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, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

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, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Independent Auditors' Report (Continued)

Board of Commissioners
Rhode Island Housing and Mortgage
Finance Corporation

Other Matters (continued)

Other information (continued)

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, 2013 on our consideration of Rhode Island Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Rhode Island Housing’s internal control over financial reporting and compliance.

LGC&D LLP

Providence, Rhode Island
September 30, 2013

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, 2013 and 2012 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, 2013 and 2012 increased (decreased) from the previous year as follows:

	2013		2012	
	$	%	$	%
Mortgage loans, gross	(16.6)	(1.0)	(2.1)	(0.1)
Investments	0.1	-	0.8	0.3
Cash and cash equivalents	15.3	7.1	(12.7)	(5.5)
Total assets	(6.8)	(0.3)	(10.3)	(0.5)
Bonds and notes payable	(36.6)	(2.3)	(53.9)	(3.3)
Total net position	(5.0)	(1.7)	6.6	2.3
Total revenues	(14.9)	(14.2)	(0.5)	(0.5)
Total expenses	(3.3)	(3.3)	(2.4)	(2.3)
Operating income	(11.6)	(176.7)	1.9	39.8

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 portfolio; however, the Corporation experienced higher than normal payoffs and write-offs. In addition, the Corporation sold loans to Fannie Mae and converted several pools of loans into securities, which resulted in a net reduction of single-family loans of $85.5 million. Multi-family new loan production increased by $28.5 million and Operating fund loans increased $40.4 million due mainly to an increase in Hardest Hit Loans.

Bonds and notes payable, the largest component of liabilities, decreased by approximately $37 million in 2013. This decrease is directly related to current year maturities and pay-offs of bonds with mortgage prepayments.

Overview of the Financial Statements

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

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

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

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

Operating Activity of the Corporation

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

For the Years Ended June 30, 2013 and 2012 (in thousands)

	2013	2012	% Change
Revenues:			
Interest income on loans	$ 78,940	$ 83,502	(5.5)%
Earnings on investments	9,555	8,727	9.5
Other	7,949	8,056	(1.3)
Total revenues	96,444	100,285	(3.8)
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
Amortization of bond issuance costs	731	644	13.6
Early retirement of debt	641	966	(33.7)
Other operating expenses	20,773	20,410	1.8
Other	1,435	8,403	(82.9)
Total expenses	96,020	99,192	(3.2)
Operating income, before adjusting investments to fair value	$ 424	$ 1,093	(61.3)%

For the Years Ended June 30, 2012 and 2011 (in thousands)

	2012	2011	% Change
Revenues:			
Interest income on loans	$ 83,502	$ 84,825	(1.6)%
Earnings on investments	8,727	8,946	(2.4)
Other	8,056	10,183	(20.9)
Total revenues	100,285	103,954	(3.5)
Expenses:			
Interest expense	63,150	65,386	(3.4)
Provision for loan losses	2,457	3,277	(25.2)
REO expenditures	3,162	1,627	94.4
Amortization of bond issuance costs	644	660	(2.4)
Early retirement of debt	966	856	12.9
Other operating expenses	20,410	20,949	(2.6)
Other	8,403	8,843	(5.0)
Total expenses	99,192	101,598	(2.3)
Operating income, before adjusting investments to fair value	$ 1,093	$ 2,356	(53.6)%

Operating income (loss), after adjusting investments to fair value, was $(5.0) million for the year ended June 30, 2013 (2013), $6.6 million for the year ended June 30, 2012 (2012), and $4.7 million for the year ended June 30, 2011 (2011). GASB Statement No. 31, which requires investments to be recorded at fair value, caused a decrease in operating income of $5.5 million in 2013 compared to an increase of $5.5 million in 2012 and a decrease of $2.3 million in 2011. Operating income, excluding the unrealized gains and losses on investments, decreased 61.3% in 2013 to $424 thousand from $1.1 million in 2012, which had decreased 53.6% from $2.4 million in 2011. The fluctuations are primarily due to the increase in program expenses and the decrease in administrative fees earned by the corporation on the Section 8 Contract Administration Program.

Other revenue consists of loan-related fees such as origination and late fees, and fees received for the management and disbursement of funds for federal housing programs. Other revenue decreased to $7.9 million in 2013 from $8.1 million in 2012, which had decreased from $10.1 million in 2011, primarily due to a reduction in fees received on federal housing programs.

Operating expenses associated with the operation of the Corporation (personnel services, other administrative expenses, and depreciation and amortization of other assets) amounted to $20.8 million in 2013, an increase of 1.8% from $20.4 million in 2012, which had decreased 2.6% from $20.9 million in 2011.

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 increased by 73.6% to $4.2 million in 2013 from $2.4 million in 2012, which is a direct result of losses incurred on the sale of REO properties which were held for extended periods of time.

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 increased from $29.1 million in 2012 to $29.9 million in 2013. Interest income on loans decreased $4.6 million in 2013 compared to a decrease of $1.3 million in 2012. Earnings on investments increased $828 thousand in 2013 after a decrease of $219 thousand in 2012. Net interest income as a percentage of average bonds and notes payable was 1.88% in 2013 and 1.78% in 2012, respectively. Interest income on loans as a percentage of total loans decreased from 4.84% in 2012 to 4.60% in 2013, due to a reduction in mortgage rates, while interest expense on bonds and notes decreased from 3.87% to 3.70%, primarily due to bond refundings, resulting in a net decrease in the spread margin (i.e., differential between loans and bonds) from 0.97% in 2012 to 0.90% in 2013.

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 increased to $9.6 million from $3.2 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 have been issued under this program.

<u>Financial Analysis of the Corporation</u>

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

June 30, 2013 and 2012 (in millions)

	2013	2012	% Change
Loans receivable, net	$ 1,678	$ 1,694	(1.0)%
Investments	271	271	-
Cash and cash equivalents	232	217	7.1
Other assets	56	62	(9.4)
Total assets	2,237	2,244	(0.3)
Bonds and notes payable	1,566	1,603	(2.3)
Total liabilities	1,945	1,947	(0.1)
Net position:			
Investment in capital assets	8	9	(3.2)
Restricted	222	236	(6.0)
Unrestricted	62	52	18.1

June 30, 2012 and 2011 (in millions)			
	2012	2011	% Change
Loans receivable, net	$ 1,694	$ 1,691	0.2%
Investments	271	270	0.3
Cash and cash equivalents	217	229	(5.5)
Other assets	62	64	(2.9)
Total assets	2,244	2,254	(0.5)
Bonds and notes payable	1,603	1,657	(3.3)
Total liabilities	1,947	1,964	(0.9)
Net position:			
Investment in capital assets	9	9	(5.7)
Restricted	236	234	0.7
Unrestricted	52	47	11.9

