,768)	-
Depreciation and amortization of other assets	(404,655)	(523,470)	-	141,632
Loan costs	135,764	310,775	-	-
Change in net position	512,633	(459,750)	(196,957)	(141,632)

**n. Reclassifications**

Certain amounts in the accompanying 2013 financial statements have been reclassified to conform to the current year 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.

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At June 30, 2014 and 2013, all assets in the Corporation's Single-Family and Multi-Family Funds; and \$158,011,849 and \$165,807,933, respectively, of investments and cash and cash equivalents and \$216,018,851 and \$205,869,621, respectively, of loans receivable and other assets in the Corporation's Operating Fund are restricted.

**3. Loans Receivable**

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

At June 30, 2014 and 2013, the single-family mortgage loan balances in the Single-Family Fund are insured, subject to maximum insurable limits, as described below:

	2014	2013
Private Mortgage Insurance	\$ 448,509,945	\$ 503,032,230
FHA Insurance	156,665,983	166,361,262
VA Guaranteed	10,968,873	13,084,957
USDA/RD Guaranteed	14,081,308	14,006,543
Uninsured	219,178,491	231,752,069
Total	\$ 849,404,600	\$ 928,237,061

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 Fannie Mae 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 50% to 90% depending on the level of participation by HUD. In the Multi-Family Fund and Operating Fund, loan balances at June 30, 2014 of \$287,446,591 and \$8,026,378, respectively, and, at June 30, 2013, of \$270,438,422 and \$11,697,585, respectively, are insured

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under such agreements subject to maximum participation limits. At June 30, 2014 and 2013, loan balances of \$18,750,343 and \$11,140,796, respectively, in the Affordability Housing Trust are also insured under such agreements.

In May of 2012, Rhode Island Housing entered into an agreement with the Federal National Mortgage Association (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, 2014, two hundred and five loans had been sold directly to FNMA and seven mortgage-backed securities had been issued. As of June 30, 2013, twenty-two loans had been sold directly to FNMA and seven mortgage-backed securities had been issued.

In the Single-Family Fund, 97% and 98% respectively, of the loan portfolio is in first lien position for the fiscal years ending June 30, 2014 and 2013. In the Multi-Family Fund, 98% of the loan portfolio is in first lien position for the fiscal years ending June 30, 2014 and 2013. For the years ended June 30, 2014 and 2013, 30% and 31%, respectively, of the Operating Fund's loan portfolio is in first loan position, while 53% and 56%, 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, 2014 and 2013, interest received under such deferred loan arrangements was \$672,249 and \$753,327 in the Operating Fund and \$95,417 and \$115,907 in the Single-Family Fund, respectively. 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 \$207,024,216 and \$195,638,808 at June 30, 2014 and 2013, respectively.

At June 30, 2014 and 2013, principal outstanding under such deferred and noninterest-bearing loan arrangements is as follows:

	2014	2013
Operating Fund:		
Single-family loans	\$ 89,459,369	\$ 74,949,585
Multi-family loans	180,648,351	182,197,398
Subtotal	270,107,720	257,146,983
Single-Family Fund:		
Single-family loans	16,312,096	10,293,636
Total	\$ 286,419,816	\$ 267,440,619

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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, 2014 and 2013, principal outstanding under such non-accrual status loans is as follows:

	2014	2013
Operating Fund:		
Single-family loans	\$ 2,619,355	\$ 3,426,968
Multi-family loans	3,535,621	3,564,926
Subtotal	6,154,976	6,991,894
Single-Family Fund:		
Single-family loans	44,181,309	65,567,286
Total	\$ 50,336,285	\$ 72,559,180

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

	2014	2013
Balance at beginning of year	\$ 28,361,603	\$ 28,600,000
Loans charged off, net of recoveries	(4,390,320)	(4,223,467)
Write-down of REO properties	(4,327,109)	(5,604,883)
Provision for loan losses	9,455,826	9,589,953
Balance at end of year	\$ 29,100,000	\$ 28,361,603

In addition to the allowance for loan losses, the Corporation maintains an escrow account funded by certain mortgage lenders (the "Mortgage Lenders 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, 2014 and 2013, the Mortgage Lenders Reserve Account totaled \$562,007 and \$881,596, 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.



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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.

Principally all cash and cash equivalents are categorized as Category A in the Single-Family Fund and the Multi-Family Fund and as Category C in the Operating Fund.

Cash and cash equivalents of Rhode Island Housing were exposed to custodial credit risk at June 30, 2014 and 2013 as follows:

	June 30, 2014			Total Bank Balance
	Category			
	A	C	Insured	
Operating Fund	\$ 2,480,697	\$ 42,218,705	\$ 1,101,557	\$ 45,800,959
Single-Family Fund	87,321,178	-	-	87,321,178
Multi-Family Fund	58,172,606	-	-	58,172,606
Trust	10,695,158	4,538,406	250,000	15,483,564
Subtotal	158,669,639	46,757,111	1,351,557	206,778,307
Escrows	-	19,750,804	-	19,750,804
Total	<u>\$ 158,669,639</u>	<u>\$ 66,507,915</u>	<u>\$ 1,351,557</u>	<u>\$ 226,529,111</u>
	June 30, 2013			
	Category			
	A	C	Insured	Total Bank Balance
Operating Fund	\$ 2,632,468	\$ 35,669,283	\$ 1,187,957	\$ 39,489,708
Single-Family Fund	115,429,308	-	-	115,429,308
Multi-Family Fund	48,849,919	-	-	48,849,919
Trust	10,695,158	5,204,246	250,000	16,149,404
Subtotal	177,606,853	40,873,529	1,437,957	219,918,339
Escrows	-	33,373,798	-	33,373,798
Total	<u>\$ 177,606,853</u>	<u>\$ 74,247,327</u>	<u>\$ 1,437,957</u>	<u>\$ 253,292,137</u>

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

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

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

At June 30, 2014 and 2013, the Operating Fund holds one investment with a maturity of greater than 5 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.

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At June 30, 2014 and 2013, the distribution of investments by remaining or re-pricing maturity is as follows:

	June 30, 2014			Total
	1 year or less	>1 to 5 Years	>5 Years	
<b>Operating Fund:</b>				
U.S. Government Obligations	\$ 11,773,615	\$ -	\$ 1,946,988	\$ 13,720,603
<b>Single-Family Fund:</b>				
U.S. Government Obligations	-	-	97,865,905	97,865,905
U.S. Agency Obligations	-	2,201,842	22,849,456	25,051,298
Guaranteed Investment Contracts	-	-	2,883,495	2,883,495
Total Single-Family Fund	<u>-</u>	<u>2,201,842</u>	<u>123,598,856</u>	<u>125,800,698</u>
<b>Multi-Family Fund:</b>				
U.S. Government Obligations	-	39,277	-	39,277
U.S. Agency Obligations	-	5,889,803	6,591,753	12,481,556
Guaranteed Investment Contracts	-	19,508,038	-	19,508,038
Total Multi-Family Fund	<u>-</u>	<u>25,437,118</u>	<u>6,591,753</u>	<u>32,028,871</u>
Escrows*	<u>-</u>	<u>85,877,021</u>	<u>-</u>	<u>85,877,021</u>
Subtotal	<u>11,773,615</u>	<u>113,515,981</u>	<u>132,137,597</u>	<u>257,427,193</u>
<b>Trust:</b>				
U.S. Agency Obligations	<u>64,772</u>	<u>-</u>	<u>-</u>	<u>64,772</u>
Total	<u>\$ 11,838,387</u>	<u>\$113,515,981</u>	<u>\$ 132,137,597</u>	<u>\$ 257,491,965</u>