At June 30, 2013, total assets of the Corporation decreased, 0.3% from 2012, as compared to a 0.5% decrease from 2011 to 2012. Net loans receivable decreased $16 million, or 1.0%, from the previous year to $1.678 billion. Bonds and notes payable totaled $1.566 billion as of June 30, 2013, a decrease of $37 million, or 2.3%, from June 30, 2012, which had decreased $54 million, or 3.3%, from June 30, 2011. During 2013, $45.4 million of bonds were issued to fund single-family loans and $43.3 million of bonds were issued to fund multi-family loans. During the same period, $177 million and $56 million of bonds were refunded in the single-family and multi-family bond programs, respectively. In addition, $56 million of bonds were redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose. During 2012, $97.9 million of single-family bonds was issued, $52.9 million to refund existing bonds and $45 million to fund single-family loans. In addition, $26.1 million of bonds was issued to fund multi-family loans. During the same period, $134.1 million of bonds was redeemed prior to maturity under provisions in the bond resolutions that allow mortgage prepayments to be used for such purpose.

As of June 30, 2013 and June 30, 2012, the equity-to-asset ratio was 13.1% and 13.2%, respectively, and the loan-to-asset ratio was 75.0% and 75.5%, 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, 2013 and 2012, single-family residential mortgages in bond resolutions totaled $928 million and $1.0 billion, respectively, and multi-family loans in bond resolutions totaled $421.2 million and $392.7 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 8.9% while the national rate is 7.6%. 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 their Project Based Section 8 Contract Administration Program. Under the new Annual Contributions Contract, HUD has reduced the number of tasks to be performed and has reduced the associated administrative fees earned by the Corporation. The current contract has been extended by HUD through December 31, 2013. 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 is now 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.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
June 30, 2013 and 2012

	Operating Fund		Single-Family Fund	
	2013	**2012**	**2013**	**2012**
Assets				
Loans receivable	$ 356,999,826	$ 316,538,938	$ 928,237,061	$ 1,013,742,039
Less allowance for loan losses	(12,001,033)	(18,400,000)	(16,360,570)	(10,200,000)
Loans receivable, net	344,998,793	298,138,938	911,876,491	1,003,542,039
Investments	101,067,501	102,557,914	132,034,561	111,021,147
Accrued interest-loans	601,461	688,758	3,536,559	3,868,610
Accrued interest-investments	25,495	28,151	475,470	468,595
Cash and cash equivalents	66,238,858	63,323,860	116,714,910	120,571,348
Accounts receivable	11,840,832	12,287,644	-	-
Bond issuance costs, net	126,898	29,990	8,964,265	8,215,811
Other assets, net	10,480,916	14,897,411	17,498,420	18,957,555
Interfund receivable (payable)	(18,597)	(19,869)	18,597	19,869
Total Assets	**$ 535,362,157**	**$ 491,932,797**	**$ 1,191,119,273**	**$ 1,266,664,974**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 96,291,718	$ 98,885,984	$ 1,040,399,496	$ 1,103,136,501
Accrued interest payable on bonds and notes	194,549	193,593	10,458,734	11,098,847
Accounts payable and accrued liabilities	5,777,350	7,666,861	297,492	379,958
Fees, net	7,869,668	6,554,936	276,017	301,986
Escrow deposits	345,594,853	308,728,247	-	-
Total liabilities	**455,728,138**	**422,029,621**	**1,051,431,739**	**1,114,917,292**
Net Position				
Investment in capital assets	8,346,553	8,624,214	-	-
Restricted for debt service	9,406,445	8,864,847	139,687,534	151,747,682
Unrestricted	61,881,021	52,414,115	-	-
Total net position	**79,634,019**	**69,903,176**	**139,687,534**	**151,747,682**
Total Liabilities and Net Position	**$ 535,362,157**	**$ 491,932,797**	**$ 1,191,119,273**	**$ 1,266,664,974**

(Continued)

See Accompanying Notes to Financial Statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
June 30, 2013 and 2012

	Multi-Family Fund		Total	
	2013	**2012**	**2013**	**2012**
Assets				
Loans receivable	$ 421,238,197	$ 392,746,247	$ 1,706,475,084	$ 1,723,027,224
Less allowance for loan losses	-	-	(28,361,603)	(28,600,000)
Loans receivable, net	421,238,197	392,746,247	1,678,113,481	1,694,427,224
Investments	37,729,305	57,186,663	270,831,367	270,765,724
Accrued interest-loans	2,107,630	1,904,107	6,245,650	6,461,475
Accrued interest-investments	317,459	665,442	818,424	1,162,188
Cash and cash equivalents	48,894,252	32,622,055	231,848,020	216,517,263
Accounts receivable	-	-	11,840,832	12,287,644
Bond issuance costs, net	403,278	206,321	9,494,441	8,452,122
Other assets, net	-	-	27,979,336	33,854,966
Interfund receivable (payable)	-	-	-	-
Total Assets	**$ 510,690,121**	**$ 485,330,835**	**$ 2,237,171,551**	**$ 2,243,928,606**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 429,522,632	$ 400,765,801	$ 1,566,213,846	$ 1,602,788,286
Accrued interest payable on bonds and notes	3,783,595	3,462,362	14,436,878	14,754,802
Accounts payable and accrued liabilities	1,402,569	3,434,354	7,477,411	11,481,173
Fees, net	66,750	66,750	8,212,435	6,923,672
Escrow deposits	3,359,723	2,335,523	348,954,576	311,063,770
Total liabilities	**438,135,269**	**410,064,790**	**1,945,295,146**	**1,947,011,703**
Net Position				
Investment in capital assets	-	-	8,346,553	8,624,214
Restricted for debt service	72,554,852	75,266,045	221,648,831	235,878,574
Unrestricted	-	-	61,881,021	52,414,115
Total net position	**72,554,852**	**75,266,045**	**291,876,405**	**296,916,903**
Total Liabilities and Net Position	**$ 510,690,121**	**$ 485,330,835**	**$ 2,237,171,551**	**$ 2,243,928,606**