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	June 30, 2013			Total
	1 year or less	>1 to 5 Years	>5 Years	
<b>Operating Fund:</b>				
U.S. Government Obligations	\$ 13,030,030	\$ -	\$ 2,546,030	\$ 15,576,060
<b>Single-Family Fund:</b>				
U.S. Government Obligations	-	-	103,256,214	103,256,214
U.S. Agency Obligations	-	2,270,860	23,623,992	25,894,852
Guaranteed Investment Contracts	-	-	2,883,495	2,883,495
Total Single-Family Fund	-	2,270,860	129,763,701	132,034,561
<b>Multi-Family Fund:</b>				
U.S. Government Obligations	-	39,277	-	39,277
U.S. Agency Obligations	-	1,101,780	13,813,686	14,915,466
Guaranteed Investment Contracts	-	22,774,562	-	22,774,562
Total Multi-Family Fund	-	23,915,619	13,813,686	37,729,305
Escrows*	-	85,491,441	-	85,491,441
Subtotal	13,030,030	111,677,920	146,123,417	270,831,367
<b>Trust:</b>				
U.S. Agency Obligations	144,710	-	-	144,710
Total	\$ 13,174,740	\$111,677,920	\$ 146,123,417	\$ 270,976,077

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

Included in United States Government Obligations and United States Agency obligations are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by either the Government National Mortgage Association (GNMA) or Fannie Mae (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 \$122,662,349 and \$129,426,235 at June 30, 2014 and 2013, respectively.

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

At June 30, 2014 and 2013, 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, 2014	
	AA+/Aaa U.S. Agencies	Unrated GICS
Operating Fund	\$ -	\$ -
Single-Family Fund	25,051,298	2,883,495
Multi-Family Fund	12,481,555	19,508,038
Trust	64,772	-

Rating Investment	June 30, 2013	
	AA+/Aaa U.S. Agencies	Unrated GICS
Operating Fund	\$ -	\$ -
Single-Family Fund	25,894,852	2,883,495
Multi-Family Fund	14,915,466	22,774,562
Trust	144,710	-

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.

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At June 30, 2014 and 2013, all Operating Fund investments were invested in U.S. Government 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, 2014 and 2013, 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:

Issuer	June 30, 2014		
	Single-Family Fund	Multi-Family Fund	Trust
Federal Farm Credit Bank	\$ -	\$ 6,281,190	\$ -
Federal Home Loan Bank	-	5,152,420	-
HSBC Bank	-	19,508,034	-
Federal National Mtg. Assoc.	22,849,456	-	64,772

Issuer	June 30, 2013		
	Single-Family Fund	Multi-Family Fund	Trust
Federal Farm Credit Bank	\$ -	\$ 8,945,477	\$ -
Federal Home Loan Bank	-	4,868,209	-
HSBC Bank	-	22,774,562	-
Federal National Mtg. Assoc.	23,623,991	-	70,478
FHLMC (Freddie Mac)	-	-	74,231

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, the Corporation was not party to any derivative instruments and has no intention to enter into any such agreements in the near future. During fiscal year 2014, the Corporation entered into certain commitments to sell loans, which exposes the Corporation to interest rate risk as discussed further in Note 8.

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**5. Other Assets**

Other assets consist of the following at June 30:

	2014	2013
Real estate owned	\$ 15,077,469	\$ 15,380,083
Capital assets, net	7,963,846	8,346,553
Purchased mortgage servicing rights and excess servicing, net	1,291,427	1,448,041
Other assets and control accounts	20,838	15,900
Total	\$ 24,353,580	\$ 25,190,577

Depreciation expense related to capital assets for the years ended June 30, 2014 and 2013 was \$608,364 and \$759,096, respectively.

Amortization expense related to purchased mortgage servicing rights for the years ended June 30, 2014 and 2013 was \$451,692 and \$190,319, respectively.

Other assets of the Trust consist of federal program properties totaling \$2,355,764 and \$2,362,920 at June 30, 2014 and June 30, 2013, 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 are secured by the related revenues and assets of the respective programs in which the related bonds and lines of credit unsecured 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.

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Principal on substantially all bonds is payable semi-annually. Interest on substantially all bonds is payable semi-annually. Term bonds require the Corporation to establish a sinking fund in the year preceding any term bond mandatory redemption.

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

Bonds and notes payable at June 30, 2014 and 2013 are as follows:

	<b>2014</b>	<b>2013</b>
<b>Operating Fund Bonds and Notes:</b>		
Federal Home Loan Bank		
Due 2014 to 2020, interest from .23% to 2.47%	\$ 14,000,000	\$ 16,500,000
General Obligation Bonds Series 2013:		
Mandatory tender bonds, due 2032, interest at 2.49%	5,000,000	5,000,000
Note Payable, due 2027 to 2043, interest from 5.275% to 6.25%	7,903,882	6,791,718
Lines of Credit, payable on demand, interest from 1.22% to 1.95%	58,000,000	68,000,000
<b>Total Operating Fund</b>	<b>84,903,882</b>	<b>96,291,718</b>
<b>Single-Family Fund:</b>		
<b>Homeownership Opportunity Bonds and Notes:</b>		
Series 10-A:		
Term bonds, due 2022 to 2027, interest at 6.50%	1,000,000	2,000,000
Series 15-A:		
Term bonds, due 2024, interest at 6.85%	500,000	2,000,000
Series 46-A:		
Serial bonds, due 2013 to 2014, interest from 3.75% to 3.85%	-	1,355,000
Term bonds, due 2019 to 2034, interest from 4.25% to 4.60%	-	30,115,000
	-	31,470,000
Series 46-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000



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Series 47-A:		
Serial bonds, due 2013 to 2015, interest from 3.90% to 4.10%	-	2,705,000
Term bonds, due 2017, interest at 4.30%	-	1,670,000
	<u>-</u>	<u>4,375,000</u>
Series 47-B:		
Term bonds, due 2025 to 2033, interest from 5.00% to 5.15%	-	27,470,000
Series 48-A:		
Serial bonds, due 2013 to 2017, interest from 3.65% to 4.10%	-	4,105,000
Series 48-B:		
Term bonds, due 2025 to 2035, interest from 4.70% to 4.85%	-	19,770,000
Series 48-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 49-A:		
Serial bonds, due 2014 to 2015, interest from 4.00% to 4.10%	2,685,000	4,475,000
Term bonds, due 2017 to 2034, interest from 4.20% to 4.75%	4,105,000	4,105,000
	<u>6,790,000</u>	<u>8,580,000</u>
Series 49-B:		
Term bonds, due 2020 to 2035, interest from 4.40% to 4.80%	26,315,000	27,420,000
Series 50-A:		
Serial bonds, due 2014, interest at 3.85%	1,495,000	4,525,000
Term bonds, due 2017 to 2034, interest from 4.00% to 4.65%	16,240,000	17,270,000
	<u>17,735,000</u>	<u>21,795,000</u>
Series 50-B:		
Term bonds, due 2035, interest at 4.60%	38,365,000	38,365,000
Series 51-A:		
Serial bonds, due 2014 to 2017, interest from 3.95% to 4.125%	6,310,000	8,110,000
Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%	26,420,000	29,215,000
	<u>32,730,000</u>	<u>37,325,000</u>
Series 51-B:		
Term bonds, due 2036, interest at 5.00%	2,030,000	2,975,000
Series 52-A:		
Serial bonds, due 2014 to 2018, interest from 4.05% to 4.30%	4,815,000	6,270,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	10,250,000	11,740,000
	<u>15,065,000</u>	<u>18,010,000</u>