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, 2013 and 2012

	Operating Fund		Single-Family Fund	
	2013	**2012**	**2013**	**2012**
Operating revenues:				
Interest income on loans	$ 6,170,336	$ 6,160,573	$ 47,172,174	$ 52,255,333
Interest income attributable to internal servicing activities	2,650,349	2,848,534	-	-
Total interest income on loans	8,820,685	9,009,107	47,172,174	52,255,333
Income on investments:				
Earnings on investments	365,159	473,956	4,939,659	5,290,768
Net increase (decrease) in fair value of investments	(34,948)	71,784	(2,819,459)	3,604,595
Fees	7,216,464	7,562,671	-	-
Servicing fee income	557,206	493,072	-	-
Miscellaneoous income	1,002	-	-	-
Gain (loss) sale of loans	174,800	-	-	-
Total operating revenues	**17,100,368**	**17,610,590**	**49,292,374**	**61,150,696**
Operating expenses:				
Interest expense	1,766,552	1,606,163	43,045,292	48,036,417
Personnel services	12,616,768	13,390,335	-	-
Other administrative expenses	5,256,052	4,206,141	96,759	222,939
Housing initiatives	1,175,184	5,921,604	29,091	48,723
Provision for loan losses (recoveries)	2,945	1,255	9,587,008	2,455,892
REO expenditures	3,378,630	2,424,930	831,139	737,028
Arbitrage rebate	-	-	28,876	(261,152)
Amortization of bond issuance costs	22,493	22,493	662,527	580,560
Early retirement of debt	-	-	533,135	966,365
Depreciation and amortization of other assets	1,354,070	1,275,699	523,470	405,278
State Rental Subsidy Program	1,377,136	1,793,492	-	-
Total operating expenses	**26,949,830**	**30,642,112**	**55,337,297**	**53,192,050**
Operating income (loss)	**(9,849,462)**	**(13,031,522)**	**(6,044,923)**	**7,958,646**
Transfers in (out)	19,580,305	16,271,042	(6,015,225)	(12,727,824)
Total change in net position	**9,730,843**	**3,239,520**	**(12,060,148)**	**(4,769,178)**
Net position, beginning of year	69,903,176	66,663,656	151,747,682	156,516,860
Net position, end of year	$ 79,634,019	$ 69,903,176	$ 139,687,534	$ 151,747,682

(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, 2013 and 2012

	Multi-Family Fund		Total	
	2013	**2012**	**2013**	**2012**
Operating revenues:				
Interest income on loans	$ 22,947,591	$ 22,237,516	$ 76,290,101	$ 80,653,422
Interest income attributable to internal servicing activities	-	-	2,650,349	2,848,534
Total interest income on loans	22,947,591	22,237,516	78,940,450	83,501,956
Income on investments:				
Earnings on investments	4,248,689	2,962,410	9,553,507	8,727,134
Net increase (decrease) in fair value of investments	(2,609,728)	1,803,483	(5,464,135)	5,479,862
Fees	-	-	7,216,464	7,562,671
Servicing fee income	-	-	557,206	493,072
Miscellaneous income	-	-	1,002	-
Gain (loss) on sale of loans	-	-	174,800	-
Total operating revenues	**24,586,552**	**27,003,409**	**90,979,294**	**105,764,695**
Operating expenses:				
Interest expense	13,828,427	13,507,343	58,640,271	63,149,923
Personnel services	-	-	12,616,768	13,390,335
Other administrative expenses	925,620	909,158	6,278,431	5,338,238
Housing initiatives	-	-	1,204,275	5,970,327
Provision for loan losses (recoveries)	-	-	9,589,953	2,457,147
REO expenditures	-	-	4,209,769	3,161,958
Arbitrage rebate	(1,175,280)	900,033	(1,146,404)	638,881
Amortization of bond issuance costs	46,480	40,657	731,500	643,710
Early retirement of debt	107,418	-	640,553	966,365
Depreciation and amortization of other assets	-	-	1,877,540	1,680,977
State Rental Subsidy Program	-	-	1,377,136	1,793,492
Total operating expenses	**13,732,665**	**15,357,191**	**96,019,792**	**99,191,353**
Operating income (loss)	**10,853,887**	**11,646,218**	**(5,040,498)**	**6,573,342**
Transfers in (out)	(13,565,080)	(3,543,218)	-	-
Total change in net position	**(2,711,193)**	**8,103,000**	**(5,040,498)**	**6,573,342**
Net position, beginning of year	75,266,045	67,163,045	296,916,903	290,343,561
Net position, end of year	$ 72,554,852	$ 75,266,045	$ 291,876,405	$ 296,916,903

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, 2013 and 2012

	Operating Fund		Single-Family Fund	
	2013	**2012**	**2013**	**2012**
Cash Flows from Operating Activities				
Interest on loans receivable	$ 8,968,628	$ 9,092,818	$ 47,504,225	$ 52,384,742
Repayment of loans receivable	65,514,875	32,262,975	153,925,919	107,539,442
Fees collected	8,952,038	8,442,844	(25,969)	(43,892)
Other receipts (disbursements), net	37,042,408	36,655,754	-	-
Loans disbursed	(105,975,763)	(67,731,196)	(68,420,940)	(52,378,555)
Accounts receivable, net	446,811	(23,480)	-	-
Loss on loans receivable	(6,401,912)	(14,473,589)	(3,426,437)	5,746,097
Loss on REO properties	(3,378,630)	(2,424,930)	(831,140)	-
Bond issuance costs	(119,400)	-	(1,944,117)	(878,305)
Personnel services	(12,616,768)	(13,390,335)	-	-
Other administrative expenses	(5,180,333)	(4,164,180)	(96,761)	(222,939)
Housing initiative expenses	(1,175,184)	(5,921,604)	(29,091)	(48,723)
Other assets	3,062,426	1,572,664	935,665	(1,996,206)
Arbitrage rebate	-	-	(28,876)	261,151
Accounts payable and accrued liabilities	(1,889,511)	107,767	(82,464)	(344,841)
State Rental Subsidy Program	(1,377,136)	(1,793,492)	-	-
Transfers from (to) other programs	19,579,033	15,869,222	(6,013,952)	(12,736,696)
Net cash provided by (used for) operating activities	**5,451,582**	**(5,918,762)**	**121,466,062**	**97,281,275**
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	334,000,000	275,350,000	225,207,803	98,530,229
Payment of bond and note principal	(336,594,266)	(261,074,139)	(287,944,809)	(170,257,995)
Interest paid on bonds and notes	(1,765,597)	(1,550,604)	(43,685,405)	(49,432,788)
Net cash provided by (used for) noncapital financing activities	**(4,359,863)**	**12,725,257**	**(106,422,411)**	**(121,160,554)**
Cash Flows from Investing Activities:				
Redemption of investments	1,746,928	3,177,728	58,502,714	25,032,637
Earnings on investments	367,814	485,118	4,932,783	5,424,706
Purchase of investments	(291,463)	(354,522)	(82,335,586)	(21,484,139)
Net cash provided by (used for) investing activities	**1,823,279**	**3,308,324**	**(18,900,089)**	**8,973,204**
Net Increase (Decrease) in Cash and Cash Equivalents	**2,914,998**	**10,114,819**	**(3,856,438)**	**(14,906,075)**
Cash and Cash Equivalents, beginning of year	63,323,860	53,209,041	120,571,348	135,477,423
Cash and Cash Equivalents, end of year	$ 66,238,858	$ 63,323,860	$ 116,714,910	$ 120,571,348