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Series 52-B:		
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	23,475,000	24,055,000
Series 53-A:		
Serial bonds, due 2014 to 2017, interest from 3.90% to 4.05%	7,570,000	10,220,000
Term bonds, due 2034, interest at 4.60%	3,150,000	3,150,000
	<u>10,720,000</u>	<u>13,370,000</u>
Series 53-B:		
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	38,435,000	41,070,000
Series 54:		
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	56,970,000	60,675,000
Series 55-A:		
Serial bonds, due 2014 to 2017, interest from 3.80% to 3.95%	6,435,000	8,345,000
Term bonds, due 2034, interest at 4.50%	2,280,000	2,280,000
	<u>8,715,000</u>	<u>10,625,000</u>
Series 55-B:		
Serial bonds, due 2017, interest at 4.375%	1,110,000	1,150,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	53,570,000	56,360,000
	<u>54,680,000</u>	<u>57,510,000</u>
Series 56-A:		
Serial bonds, due 2014 to 2015, interest from 4.55% to 4.65%	1,425,000	2,310,000
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	56,130,000	57,500,000
	<u>57,555,000</u>	<u>59,810,000</u>
Series 56-B1-T:		
Term bonds, due 2047, interest at 6.074%	2,265,000	3,555,000
Series 57-A:		
Serial bonds, due 2014 to 2017, interest from 4.00% to 4.25%	5,075,000	6,705,000
Term bonds, due 2034, interest at 5.00%	475,000	475,000
	<u>5,550,000</u>	<u>7,180,000</u>
Series 57-B:		
Term bonds, due 2022 to 2027, interest from 5.15% to 5.25%	19,095,000	41,415,000
Series 58-A:		
Term bonds, due 2023 to 2037, interest from 5.05% to 5.50%	28,655,000	40,815,000
Series 58-T:		
Term bonds, due 2013, interest at 4.98%	-	1,150,000

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Series 59-A:		
Serial bonds, due 2014 to 2017, interest from 3.625% to 4.125%	7,580,000	10,170,000
Term bonds, due 2034, interest at 5.15%	3,155,000	3,215,000
	10,735,000	13,385,000
Series 60-A1:		
Serial bonds, due 2014 to 2017, interest from 3.875% to 4.30%	4,860,000	6,870,000
Series 60-B1:		
Serial bonds, due 2017 to 2018, interest from 5.00% to 5.150%	-	1,840,000
Series 61-A:		
Serial bonds, due 2014 to 2023, interest from .75% to 3.05%	14,725,000	15,000,000
Series 61-B:		
Term bonds, due 2026 to 2042, interest from 3.45% to 4.15%	8,730,000	9,290,000
Series 61-C:		
Serial bonds, due 2015 to 2020, interest from 1.65% to 3.00%	25,730,000	27,220,000
Term bonds, due 2034, interest at 4.00%	5,245,000	7,890,000
	30,975,000	35,110,000
Series 62-A:		
Serial bonds, due 2014 to 2021, interest from .95% to 3.125%	8,500,000	9,445,000
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 2023 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 2014 to 2022, interest from 1.70% to 3.875%	19,665,000	21,915,000
Term bonds, due 2022 to 2028, interest from 3.875% to 4.50%	35,915,000	36,505,000
	55,580,000	58,420,000
Series 63-A:		
Term bonds, due 2027 to 2040, interest from 3.50% to 4.00%	17,265,000	19,205,000
Series 63-B:		
Term bonds, due 2032 to 2042, interest from 3.80% to 4.125%	3,385,000	3,815,000
Series 63-C:		
Serial bonds, due 2014 to 2022, interest from 1.20% to 3.50%	11,245,000	12,290,000
Term bonds, due 2025, interest at 3.75%	3,680,000	3,680,000
	14,925,000	15,970,000

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Series 63-T:		
Term bonds, due 2042, interest at variable rate	24,385,000	24,820,000
Series 64-T:		
Serial bonds, due 2014 to 2018, interest from .40% to 2.58%	26,200,000	
Term bonds, due 2023 to 2034, interest from 3.00% to 5.00%	55,050,000	-
	<u>81,250,000</u>	<u>-</u>
Unamortized bond premium (discount)	1,364,007	1,508,709
<b>Subtotal</b>	<u>768,324,007</u>	<u>866,568,709</u>
<b>Home Funding Bonds and Notes:</b>		
Series 1-A:		
Serial bonds, due 2014 to 2021, interest from 2.375% to 4.125%	8,930,000	10,680,000
Term bonds, due 2024 to 2027, interest from 4.250% to 4.625%	9,505,000	10,250,000
	<u>18,435,000</u>	<u>20,930,000</u>
Series 2:		
Term bonds, due 2041, interest at variable rate	-	31,980,000
Series 2, Subseries 2A:		
Term bonds, due 2041, interest at 3.16%	26,750,000	28,535,000
Series 2, Subseries 2B:		
Term bonds, due 2041, interest at 2.63%	20,650,000	20,820,000
Series 2, Subseries 2C:		
Term bonds, due 2041, interest at 2.73%	31,420,000	-
Series 3:		
Serial bonds, due 2014 to 2020, interest from 1.60% to 3.20%	6,585,000	7,565,000
Term bonds, due 2025 to 2028, interest from 4.00% to 4.10%	10,210,000	10,400,000
	<u>16,795,000</u>	<u>17,965,000</u>
Series 4:		
Serial bonds, due 2014 to 2022, interest from 1.25% to 3.50%	6,410,000	7,090,000
Term bonds, due 2026 to 2028, interest from 4.05% to 4.20%	5,930,000	5,985,000
	<u>12,340,000</u>	<u>13,075,000</u>
Series 5:		
Term bonds, due 2028 to 2040, interest from 2.75% to 3.45%	35,145,000	39,840,000
Unamortized bond premium (discount)	651,086	685,787
<b>Subtotal</b>	<u>162,186,086</u>	<u>173,830,787</u>
<b>Total Single-Family Fund</b>	<u>930,510,093</u>	<u>1,040,399,496</u>

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**Multi-Family Fund:**

**Multi-Family Housing Bonds:**

1995 Series A:

Term bonds, due 2017, interest at 6.15%	520,000	630,000
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1998 Series A:

Term bonds, due 2018, interest at 5.375%	565,000	660,000
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**Subtotal**

	1,085,000	1,290,000
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**Housing Bonds:**

2001 Series A:

Serial bonds, due 2014, interest at 5.15%		235,000
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Term bonds, due 2015, interest at 5.30%	1,490,000	1,490,000
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	1,490,000	1,725,000
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2001 Series B-2T:

Term bonds, due 2031, interest at variable rate	3,540,000	3,635,000
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2003 Series A-2T:

Term bonds, due 2034, interest at variable rate	20,155,000	20,600,000
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2003 Series B-2T:

Term bonds, due 2035, interest at variable rate	8,720,000	8,815,000
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2004 Series A-1A:

Serial bonds, due 2013 to 2016, interest from 4.125% to 4.50%	-	615,000
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Term bonds, due 2025 to 2033, interest from 5.00% to 5.10%	-	6,335,000
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	-	6,950,000
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2004 Series A-1B:

Term bonds, due 2016 to 2045, interest from 4.50% to 5.35%	-	3,120,000
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2004 Series B-1A:

Serial bonds, due 2013 to 2015, interest from 3.50% to 3.70%	-	40,000
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Term bonds, due 2025 to 2045, interest from 4.55% to 4.85%	-	1,890,000
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	-	1,930,000
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2004 Series B-1B-1:

Serial bonds, due 2014 to 2015, interest from 4.90% to 4.10%	-	400,000
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Term bonds, due 2045, interest at 4.90%	-	12,875,000
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	-	13,275,000
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2004 Series B-1B-2:

Serial bonds, due 2013 to 2015, interest from 3.90% to 4.10%	-	75,000
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Term bonds, due 2025 to 2035, interest from 4.65% to 4.90%	-	860,000
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	-	935,000
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2004 Series B-2T:

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Term bonds, due 2015 to 2030, interest from 4.85% to 5.57%	-	3,315,000
2005 Series A-1A:		
Serial bonds, due 2014 to 2015, interest from 4.15% to 4.25%	840,000	1,225,000
Term bonds, due 2025 to 2035, interest from 4.75% to 4.875%	17,230,000	17,230,000
	<u>18,070,000</u>	<u>18,455,000</u>
2005 Series A-1B:		
Term bonds, due 2035, interest at 4.90%	270,000	270,000
2005 Series A-2T:		
Term bonds, due 2015 to 2018, interest from 5.14% to 5.29%	915,000	1,065,000
2006 Series A-1:		
Serial bonds, due 2014 to 2016, interest from 3.95% to 4.05%	800,000	1,050,000
Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%	19,680,000	19,680,000
	<u>20,480,000</u>	<u>20,730,000</u>
2007 Series A-1:		
Serial bonds, due 2014 to 2017, interest from 4.15% to 4.35%	1,295,000	1,575,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	29,680,000	29,680,000
	<u>30,975,000</u>	<u>31,255,000</u>
2007 Series A-2T:		
Term bonds, due 2027, interest at 5.608%	1,140,000	1,210,000
2007 Series B-1A/B:		
Serial bonds, due 2014 to 2017, interest from 4.20% to 4.50%	830,000	1,090,000
Term bonds, due 2022 to 2049, interest from 5.00% to 5.50%	24,405,000	24,405,000
	<u>25,235,000</u>	<u>25,495,000</u>
Unamortized bond premium (discount)	<u>(104,442)</u>	<u>160,211</u>
<b>Subtotal</b>	<u>130,885,558</u>	<u>162,940,211</u>
<b>Multi-Family Funding Bonds:</b>		
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 2014 to 2021, interest from 2.00% to 4.00%	4,545,000	5,005,000
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000	15,550,000
	<u>20,095,000</u>	<u>20,555,000</u>
2011 Series A:		
Serial bonds, due 2014 to 2017, interest from 1.40% to 2.50%	585,000	715,000

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Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,310,000	4,310,000
	<u>4,895,000</u>	<u>5,025,000</u>
<b>Subtotal</b>	<b>90,090,000</b>	<b>90,680,000</b>
 <b>Multi-Family Development Bonds:</b>		
2010 Series 1:		
Serial bonds, due 2014 to 2021, interest from 2.00% to 4.25%	510,000	560,000
Term bonds, due 2025 to 2051, interest from 4.75% to 5.875%	8,285,000	8,285,000
	<u>8,795,000</u>	<u>8,845,000</u>
2013 Series 1-AB:		
Serial bonds, due 2014 to 2023, interest from .55% to 2.85%	4,195,000	4,245,000
Term bonds, due 2014 to 2048, interest from .85% to 4.125%	33,205,000	39,275,000
	<u>37,400,000</u>	<u>43,520,000</u>
2013 Series 2-T:		
Serial bonds, due 2014 to 2023, interest from .768% to 3.218%	17,375,000	19,035,000
Term bonds, due 2027 to 2036, interest from 3.768% to 4.606%	36,725,000	36,725,000
	<u>54,100,000</u>	<u>55,760,000</u>
Series 2013 Series 3-A:		
Term bonds, due 2014 to 2016, interest from 0.30% to .85%	3,450,000	-
2013 Series 3-B:		
Serial bonds, due 2015 to 2024, interest from .60% to 3.85%	305,000	-
Term bonds, due 2028 to 2048, interest from 4.375% to 5.20%	2,195,000	-
	<u>2,500,000</u>	<u>-</u>
Series 2013 Series 3-C:		
Term bonds, due 2028 to 2030, interest from 4.375% to 4.60%	8,795,000	-
2013 Series 3-D:		
Serial bonds, due 2016 to 2024, interest from 1.20% to 4.35%	1,780,000	-
Term bonds, due 2017 to 2028, interest from 1.85% to 4.80%	14,980,000	-
	<u>16,760,000</u>	<u>-</u>
2013 Series 4-T:		
Serial bonds, due 2014 to 2018, interest from .626% to 2.774%	4,400,000	-
Term bonds, due 2023 to 2030, interest from 4.207% to 5.257%	3,970,000	-
	<u>8,370,000</u>	<u>-</u>
Unamortized bond premium (discount)	(45,530)	(47,579)
<b>Subtotal</b>	<b>140,124,470</b>	<b>108,077,421</b>

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**Multi-Family Mortgage Revenue Bonds:**

1998 Series A:		
Term bonds, due 2028, interest at variable rate	-	1,885,000
Series 2006 (University Heights Project):		
Term bonds, due 2039, interest at variable rate	26,700,000	26,700,000
Series 2013 (Grace Church):		
Term bonds, due 2015, interest at variable rate	7,410,000	-
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	29,850,000	30,950,000
<b>Subtotal</b>	70,960,000	66,535,000
<b>Total Multi-Family Fund</b>	433,145,028	429,522,632
<b>Total Bonds and Notes Payable</b>	\$ 1,448,559,003	\$ 1,566,213,846

On December 19, 2013, the Corporation refunded \$84,195,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.63% by the issuance of \$84,195,000 Homeownership Opportunity Bonds Series 64-T dated December 19, 2013 with an average interest rate of 3.44%.

The Corporation refunded the following debt to reduce its total debt service payments over the next eleven years by \$6,084,794 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$4,225,522.

<u>Homeownership Opportunity Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 46-A	03/18/2004	\$ 31,025,000
Series 47-A	08/12/2004	3,570,000
Series 47-B	08/12/2004	26,145,000
Series 48-A	12/09/2004	3,685,000
Series 48-B	12/09/2004	19,770,000
		\$ 84,195,000



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On December 24, 2013, the Corporation refunded \$28,785,000 of certain Housing Bond Program bonds with an average interest rate of 5.14% by the issuance of \$33,925,000 Multi-Family Development Bonds Series 2013-3CD and 4T dated December 24, 2013 with an average interest rate of 4.19%. Of the total amount, \$28,785,000 was used for refunding and \$5,140,000 was for new lending.

The Corporation refunded the following debt to reduce its total debt service payments over the next seventeen years by \$14,923,820 and to obtain an economic gain of \$3,198,634.

<u>Housing Bond Program Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 2004 A-1A	06/17/2004	\$ 6,875,000
Series 2004 A-1B	06/17/2004	2,820,000
Series 2004 B-1A	12/29/2004	1,920,000
Series 2004 B-1B-1	12/29/2004	13,025,000
Series 2004 B-1B-2	12/29/2004	915,000
Series 2004 B-2T	12/29/2004	3,230,000
		<u>\$ 28,785,000</u>

On July 3, 2012, the Corporation refunded \$70,615,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.95% by the issuance of \$85,615,000 Homeownership Opportunity Bonds Series 62-ABC dated July 3, 2012 with an average interest rate of 3.84%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twenty-one years by \$13,231,966 and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$6,192,188.