(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, 2013 and 2012

	Multi-Family Fund		Total	
	2013	**2012**	**2013**	**2012**
Cash Flows from Operating Activities				
Interest on loans receivable	$ 21,995,846	$ 21,510,940	$ 78,468,699	$ 82,988,500
Repayment of loans receivable	(16,976,054)	34,863,303	202,464,740	174,665,720
Fees collected	-	(476)	8,926,069	8,398,476
Other receipts (disbursements), net	1,024,201	619,927	38,066,609	37,275,681
Loans disbursed	(11,515,897)	(52,418,296)	(185,912,600)	(172,528,047)
Accounts receivable, net	-	-	446,811	(23,480)
Loss on loans receivable	-	-	(9,828,349)	(8,727,492)
Loss on REO properties	-	-	(4,209,770)	(2,424,930)
Bond issuance costs	(350,855)	(58,982)	(2,414,372)	(937,287)
Personnel services	-	-	(12,616,768)	(13,390,335)
Other administrative expenses	(177,397)	(237,756)	(5,454,491)	(4,624,875)
Housing initiative expenses	-	-	(1,204,275)	(5,970,327)
Other assets	-	-	3,998,091	(423,542)
Arbitrage rebate	1,175,280	(900,033)	1,146,404	(638,882)
Accounts payable and accrued liabilities	(2,031,786)	900,033	(4,003,761)	662,959
State Rental Subsidy Program	-	-	(1,377,136)	(1,793,492)
Transfers from (to) other programs	(13,565,081)	(3,132,526)	-	-
Net cash provided by (used for) operating activities	**(20,421,743)**	**1,146,134**	**106,495,901**	**92,508,647**
Cash Flows from Noncapital Financing Activities:				
Proceeds from sale of bonds and notes	99,396,267	26,151,440	658,604,070	400,031,669
Payment of bond and note principal	(70,639,437)	(22,592,874)	(695,178,512)	(453,925,008)
Interest paid on bonds and notes	(13,507,193)	(13,445,752)	(58,958,195)	(64,429,144)
Net cash provided by (used for) for noncapital financing activities	**15,249,637**	**(9,887,186)**	**(95,532,637)**	**(118,322,483)**
Cash Flows from Investing Activities:				
Redemption of investments	17,971,539	412,205	78,221,181	28,622,570
Earnings on investments	4,596,672	2,581,851	9,897,269	8,491,675
Purchase of investments	(1,123,908)	(2,142,726)	(83,750,957)	(23,981,387)
Net cash provided by (used for) for investing activities	**21,444,303**	**851,330**	**4,367,493**	**13,132,858**
Net Increase (Decrease) in Cash and Cash Equivalents	**16,272,197**	**(7,889,722)**	**15,330,757**	**(12,680,978)**
Cash and Cash Equivalents, beginning of year	32,622,055	40,511,777	216,517,263	229,198,241
Cash and Cash Equivalents, end of year	$ 48,894,252	$ 32,622,055	$ 231,848,020	$ 216,517,263

(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, 2013 and 2012

	Operating Fund		Single-Family Fund	
	2013	2012	2013	2012
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	**$ (9,849,462)**	**$ (13,031,522)**	**$ (6,044,923)**	**$ 7,958,646**
Adjustments:				
Earnings on investments	(367,814)	(485,118)	(4,932,783)	(5,424,706)
Net (increase) decrease in fair value of investments	34,948	(71,784)	2,819,459	(3,604,595)
Interest paid on bonds and notes	1,765,597	1,550,604	43,685,405	49,432,788
Transfer of investments and/or net position	19,580,305	16,271,042	(6,015,225)	(12,727,824)
(Increase) decrease in assets:				
Loans receivable/loss allowance	(46,859,855)	(49,940,555)	91,665,548	64,099,903
Accrued interest-loans	87,297	125,672	332,051	129,410
Accrued interest-investments	2,656	11,163	(6,875)	133,938
Accounts receivable	446,812	(23,480)	-	-
Bond issuance costs	(96,908)	22,493	(748,454)	668,619
Other assets	4,416,495	2,848,363	1,459,135	(1,590,928)
Interfund receivable (payable)	(1,272)	(401,820)	1,272	(8,873)
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	956	55,558	(640,113)	(1,396,371)
Accounts payable/accrued liabilities	(1,889,511)	107,767	(82,466)	(344,841)
Fees, net	1,314,732	387,101	(25,969)	(43,891)
Escrow deposits	36,866,606	36,655,754	-	-
Total adjustments	**15,301,044**	**7,112,760**	**127,510,985**	**89,322,629**
Net cash provided by (used for) operating activities	**$ 5,451,582**	**$ (5,918,762)**	**$ 121,466,062**	**$ 97,281,275**

(Continued)

See Accompanying Notes to Financial Statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	Multi-Family Fund		Total	
	2013	**2012**	**2013**	**2012**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	**$ 10,853,887**	**$ 11,646,218**	**$ (5,040,498)**	**$ 6,573,342**
Adjustments:				
Earnings on investments	(4,596,672)	(2,581,851)	(9,897,269)	(8,491,675)
Net (increase) decrease in fair value of investments	2,609,728	(1,803,483)	5,464,135	(5,479,862)
Interest paid on bonds and notes	13,507,193	13,445,752	58,958,195	64,429,144
Transfer of investments and/or net position	(13,565,080)	(3,543,218)	-	-
(Increase) decrease in assets:				
Loans receivable/loss allowance	(28,491,950)	(17,554,993)	16,313,743	(3,395,645)
Accrued interest-loans	(203,523)	(55,171)	215,825	199,911
Accrued interest-investments	347,983	(380,560)	343,764	(235,459)
Accounts receivable	-	-	446,812	(23,480)
Bond issuance costs	(196,957)	(18,326)	(1,042,319)	672,786
Other assets	-	-	5,875,630	1,257,435
Interfund receivable (payable)	-	410,693	-	-
Increase (decrease) in liabilities:				
Accrued interest-bonds and notes	321,233	61,590	(317,924)	(1,279,223)
Accounts payable/accrued liabilities	(2,031,785)	900,032	(4,003,762)	662,958
Fees, net	-	(476)	1,288,763	342,734
Escrow deposits	1,024,200	619,927	37,890,806	37,275,681
Total adjustments	**(31,275,630)**	**(10,500,084)**	**111,536,399**	**85,935,305**
Net cash provided by (used for) operating activities	**$ (20,421,743)**	**$ 1,146,134**	**$ 106,495,901**	**$ 92,508,647**

See Accompanying Notes to Financial Statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Fiduciary Net Position - Private Purpose Trust Component Unit
June 30, 2013 and 2012

		2013		2012
Assets				
Loans receivable	$	56,861,368	$	42,505,849
Less allowance for loan losses		(3,300,000)		(3,300,000)
Loans receivable, net		53,561,368		39,205,849
Investments		144,710		5,229,019
Accrued interest-loans		181,084		107,267
Accrued interest-investments		549		4,601
Cash and cash equivalents		16,284,025		21,200,671
Accounts receivable		326,767		177,795
Other assets, net		2,362,920		3,104,836
Total Assets	**$**	**72,861,423**	**$**	**69,030,038**
Liabilities and Net Position				
Liabilities				
Accounts payable and accrued liabilities	$	17,955	$	-
Fees, net		1,983,906		2,125,538
Total liabilities		**2,001,861**		**2,125,538**
Net Position				
Held in trust		70,859,562		66,904,500
Total Liabilities and Net Position	**$**	**72,861,423**	**$**	**69,030,038**

See Accompanying Notes to Financial Statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Statements of Changes in Fiduciary Net Position - Private Purpose Trust Component Unit
For the Years Ended June 30, 2013 and 2012

	2013	2012
Revenues:		
Interest income on loans	$ 1,851,882	$ 1,693,540
Earnings on investments:		
Interest on investments	34,594	50,898
Net increase (decrease) in fair value of investments	9,238	(35,306)
Trust receipts	1,631,315	1,322,601
Fees	186,300	-
Total revenues	**3,713,329**	**3,031,733**
Expenses:		
Amortization of other assets	44,668	52,659
Other administrative expenses	36,362	-
Provision for loan losses (recoveries)	(322,763)	1,925,931
Total expenses	**(241,733)**	**1,978,590**
Total change in net position	**3,955,062**	**1,053,143**
Net position, beginning of year	66,904,500	65,851,357
Net position, end of year	$ 70,859,562	$ 66,904,500

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

The Corporation classifies its business-type activities into funds, reported as separate columns within the enterprise fund financial statements, each representing a fiscal and accounting entity with a self-balancing set of accounts segregated to carry on specific activities in accordance with bond resolutions established under various trust indentures, special regulations, restrictions, or limitations. All 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 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 statement of net position, the actual principal amount of loans received and the actual amount of principal repaid on bonds and notes are affected significantly by changes in interest rates, economic conditions, and other factors. Consequently, the principal amount of loans receivable and the required principal repayable for bonds and notes based on contractual terms would not be representative of actual amounts expected to be received or paid, and such amounts are not reliably estimable.

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

d. Loans Receivable and Allowance for Loan Losses

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

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

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

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

e. Cash and Cash Equivalents

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

f. Investments

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

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

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

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

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

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

The Corporation periodically retires bonds prior to their redemption date. Unamortized bond issuance costs, along with any premium paid on the call, related to the early retirement of bonds that are not refunded, are reported in the statement of revenues, expenses and changes in net position.

h. Other Assets

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

The Corporation states its other real estate owned acquired through or in lieu of foreclosure at the lower of cost or fair value 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. Net Position

Net position is classified in the following three components: investment in capital assets, restricted, and unrestricted. 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 those not included in investment in capital assets or restricted net position.

The Corporation classifies all net position amounts associated with its bond resolutions as restricted net position. Under bond indentures, all assets assigned to these programs are pledged for the benefit of the bondholders of each program; consequently, the Corporation classifies all such amounts, while retained in the bond programs, as restricted. Transfers from the bond programs to the Operating Fund are made when transfers are approved and authorized by the Corporation's management and such amounts are not specifically required to be retained within the bond program. Transfers during the year ended June 30, 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, 2013 and 2012, 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 $9,406,445 and $8,864,847, respectively.

j. Interest Income on Loans

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

k. Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and disclosure of contingent assets and liabilities when preparing the financial statements in conformity with accounting principles generally accepted in the United States 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 current fiscal year.

l. Recent Accounting Pronouncements

Effective for the year ended June 30, 2013, Rhode Island Housing adopted Statement No. 63 of the Governmental Accounting Standards Board (GASB), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). Deferred outflows of resources represent the consumption of the Rhode Island Housing's 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. GASB 63 prescribes the reporting requirements for these two elements and requires that the statement of net assets title be changed to statement of net position. Rhode Island Housing had no deferred inflows or deferred outflows of resources at June 30, 2013 or 2012.

Effective for the fiscal year ending June 30, 2014, Rhode Island Housing will adopt the provisions of Statement No. 65 of the GASB, *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 either 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 a result of adopting GASB 65, Rhode Island Housing will be required to expense its deferred bond issuance costs and recognize income on deferred fees and estimates that net position as of July 1, 2013 will increase (decrease) by ($11,550,442), ($336,528) and $5,968,779 in the Single-Family Fund, Multi-Family Fund and the Operating Fund, respectively, as a result.

m. Reclassifications

Certain amounts in the accompanying 2012 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 the use in HUD programs.

At June 30, 2013 and 2012, all assets in the Corporation’s Single-Family and Multi-Family Funds; and $165,807,933 and $164,414,619, respectively, of investments and cash and cash equivalents and $205,869,621 and $180,278,431, 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, 2013 and 2012, the single-family mortgage loan balances in the Single-Family Fund are insured, subject to maximum insurable limits, as described below:

	2013	2012
Private Mortgage Insurance	$ 503,032,230	$ 559,745,903
FHA Insurance	166,361,262	179,295,092
VA Guaranteed	13,084,957	15,869,905
USDA/RD Guaranteed	14,006,543	12,617,111
Uninsured	231,752,069	246,214,028
Total	$ 928,237,061	$ 1,013,742,039

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, 2013 of $270,438,422 and $11,697,585, respectively, and at June 30, 2012, of $270,650,753 and $10,927,740, respectively, are insured under such agreements subject to maximum participation limits. At June 30, 2013 and 2012, loan balances of $11,140,796 and $7,213,550, 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, 2013, twenty-two loans had been sold directly to FNMA and seven mortgage-backed securities had been issued.