<u>Homeownership Opportunity Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 26-B	03/31/1998	\$ 6,395,000
Series 29-A	12/23/1998	24,590,000
Series 37-B	08/08/2001	145,000
Series 40-A	09/26/2002	29,225,000
Series 43-A	06/01/2003	10,260,000
		<u>\$ 70,615,000</u>

On October 25, 2012, the Corporation refunded \$36,595,000 of certain Homeownership Opportunity Bonds with an average interest rate of 4.69% by the issuance of \$39,950,000 Homeownership Opportunity Bonds Series 63-ABC dated October 25, 2012 with an average interest rate of 3.16%.

The Corporation refunded the following debt to reduce its total debt service payments over the next seventeen years by \$867,981 and to obtain an economic gain of \$2,765,339.

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<u>Homeownership Opportunity Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 44-A	09/24/2003	\$ 13,225,000
Series 45-A	11/20/2003	7,075,000
Series 45-B	11/20/2003	16,295,000
		<u>\$ 36,595,000</u>

On October 31, 2012, the Corporation refunded \$25,000,000 of Homeownership Opportunity Bonds Series 59-C (AMT) with a variable average interest rate by the issuance of \$25,000,000 Homeownership Opportunity Bonds Series 63-T dated October 31, 2012 with a variable interest rate.

<u>Homeownership Opportunity Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 59-C	03/30/2008	\$ 25,000,000
		<u>\$ 25,000,000</u>

On December 20, 2012, the Corporation refunded \$40,550,000 of Home Funding Bonds Series 1-B with an average interest rate of 3.96% by the issuance of \$71,840,000 Home Funding Bonds Series 5 dated December 20, 2012 with an average interest rate of 2.85%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twenty-seven years by \$7,869,518 and to obtain an economic gain of \$3,760,049.

<u>Home Funding Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 1-B	12/23/2009	\$ 40,550,000
		<u>\$ 40,550,000</u>

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On February 20, 2013, the Corporation refunded \$45,550,000 of certain Housing Bond Program bonds with an average interest rate of 5.33% by the issuance of \$55,760,000 Multifamily Development Bonds Series 2013-2T dated February 20, 2013 with an average interest rate of 4.00%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twenty-four years by \$5,951,587 and to obtain an economic gain of \$5,585,930.

<u>Housing Bond Program Bonds Payable</u>	<u>Date of Issue</u>	<u>Outstanding Principal Balance</u>
Series 2001B-1B	12/13/2001	\$ 5,215,000
Series 2002A	05/01/2002	7,365,000
Series 2003A-1	02/01/2003	6,475,000
Series 2003B-1-A	08/20/2003	8,445,000
Series 2003B-1-B	08/20/2003	2,605,000
Series 2003C-1A	12/23/2003	14,045,000
Series 2003C-1B	12/23/2003	1,400,000
		<u>\$ 45,550,000</u>

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, 2014, the Corporation may borrow up to a maximum of \$90,000,000 under various revolving loan agreements expiring between July 2014 and August 2015. Borrowings under the lines of credit are payable on demand and are unsecured.

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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, 2014 (dollars in thousands):

	Operating Fund Bonds/Notes		Single-Family Fund Bonds/Notes		Multi-Family Fund Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 65,133	\$ 995	\$ 46,970	\$ 34,587	\$ 17,280	\$ 13,372
2016	140	705	36,580	33,621	7,965	13,056
2017	149	696	35,265	32,549	9,720	12,866
2018	3,657	686	36,245	31,420	7,510	12,665
2019	5,166	536	33,180	30,331	7,755	12,457
2020-2024	4,479	1,969	183,325	131,289	43,645	58,271
2025-2029	1,759	1,509	191,585	91,335	58,835	48,985
2030-2034	3,912	542	183,750	54,294	63,520	36,631
2035-2039	252	58	130,275	20,368	76,540	26,043
2040-2044	257	18	43,320	4,789	80,545	16,626
2045-2049	-	-	8,000	675	45,740	6,826
2050-2054	-	-	-	-	14,240	486
	<u>\$ 84,904</u>	<u>\$ 7,714</u>	<u>\$ 928,495</u>	<u>\$ 465,258</u>	<u>\$ 433,295</u>	<u>\$ 258,284</u>

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 a taxable rate established monthly or quarterly, which ranges from .46%-1.15% at June 30, 2014. Certain Multi-Family Mortgage Revenue Bonds bear interest at a tax-exempt rate established weekly, which range from .06% - .09% at June 30, 2014. Other Multi-Family Mortgage Revenue Bonds bear interest at a tax-exempt rate established monthly; the monthly rate was 1.70% as of June 30, 2014.

Bonds and notes payable activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	\$ 5,000,000	\$ (5,000,000)	\$ 5,000,000
Unsecured notes	74,791,719	274,225,000	(283,112,837)	65,903,882
Secured notes	16,500,000	7,000,000	(9,500,000)	14,000,000
Revenue bonds	1,469,922,127	124,070,000	(230,337,006)	1,363,655,121
	<u>\$ 1,566,213,846</u>	<u>\$ 410,295,000</u>	<u>\$(527,949,843)</u>	<u>\$ 1,448,559,003</u>

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Bonds and notes payable activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and notes payable:				
General obligation bonds	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Unsecured notes	74,885,984	275,000,000	(275,094,265)	74,791,719
Secured notes	19,000,000	44,000,000	(46,500,000)	16,500,000
Revenue bonds	1,503,902,303	297,900,128	(331,880,304)	1,469,922,127
	<u>\$ 1,602,788,287</u>	<u>\$ 616,900,128</u>	<u>\$(653,474,570)</u>	<u>\$ 1,566,213,846</u>

## 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 2014 combining statement 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, 2014 is as follows:

Fund	Commitments
Operating Fund	\$ 31,896,682
Single-Family Fund	5,922,646
Multi-Family Fund	3,113,971
Trust	4,979,949
Total	<u>\$ 45,913,248</u>

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

The Corporation has entered into contracts with multiple developments under the Neighborhoods Opportunity Program to fund projects over the next nine years for a total of \$2,600,000, subject to the availability of funds. As of June 30, 2014, \$65,000 has been paid under these contracts.

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**June 30, 2014 and 2013**

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, 2014 because Rhode Island Housing officials are of the opinion that, based on prior experience, any 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 Fannie Mae and Ginnie Mae 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, 2014, TBA Mortgage-Backed Securities Contracts with a total notional amount of \$16,500,000 and fair values totaling \$665,050 were outstanding. TBA Mortgage-Backed Security contracts are included in the 2014 combining statement 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 \$9,750,000 and fair values totaling \$370,312. These amounts are included in the 2014 combining statement of net position as deferred outflows of resources.

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**June 30, 2014 and 2013**

**9. Employee Benefits**

**Employee Benefit Plan**

The Corporation maintains 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, 2014 and 2013 totaled \$788,326 and \$845,311, 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.

**Postemployment 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, 2014, the plan included 16 retirees, 13 of which are receiving benefits, and 151 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 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, 2014 and 2013, plan members receiving benefits contributed \$10,863 and \$6,081, respectively, as their required contribution.

The annual OPEB cost and related information for the fiscal years ended June 30, 2014 and 2013 are as follows:

	2014	2013
	<u>                    </u>	<u>                    </u>
Annual required contribution (ARC)	\$ 364,344	\$ 364,344
Interest on OPEB obligation	154,936	139,116
Adjustments to ARC	(579,751)	(128,888)
Annual OPEB cost	<u>(60,471)</u>	<u>374,572</u>
Net estimated employer contributions	(30,495)	(22,958)
Increase (decrease) in net OPEB obligation	<u>(90,966)</u>	<u>351,614</u>
Net OPEB obligation, beginning of year	<u>3,443,051</u>	<u>3,091,437</u>
Net OPEB obligation, end of year	<u>\$ 3,352,085</u>	<u>\$ 3,443,051</u>
Percent of annual OPEB cost contributed	(50.4%)	6.1%

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Several factors contributed to the decrease in cost experienced during the fiscal year ended June 30, 2014: reduction in number of employees, reduction in number of claims filed and increase in retirement age.