In both the Single-Family Fund and the Multi-Family Fund, 98% of the loan portfolio is in first lien position at June 30, 2013 and 2012. At June 30, 2013 and 2012, 31% and 34%, respectively, of the Operating Fund's loan portfolio is in the first lien position, while 56% and 39%, 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, 2013 and 2012, interest received under such loan arrangements was $753,327 and $808,888 in the Operating Fund and $115,907 and $87,674 in the Single-Family Fund, respectively. In addition, the Corporation administers certain federal and state loan programs, which are either forgivable loans or non-interest bearing. Loans under these programs totaled $195,638,808 and $161,216,778 at June 30, 2013 and 2012, respectively.

At June 30, 2013 and 2012, principal outstanding under all deferred and non-interest bearing loan arrangements is as follows:

	2013	2012
Operating Fund:		
Single-family loans	$ 74,949,585	$ 50,714,832
Multi-family loans	182,197,398	173,339,080
Subtotal	257,146,983	224,053,912
Single-Family Fund:		
Single-family loans	10,293,636	9,841,497
Total	$ 267,440,619	$ 233,895,409

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, 2013 and 2012, principal outstanding under such non-accrual status loans is as follows:

	2013	2012
Operating Fund:		
Single-family loans	$ 3,426,968	$ 5,354,154
Multi-family loans	3,564,926	1,117,700
Subtotal	6,991,894	6,471,854
Single-Family Fund:		
Single-family loans	65,567,286	74,834,200
Total	$ 72,559,180	$ 81,306,054

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

	2013	2012
Balance at beginning of year	$ 28,600,000	$ 34,133,317
Loans charged off, net of recoveries	(4,223,467)	(7,667,399)
Write-down of REO properties	(5,604,883)	(323,065)
Provision for loan losses	9,589,953	2,457,147
Balance at end of year	$ 28,361,603	$ 28,600,000

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, 2013 and 2012, the Mortgage Lenders Reserve Account totaled $881,596 and $1,001,537, respectively.

4. Cash and Cash Equivalents and Investments

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

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

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 include short-term investments of $32,033,326 as of June 30, 2012. There were no short-term investments at June 30, 2013. Such amounts consist of open ended mutual funds invested in short-term securities that are issued or guaranteed by the U.S. Government or U.S. Government Agencies. The Corporation's short-term investments are not subject to custodial credit risk disclosures.

Cash and cash equivalents of Rhode Island Housing, exclusive of short-term investments, were exposed to custodial credit risk at June 30, 2013 and 2012 as follows:

	June 30, 2013			
	Category			Total Bank
	A	C	Insured	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	$ 177,606,853	$ 74,247,327	$ 1,437,957	$ 253,292,137

	June 30, 2012			
	Category			Total Bank
	A	C	Insured	Balance
Operating Fund	$ 492,712	$ 44,946,616	$ 2,120,143	$ 47,559,471
Single-Family Fund	86,073,218	-	-	86,073,218
Multi-Family Fund	32,573,218	-	-	32,573,218
Trust	6,682,658	14,056,707	250,000	20,989,365
Subtotal	125,821,806	59,003,323	2,370,143	187,195,272
Escrows	54,967,620	703,439	-	55,671,059
Total	$ 180,789,426	$ 59,706,762	$ 2,370,143	$ 242,866,331

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, 2013 and 2012, the Operating Fund holds one investment with a maturity of greater than 5 years. This investment is a marketable security that is used for collateral in support of a long-term letter of credit.

While each of the bond resolutions contains investment policies which describe acceptable investments, there are no specific policies for percentage maximum investments with respect to the Single-Family Fund, Multi-Family Fund, and the Trust (collectively referred to as the Other Funds). Nonetheless, Rhode Island Housing attempts to match asset and liability maturities as closely as practicable. The Corporation manages interest rate risk by considering many variables such as mortgage prepayment frequency and expected asset lives and then utilizing interest sensitivity gap (segmented time distribution) and simulation analysis. Although Rhode Island Housing generally will limit maturities to less than five years in all funds, sometimes it is necessary to invest in longer term securities in revenue and debt service accounts to better match the long-term fixed-rate bond liabilities.

At June 30, 2013 and 2012, the distribution of investments by remaining or re-pricing maturity is as follows:

	June 30, 2013			
	1 year or less	>1 to 5 Years	>5 Years	Total
Operating Fund:				
U.S. Government Obligations	$ 13,030,030	$ -	$ 2,546,030	$ 15,576,060
Single-Family Fund:				
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
Multi-Family Fund:				
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
Trust:				
U.S. Agency Obligations	144,710	-	-	144,710
Total	$ 13,174,740	$ 111,677,920	$ 146,123,417	$ 270,976,077

	June 30, 2012			
	1 year or less	>1 to 5 Years	>5 Years	Total
Operating Fund:				
U.S. Government Obligations	$ 14,570,778	$ -	$ 2,666,298	$ 17,237,076
Single-Family Fund:				
U.S. Government Obligations	-	-	100,983,065	100,983,065
U.S. Agency Obligations	-	2,361,986	-	2,361,986
Guaranteed Investment Contracts	4,792,601	-	2,883,495	7,676,096
Total Single-Family Fund	4,792,601	2,361,986	103,866,560	111,021,147
Multi-Family Fund:				
U.S. Government Obligations	-	39,277	40,000	79,277
U.S. Agency Obligations	-	1,674,682	22,389,963	24,064,645
Guaranteed Investment Contracts	-	1,697,083	31,345,658	33,042,741
Total Multi-Family Fund	-	3,411,042	53,775,621	57,186,663
Escrows*	-	85,320,838	-	85,320,838
Subtotal	19,363,379	91,093,866	160,308,479	270,765,724
Trust:				
U.S. Agency Obligations	239,079	4,989,940	-	5,229,019
Total	$ 19,602,458	$ 96,083,806	$ 160,308,479	$ 275,994,743

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

Included in United States Government Obligations are mortgage-backed securities backed by government-insured single-family mortgage loans originated under Rhode Island Housing's program guidelines. These securities are pass-through securities which require monthly payments by an FHA-approved or Fannie Mae-approved lender and are guaranteed by 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 $129,426,235 and $103,649,363 at June 30, 2013 and 2012, respectively.

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

At June 30, 2013 and 2012, investments, excluding investments relating to escrow accounts for which the credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are rated by Standard & Poor's or Moody's Investors Service as follows:

	June 30, 2013	
Rating Investment	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	-

	June 30, 2012	
Rating Investment	AA+/Aaa U.S. Agencies	Unrated GICS
Operating Fund	$ -	$ -
Single-Family Fund	2,361,986	7,676,095
Multi-Family Fund	24,064,645	33,042,741
Trust	5,229,019	-

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

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

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

At June 30, 2013 and 2012, all Operating Fund investments, including escrows, were invested in U.S. Government and Agency securities, with no concentration of more than 5% of total Operating Fund investments in any particular agency for which the investments were not secured by the U.S. Government.