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, 2014 and the preceding two fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Amount Contributed</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	362,844	27,001	7.4%	3,091,437
June 30, 2013	374,572	22,958	6.1%	3,443,051
June 30, 2014	(60,471)	30,495	(50.4%)	3,352,085

**Funded Status and Funding Progress**

Under the reporting parameters, the Corporation's retiree healthcare 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, 2014, the unfunded accrued liability, as a percentage of covered payroll of \$8,033,831, was approximately 42%.

**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 is 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.



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**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**10. Subsequent Events**

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

<u>Date of Call</u>	<u>Principal Program</u>	<u>Outstanding</u>
July 1, 2014	Homeownership Opportunity Bonds	\$ 20,230,000
July 1, 2014	Multi-Family Mortgage Revenue Bonds	\$ 100,000
September 2, 2014	Multi-Family Mortgage Revenue Bonds	\$ 100,000
October 1, 2014	Homeownership Opportunity Bonds	\$ 18,060,000
October 1, 2014	Home Funding Bonds	\$ 3,930,000
October 1, 2014	Multi-Family Development Bonds	\$ 2,300,000

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

**Required Supplementary Information**  
**Retiree Healthcare Benefit Plan**  
**Schedule of Funding Progress**  
**Year Ended June 30, 2014**

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**  
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**Combining Statements of Net Position - Single-Family Fund**  
**June 30, 2014 and 2013**

	<b>Homeownership Opportunity Bond Program</b>		<b>Home Funding Bond Program</b>	
	<b>2014</b>	<b>2013 (Restated)</b>	<b>2014</b>	<b>2013 (Restated)</b>
<b>Assets</b>				
Loans receivable	\$ 790,316,322	\$ 867,979,787	\$ 59,088,278	\$ 60,257,274
Less allowance for loan losses	(13,907,498)	(16,368,068)	7,498	7,498
Loans receivable, net	<u>776,408,824</u>	<u>851,611,719</u>	<u>59,095,776</u>	<u>60,264,772</u>
Investments	21,413,503	23,608,033	104,387,195	108,426,528
Accrued interest-loans	2,844,389	3,338,766	190,333	197,793
Accrued interest-investments	115,937	126,276	326,706	349,194
Cash and cash equivalents	76,404,208	100,077,210	12,077,574	16,637,700
Other assets, net	13,700,137	14,385,086	1,246,417	527,175
Interfund receivable	113,204	-	18,597	18,597
<b>Total assets</b>	<b><u>891,000,202</u></b>	<b><u>993,147,090</u></b>	<b><u>177,342,598</u></b>	<b><u>186,421,759</u></b>
<b>Deferred Outflows of Resources</b>				
Loan origination costs	5,529	-	-	-
<b>Total deferred outflows of resources</b>	<b><u>5,529</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Combined Assets and Deferred Outflows of Resources</b>	<b><u>\$ 891,005,731</u></b>	<b><u>\$ 993,147,090</u></b>	<b><u>\$ 177,342,598</u></b>	<b><u>\$ 186,421,759</u></b>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Bonds and notes payable	\$ 768,324,007	\$ 866,568,709	\$ 162,186,086	\$ 173,830,787
Accrued interest payable on bonds and notes	7,640,747	9,084,262	1,285,138	1,374,472
Accounts payable and accrued liabilities	245,801	297,492	-	-
Fees, net	247,865	276,017	-	-
<b>Total liabilities</b>	<b><u>776,458,420</u></b>	<b><u>876,226,480</u></b>	<b><u>163,471,224</u></b>	<b><u>175,205,259</u></b>
<b>Net Position</b>				
Net position, restricted	<u>114,547,311</u>	<u>116,920,610</u>	<u>13,871,374</u>	<u>11,216,500</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 891,005,731</u></b>	<b><u>\$ 993,147,090</u></b>	<b><u>\$ 177,342,598</u></b>	<b><u>\$ 186,421,759</u></b>

(Continued)

**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, 2014 and 2013**

	<b>Single-Family Fund Totals</b>	
	<b>2014</b>	<b>2013</b> <b>(Restated)</b>
<b>Assets</b>		
Loans receivable	\$ 849,404,600	\$ 928,237,061
Less allowance for loan losses	(13,900,000)	(16,360,570)
Loans receivable, net	<u>835,504,600</u>	<u>911,876,491</u>
Investments	125,800,698	132,034,561
Accrued interest-loans	3,034,722	3,536,559
Accrued interest-investments	442,643	475,470
Cash and cash equivalents	88,481,782	116,714,910
Other assets, net	14,946,554	14,912,261
Interfund receivable	131,801	18,597
<b>Total assets</b>	<b><u>1,068,342,800</u></b>	<b><u>1,179,568,849</u></b>
<b>Deferred Outflows of Resources</b>		
Loan origination costs	5,529	-
<b>Total deferred outflows of resources</b>	<b><u>5,529</u></b>	<b><u>-</u></b>
<b>Combined Assets and Deferred Outflows of Resources</b>	<b><u>\$ 1,068,348,329</u></b>	<b><u>\$ 1,179,568,849</u></b>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Bonds and notes payable	\$ 930,510,093	\$ 1,040,399,496
Accrued interest payable on bonds and notes	8,925,885	10,458,734
Accounts payable and accrued liabilities	245,801	297,492
Fees, net	247,865	276,017
<b>Total liabilities</b>	<b><u>939,929,644</u></b>	<b><u>1,051,431,739</u></b>
<b>Net Position</b>		
Net position, restricted	<u>128,418,685</u>	<u>128,137,110</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,068,348,329</u></b>	<b><u>\$ 1,179,568,849</u></b>

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 - Single-Family Fund**  
**For the Years Ended June 30, 2014 and 2013**

	<b>Homeownership Opportunity Bond Program</b>		<b>Home Funding Bond Program</b>	
	<b>2014</b>	<b>2013 (Restated)</b>	<b>2014</b>	<b>2013 (Restated)</b>
<b>Operating revenues:</b>				
Interest income on loans	\$ 39,315,343	\$ 44,494,992	\$ 2,384,057	\$ 2,677,182
Earnings on investments:				
Interest on investments	985,189	1,131,488	4,242,112	3,808,171
Net increase (decrease) in fair value of investments	53,049	(688,264)	1,195,719	(2,131,195)
<b>Total operating revenues</b>	<b>40,353,581</b>	<b>44,938,216</b>	<b>7,821,888</b>	<b>4,354,158</b>
<b>Operating expenses:</b>				
Interest expense	32,868,216	37,774,501	5,164,581	5,270,791
Other administrative expenses	-	20,750	-	-
Housing initiatives	22,567	29,091	-	-
Provision for loan losses	7,350,000	9,587,008	-	-
REO expenditures	401,427	830,982	(3,655)	157
Arbitrage rebate	(51,694)	28,876	-	-
Bond issuance costs	649,290	1,428,551	-	515,565
Depreciation and amortization of other assets	2,040	-	4,584	-
Loan costs	85,716	275,458	1,504	35,317
<b>Total operating expenses</b>	<b>41,327,562</b>	<b>49,975,217</b>	<b>5,167,014</b>	<b>5,821,830</b>
<b>Operating income (loss)</b>	<b>(973,981)</b>	<b>(5,037,001)</b>	<b>2,654,874</b>	<b>(1,467,672)</b>
Transfers in (out)	(1,399,318)	(5,267,958)	-	(747,267)
<b>Total change in net position</b>	<b>(2,373,299)</b>	<b>(10,304,959)</b>	<b>2,654,874</b>	<b>(2,214,939)</b>
Net position, beginning of year:				
As originally reported	116,920,610	136,821,599	11,216,500	14,926,083
Restatement	-	(9,596,030)	-	(1,494,644)
As restated	116,920,610	127,225,569	11,216,500	13,431,439
Net position, end of year	<b>\$ 114,547,311</b>	<b>\$ 116,920,610</b>	<b>\$ 13,871,374</b>	<b>\$ 11,216,500</b>