At June 30, 2013 and 2012, investment concentrations of 5% or more of each respective fund's total investments, excluding investments relating to escrow accounts for which the concentration of credit risk is that of the party for whom the escrow is held rather than that of Rhode Island Housing, are as follows:

	June 30, 2013		
Issuer	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

	June 30, 2012		
Issuer	Single-Family Fund	Multi-Family Fund	Trust
Federal Farm Credit Bank	$ -	$ 11,885,319	$ -
Federal Home Loan Bank	-	9,948,727	-
HSBC Bank	-	33,042,741	-
Federal National Mtg. Assoc.	-	-	5,064,777

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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012 the Corporation was not party to any derivative instruments and has no intention to enter into any such agreements in the near future.

5. Other Assets

Other assets consisted of the following at June 30:

	2013	2012
Real estate owned	$ 15,380,083	$ 19,975,864
Capital assets, net	8,346,553	8,624,214
Deferred origination costs, net	2,638,320	2,957,645
Federal program properties	-	54,986
Purchased mortgage servicing rights, net	1,448,041	1,845,756
Other assets and control accounts	166,339	396,501
Total	$ 27,979,336	$ 33,854,966

Depreciation expense related to capital assets for the years ended June 30, 2013 and 2012 was $759,096 and $726,096, respectively.

Amortization expense related to deferred origination costs and purchased mortgage servicing rights for the years ended June 30, 2013 and 2012 was $1,118,444 and $954,881, respectively.

6. Bonds and Notes Payable

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

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

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

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

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

Bonds and notes payable at June 30, 2013 and 2012 are as follows:

	2013	2012
Operating Fund Bonds and Notes:		
Federal Home Loan Bank		
Due 2013 to 2020, interest from .24% to 2.47%	$ 16,500,000	$ 19,000,000
General Obligation Bonds Series 2008:		
Mandatory tender bonds, due 2013, interest at 4.625%	5,000,000	5,000,000
Note Payable, due 2027 to 2030, interest from 5.275% to 6.25%	6,791,718	6,885,984
Lines of Credit, payable on demand, interest from 1.22% to 1.95%	68,000,000	68,000,000
Total Operating Fund	96,291,718	98,885,984
Single-Family Fund:		
Homeownership Opportunity Bonds and Notes:		
Series 10-A:		
Term bonds, due 2022 to 2027, interest at 6.50%	2,000,000	2,000,000
Series 15-A:		
Term bonds, due 2024, interest at 6.85%	2,000,000	2,000,000

	2013	**2012**
Series 26-B:		
Term bonds, due 2026, interest at 5.40%	-	7,795,000
Series 29-A:		
Term bonds, due 2015 to 2029, interest from 5.05% to 5.10%	-	25,815,000
Series 37-B:		
Term bonds, due 2021, interest at 4.625%	-	890,000
Series 40-A:		
Serial bonds, due 2013 to 2016, interest from 3.90% to 4.50%	-	3,935,000
Term bonds, due 2022 to 2033, interest from 4.90% to 5.00%	-	25,290,000
	-	29,225,000
Series 43-A:		
Serial bonds, due 2012 to 2017, interest from 3.10% to 3.90%	-	3,385,000
Term bonds, due 2018 to 2033, interest from 3.25% to 4.375%	-	7,240,000
	-	10,625,000
Series 44-A:		
Serial bonds, due 2012 to 2013, interest from 3.85% to 4.00%	-	2,370,000
Term bonds, due 2017 to 2033, interest from 4.45% to 5.05%	-	11,680,000
	-	14,050,000
Series 45-A:		
Serial bonds, due 2013 to 2017, interest from 4.00% to 4.60%	-	7,075,000
Series 45-B:		
Term bonds, due 2020 to 2024, interest from 4.00% to 4.90%	-	17,335,000
Series 46-A:		
Serial bonds, due 2013 to 2014, interest from 3.75% to 3.85%	1,355,000	2,205,000
Term bonds, due 2019 to 2034, interest from 4.25% to 4.60%	30,115,000	30,205,000
	31,470,000	32,410,000
Series 46-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 47-A:		
Serial bonds, due 2013 to 2015, interest from 3.90% to 4.10%	2,705,000	3,475,000
Term bonds, due 2017, interest at 4.30%	1,670,000	1,670,000
	4,375,000	5,145,000
Series 47-B:		
Term bonds, due 2025 to 2033, interest from 5.00% to 5.15%	27,470,000	29,910,000

	2013	**2012**
Series 48-A:		
Serial bonds, due 2013 to 2017, interest from 3.65% to 4.10%	4,105,000	4,920,000
Series 48-B:		
Term bonds, due 2025 to 2035, interest from 4.70% to 4.85%	19,770,000	19,820,000
Series 48-T:		
Term bonds, due 2034, interest at variable rate	15,000,000	15,000,000
Series 49-A:		
Serial bonds, due 2013 to 2015, interest from 3.85% to 4.10%	4,475,000	6,260,000
Term bonds, due 2017 to 2034, interest from 4.20% to 4.75%	4,105,000	4,105,000
	8,580,000	10,365,000
Series 49-B:		
Term bonds, due 2020 to 2035, interest from 4.40% to 4.80%	27,420,000	28,520,000
Series 50-A:		
Serial bonds, due 2013 to 2014, interest from 3.75% to 3.85%	4,525,000	7,610,000
Term bonds, due 2017 to 2034, interest from 4.00% to 4.65%	17,270,000	17,270,000
	21,795,000	24,880,000
Series 50-B:		
Term bonds, due 2035, interest at 4.60%	38,365,000	38,365,000
Series 51-A:		
Serial bonds, due 2013 to 2017, interest from 3.85% to 4.125%	8,110,000	9,915,000
Term bonds, due 2026 to 2033, interest from 4.65% to 4.85%	29,215,000	29,215,000
	37,325,000	39,130,000
Series 51-B:		
Term bonds, due 2036, interest at 5.00%	2,975,000	4,430,000
Series 52-A:		
Serial bonds, due 2013 to 2018, interest from 4.00% to 4.30%	6,270,000	7,725,000
Term bonds, due 2021 to 2033, interest from 4.50% to 4.80%	11,740,000	11,740,000
	18,010,000	19,465,000
Series 52-B:		
Term bonds, due 2028 to 2036, interest from 4.90% to 5.00%	24,055,000	24,215,000
Series 53-A:		
Serial bonds, due 2013 to 2017, interest from 3.80% to 4.05%	10,220,000	12,940,000
Term bonds, due 2034, interest at 4.60%	3,150,000	3,150,000
	13,370,000	16,090,000