(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, 2014 and 2013**

	<b>Single-Family Fund Total</b>	
	<b>2014</b>	<b>2013</b>
		<b>(Restated)</b>
<b>Operating revenues:</b>		
Interest income on loans	\$ 41,699,400	\$ 47,172,174
Earnings on investments:		
Interest on investments	5,227,301	4,939,659
Net increase (decrease) in fair value of investments	1,248,768	(2,819,459)
<b>Total operating revenues</b>	<b>48,175,469</b>	<b>49,292,374</b>
<b>Operating expenses:</b>		
Interest expense	38,032,797	43,045,292
Other administrative expenses	-	20,750
Housing initiatives	22,567	29,091
Provision for loan losses	7,350,000	9,587,008
REO expenditures	397,772	831,139
Arbitrage rebate	(51,694)	28,876
Bond issuance costs	649,290	1,944,116
Depreciation and amortization of other assets	6,624	-
Loan costs	87,220	310,775
<b>Total operating expenses</b>	<b>46,494,576</b>	<b>55,797,047</b>
<b>Operating income (loss)</b>	<b>1,680,893</b>	<b>(6,504,673)</b>
Transfers in (out)	(1,399,318)	(6,015,225)
<b>Total change in net position</b>	<b>281,575</b>	<b>(12,519,898)</b>
Net position, beginning of year:		
As originally reported	128,137,110	151,747,682
Restatement	-	(11,090,674)
As restated	128,137,110	140,657,008
Net position, end of year	<u>\$ 128,418,685</u>	<u>\$ 128,137,110</u>

**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, 2014 and 2014**

	<b>Multi-Family Housing Bond Program</b>		<b>Housing Bond Program</b>	
	<b>2014</b>	<b>2013</b> <b>(Restated)</b>	<b>2014</b>	<b>2013</b> <b>(Restated)</b>
<b>Assets</b>				
Loans receivable	\$ 912,281	\$ 932,884	\$ 142,460,859	\$ 157,862,614
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>912,281</u>	<u>932,884</u>	<u>142,460,859</u>	<u>157,862,614</u>
Investments	17,859,655	21,177,114	12,971,832	16,552,191
Accrued interest-loans	5,854	5,986	886,257	978,937
Accrued interest-investments	21,091	202,748	128,771	114,711
Cash and cash equivalents	767,163	766,968	12,950,210	10,666,227
Interfund receivable (payable)	-	-	-	-
<b>Total assets</b>	<b><u>19,566,044</u></b>	<b><u>23,085,700</u></b>	<b><u>169,397,929</u></b>	<b><u>186,174,680</u></b>
<b>Deferred Outflows of Resources</b>				
Loan origination costs	-	-	-	-
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Combined Assets and Deferred Outflows of Resources</b>	<b><u>\$ 19,566,044</u></b>	<b><u>\$ 23,085,700</u></b>	<b><u>\$ 169,397,929</u></b>	<b><u>\$ 186,174,680</u></b>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Bonds and notes payable	\$ 1,085,000	\$ 1,290,000	\$ 130,885,558	\$ 162,940,211
Accrued interest payable on bonds and notes	31,175	37,110	1,275,559	1,662,604
Accounts payable and accrued liabilities	117,161	108,585	893,390	1,293,984
Escrow deposits	-	-	1,247,726	1,247,725
<b>Total liabilities</b>	<b><u>1,233,336</u></b>	<b><u>1,435,695</u></b>	<b><u>134,302,233</u></b>	<b><u>167,144,524</u></b>
<b>Net Position</b>				
Net position, restricted	<u>18,332,708</u>	<u>21,650,005</u>	<u>35,095,696</u>	<u>19,030,156</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 19,566,044</u></b>	<b><u>\$ 23,085,700</u></b>	<b><u>\$ 169,397,929</u></b>	<b><u>\$ 186,174,680</u></b>

(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, 2014 and 2013**

	<b>Multi-Family Mortgage Revenue Bond Program</b>		<b>Multi-Family Funding Bond Program</b>	
	<b>2014</b>	<b>2013 (Restated)</b>	<b>2014</b>	<b>2013 (Restated)</b>
<b>Assets</b>				
Loans receivable	\$ 70,452,267	\$ 66,535,000	\$ 90,127,315	\$ 90,724,607
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>70,452,267</u>	<u>66,535,000</u>	<u>90,127,315</u>	<u>90,724,607</u>
Investments	-	-	-	-
Accrued interest-loans	31,281	21,671	479,764	482,945
Accrued interest-investments	-	-	-	-
Cash and cash equivalents	9,656,874	2,105,926	7,568,891	9,772,371
Interfund receivable (payable)	-	-	-	-
<b>Total assets</b>	<b><u>80,140,422</u></b>	<b><u>68,662,597</u></b>	<b><u>98,175,970</u></b>	<b><u>100,979,923</u></b>
<b>Deferred Outflows of Resources</b>				
Loan origination costs	-	-	-	-
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Combined Assets and Deferred Outflows of Resources</b>	<b><u>\$ 80,140,422</u></b>	<b><u>\$ 68,662,597</u></b>	<b><u>\$ 98,175,970</u></b>	<b><u>\$ 100,979,923</u></b>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Bonds and notes payable	\$ 70,960,000	\$ 66,535,000	\$ 90,090,000	\$ 90,680,000
Accrued interest payable on bonds and notes	19,001	6,006	745,738	748,052
Accounts payable and accrued liabilities	-	-	-	-
Escrow deposits	9,155,213	2,111,998	-	-
<b>Total liabilities</b>	<b><u>80,134,214</u></b>	<b><u>68,653,004</u></b>	<b><u>90,835,738</u></b>	<b><u>91,428,052</u></b>
<b>Net Position</b>				
Net position, restricted	6,208	9,593	7,340,232	9,551,871
<b>Total Liabilities and Net Position</b>	<b><u>\$ 80,140,422</u></b>	<b><u>\$ 68,662,597</u></b>	<b><u>\$ 98,175,970</u></b>	<b><u>\$ 100,979,923</u></b>

(Continued)



**RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION**  
**(A Component Unit of the State of Rhode Island)**  
**Combining Statements of Net Position**  
**June 30, 2014 and 2013**

	<u>Multi-Family Development Bonds</u>		<u>Multi-Family Fund Total</u>	
	<u>2014</u>	<u>2013</u> (Restated)	<u>2014</u>	<u>2013</u> (Restated)
<b>Assets</b>				
Loans receivable	\$ 119,492,334	\$ 105,183,092	\$ 423,445,056	\$ 421,238,197
Less allowance for loan losses	-	-	-	-
Loans receivable, net	<u>119,492,334</u>	<u>105,183,092</u>	<u>423,445,056</u>	<u>421,238,197</u>
Investments	1,197,384	-	32,028,871	37,729,305
Accrued interest-loans	676,274	618,091	2,079,430	2,107,630
Accrued interest-investments	4,696	-	154,558	317,459
Cash and cash equivalents	27,406,961	25,582,760	58,350,099	48,894,252
Interfund receivable (payable)	7,400,249	-	7,400,249	-
<b>Total assets</b>	<b><u>156,177,898</u></b>	<b><u>131,383,943</u></b>	<b><u>523,458,263</u></b>	<b><u>510,286,843</u></b>
<b>Deferred Outflows of Resources</b>				
Loan origination costs	-	-	-	-
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Combined Assets and Deferred Outflows of Resources</b>	<b><u>\$ 156,177,898</u></b>	<b><u>\$ 131,383,943</u></b>	<b><u>\$ 523,458,263</u></b>	<b><u>\$ 510,286,843</u></b>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Bonds and notes payable	\$ 140,124,470	\$ 108,077,421	\$ 433,145,028	\$ 429,522,632
Accrued interest payable on bonds and notes	1,292,726	1,329,823	3,364,199	3,783,595
Accounts payable and accrued liabilities	8,369	-	1,018,920	1,402,569
Escrow deposits	-	-	10,402,939	3,359,723
<b>Total liabilities</b>	<b><u>141,425,565</u></b>	<b><u>109,407,244</u></b>	<b><u>447,931,086</u></b>	<b><u>438,068,519</u></b>
<b>Net Position</b>				
Net position, restricted	<u>14,752,333</u>	<u>21,976,699</u>	<u>75,527,177</u>	<u>72,218,324</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 156,177,898</u></b>	<b><u>\$ 131,383,943</u></b>	<b><u>\$ 523,458,263</u></b>	<b><u>\$ 510,286,843</u></b>

**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, 2014 and 2013**

	<b>Multi-Family Housing Bond Program</b>		<b>Housing Bond Program</b>	
	<b>2014</b>	<b>2013</b> <b>(Restated)</b>	<b>2014</b>	<b>2013</b> <b>(Restated)</b>
<b>Operating revenues:</b>				
Interest income on loans	\$ 70,983	\$ 184,138	\$ 10,448,023	\$ 13,342,914
Earnings on investments:				
Interest on investments	1,183,457	1,629,784	945,252	2,611,181
Net increase (decrease) in fair value of investments	-	-	(586,896)	(2,609,728)
<b>Total operating revenues</b>	<b>1,254,440</b>	<b>1,813,922</b>	<b>10,806,379</b>	<b>13,344,367</b>
<b>Operating expenses:</b>				
Interest expense	62,349	180,187	5,645,429	8,775,710
Other administrative expenses	811	4,071	125,789	142,559
Arbitrage rebate	8,577	(137,945)	(400,594)	(1,000,210)
Bond issuance costs	-	-	-	-
Loan costs	32,597	28,081	543,985	564,417
<b>Total operating expenses</b>	<b>104,334</b>	<b>74,394</b>	<b>5,914,609</b>	<b>8,482,476</b>
<b>Operating income</b>	<b>1,150,106</b>	<b>1,739,528</b>	<b>4,891,770</b>	<b>4,861,891</b>
Transfers in (out)	(4,467,403)	(11,971,919)	11,173,770	(14,399,352)
<b>Total change in net position</b>	<b>(3,317,297)</b>	<b>(10,232,391)</b>	<b>16,065,540</b>	<b>(9,537,461)</b>
Net position, beginning of year:				
As originally reported	21,650,005	31,943,996	19,030,156	28,624,529
Restatement	-	(61,600)	-	(56,912)
As restated	21,650,005	31,882,396	19,030,156	28,567,617
Net position, end of year	\$ 18,332,708	\$ 21,650,005	\$ 35,095,696	\$ 19,030,156

(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, 2014 and 2013**

	<b>Multi-Family Mortgage Revenue Bond Program</b>		<b>Multi-Family Funding Bond Program</b>	
	<b>2014</b>	<b>2013 (Restated)</b>	<b>2014</b>	<b>2013 (Restated)</b>
<b>Operating revenues:</b>				
Interest income on loans	\$ 322,954	\$ 450,123	\$ 5,774,864	\$ 5,809,787
Earnings on investments:				
Interest on investments	-	-	3,897	3,971
Net increase (decrease) in fair value of investments	-	-	-	-
<b>Total operating revenues</b>	<b>322,954</b>	<b>450,123</b>	<b>5,778,761</b>	<b>5,813,758</b>
<b>Operating expenses:</b>				
Interest expense	121,928	127,172	2,990,400	2,997,538
Other administrative expenses	-	-	-	-
Arbitrage rebate	-	-	-	-
Bond issuance costs	-	-	-	-
Loan costs	-	-	152,281	136,767
<b>Total operating expenses</b>	<b>121,928</b>	<b>127,172</b>	<b>3,142,681</b>	<b>3,134,305</b>
<b>Operating income</b>	<b>201,026</b>	<b>322,951</b>	<b>2,636,080</b>	<b>2,679,453</b>
Transfers in (out)	(204,411)	(330,887)	(4,847,719)	136,767
<b>Total change in net position</b>	<b>(3,385)</b>	<b>(7,936)</b>	<b>(2,211,639)</b>	<b>2,816,220</b>
Net position, beginning of year:				
As originally reported	9,593	(49,221)	9,551,871	6,789,359
Restatement	-	66,750	-	(53,708)
As restated	9,593	17,529	9,551,871	6,735,651
Net position, end of year	\$ 6,208	\$ 9,593	\$ 7,340,232	\$ 9,551,871

(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, 2014 and 2013**

	<b>Multi-Family Development Bonds</b>		<b>Multi-Family Total</b>	
	<b>2014</b>	<b>2013</b> <b>(Restated)</b>	<b>2014</b>	<b>2013</b> <b>(Restated)</b>
<b>Operating revenues:</b>				
Interest income on loans	\$ 7,658,175	\$ 3,160,629	\$ 24,274,999	\$ 22,947,591
Earnings on investments:				
Interest on investments	43,068	3,753	2,175,674	4,248,689
Net increase (decrease) in fair value of investments	167,039	-	(419,857)	(2,609,728)
<b>Total operating revenues</b>	<b>7,868,282</b>	<b>3,164,382</b>	<b>26,030,816</b>	<b>24,586,552</b>
<b>Operating expenses:</b>				
Interest expense	4,535,182	1,747,820	13,355,288	13,828,427
Other administrative expenses	-	-	126,600	146,630
Arbitrage rebate	8,369	(37,125)	(383,648)	(1,175,280)
Bond issuance costs	417,952	381,623	417,952	381,623
Loan costs	55,083	18,957	783,946	748,222
<b>Total operating expenses</b>	<b>5,016,586</b>	<b>2,111,275</b>	<b>14,300,138</b>	<b>13,929,622</b>
<b>Operating income</b>	<b>2,851,696</b>	<b>1,053,107</b>	<b>11,730,678</b>	<b>10,656,930</b>
Transfers in (out)	(10,076,062)	13,000,311	(8,421,825)	(13,565,080)
<b>Total change in net position</b>	<b>(7,224,366)</b>	<b>14,053,418</b>	<b>3,308,853</b>	<b>(2,908,150)</b>
Net position, beginning of year:				
As originally reported	21,976,699	7,957,382	72,218,324	75,266,045
Restatement	-	(34,101)	-	(139,571)
As restated	21,976,699	7,923,281	72,218,324	75,126,474
Net position, end of year	<b>\$ 14,752,333</b>	<b>\$ 21,976,699</b>	<b>\$ 75,527,177</b>	<b>\$ 72,218,324</b>