	2013	**2012**
Series 53-B:		
Term bonds, due 2021 to 2046, interest from 4.70% to 5.00%	41,070,000	41,135,000
Series 54:		
Term bonds, due 2026 to 2046, interest from 4.65% to 4.90%	60,675,000	60,675,000
Series 55-A:		
Serial bonds, due 2013 to 2017, interest from 3.70% to 3.95%	8,345,000	8,345,000
Term bonds, due 2034, interest at 4.50%	2,280,000	2,280,000
	10,625,000	10,625,000
Series 55-B:		
Serial bonds, due 2013 to 2017, interest from 4.15% to 4.375%	1,150,000	2,900,000
Term bonds, due 2022 to 2047, interest from 4.55% to 4.85%	56,360,000	57,295,000
	57,510,000	60,195,000
Series 56-A:		
Serial bonds, due 2013 to 2015, interest from 4.50% to 4.65%	2,310,000	3,065,000
Term bonds, due 2017 to 2047, interest from 4.75% to 5.20%	57,500,000	58,175,000
	59,810,000	61,240,000
Series 56-B1-T:		
Term bonds, due 2047, interest at 6.074%	3,555,000	4,655,000
Series 57-A:		
Serial bonds, due 2013 to 2017, interest from 3.90% to 4.25%	6,705,000	8,160,000
Term bonds, due 2034, interest at 5.00%	475,000	475,000
	7,180,000	8,635,000
Series 57-B:		
Term bonds, due 2022 to 2047, interest from 5.15% to 5.35%	41,415,000	43,075,000
Series 58-A:		
Term bonds, due 2023 to 2047, interest from 5.05% to 5.50%	40,815,000	52,845,000
Series 58-T:		
Term bonds, due 2013, interest at 4.98%	1,150,000	2,045,000
Series 59-A:		
Serial bonds, due 2013 to 2017, interest from 3.375% to 4.125%	10,170,000	12,615,000
Term bonds, due 2034, interest at 5.15%	3,215,000	3,215,000
	13,385,000	15,830,000
Series 59-B:		
Term bonds, due 2022, interest at 5.45%	-	12,050,000

	2013	**2012**
Series 59-C:		
Demand bonds, due 2047, interest at variable rate	-	25,000,000
Series 60-A1:		
Serial bonds, due 2013 to 2017, interest from 3.70% to 4.30%	6,870,000	8,560,000
Term bonds, due 2034, interest at 5.375%	-	3,080,000
	6,870,000	11,640,000
Series 60-B:		
Serial bonds, due 2017 to 2018, interest from 5.00% to 5.150%	1,840,000	1,840,000
Series 61-A:		
Serial bonds, due 2013 to 2023, interest from .45% to 3.05%	15,000,000	15,000,000
Series 61-B:		
Term bonds, due 2026 to 2042, interest from 3.45% to 4.15%	9,290,000	10,000,000
Series 61-C:		
Serial bonds, due 2013 to 2020, interest from 1.10% to 3.00%	27,220,000	28,560,000
Term bonds, due 2034, interest at 4.00%	7,890,000	9,340,000
	35,110,000	37,900,000
Series 62-A:		
Serial bonds, due 2013 to 2021, interest from .70% to 3.125%	9,445,000	-
Series 62-B:		
Serial bonds, due 2021 to 2022, interest from 3.125% to 3.25%	4,025,000	-
Term bonds, due 2024 to 2028, interest from 3.50% to 4.00%	10,975,000	-
	15,000,000	-
Series 62-C:		
Serial bonds, due 2013 to 2022, interest from 1.35% to 3.875%	21,915,000	-
Term bonds, due 2022 to 2028, interest from 3.875% to 4.50%	36,505,000	-
	58,420,000	-
Series 63-A:		
Term bonds, due 2027 to 2040, interest from 3.50% to 4.00%	19,205,000	-
		-
Series 63-B:		-
Term bonds, due 2032 to 2042, interest from 3.80% to 4.125%	3,815,000	-
Series 63-C:		-
Serial bonds, due 2013 to 2022, interest from .95% to 3.50%	12,290,000	-
Term bonds, due 2025, interest at 3.75%	3,680,000	-
	15,970,000	-

	2013	2012
Series 63-T:		
Term bonds, due 2042, interest at variable rate	24,820,000	-
Unamortized bond premium	1,508,709	1,400,618
Subtotal	866,568,709	920,260,618
Home Funding Bonds and Notes:		
Series 1-A:		
Serial bonds, due 2013 to 2021, interest from 1.90% to 4.125%	10,680,000	13,665,000
Term bonds, due 2024 to 2027, interest from 4.375% to 4.625%	10,250,000	12,005,000
	20,930,000	25,670,000
Series 1-B:		
Term bonds, due 2039, interest at 3.96%	-	41,770,000
Series 2:		
Term bonds, due 2041, interest at variable rate	31,980,000	32,000,000
Series 2, Subseries 2A:		
Term bonds, due 2041, interest at 3.16%	28,535,000	29,650,000
Series 2, Subseries 2B:		
Term bonds, due 2041, interest at 2.63%	20,820,000	21,000,000
Series 3:		
Serial bonds, due 2013 to 2020, interest from 1.30% to 3.20%	7,565,000	8,490,000
Term bonds, due 2025 to 2028, interest from 4.00% to 4.10%	10,400,000	10,515,000
	17,965,000	19,005,000
Series 4:		
Serial bonds, due 2013 to 2022, interest from 1.00% to 3.50%	7,090,000	7,750,000
Term bonds, due 2026 to 2028, interest from 4.05% to 4.20%	5,985,000	6,045,000
	13,075,000	13,795,000
Series 5:		
Term bonds, due 2028 to 2040, interest from 2.75% to 3.45%	39,840,000	-
Unamortized bond premium (discount)	685,787	(14,117)
Subtotal	173,830,787	182,875,883
Total Single-Family Fund	1,040,399,496	1,103,136,501

	2013	2012
Multi-Family Fund:		
Multi-Family Housing Bonds:		
1995 Series A:		
Term bonds, due 2017, interest at 6.15%	630,000	740,000
1998 Series A:		
Serial bonds, due 2012, interest at 5.10%	-	90,000
Term bonds, due 2018 to 2033, interest from 5.375% to 5.50%	660,000	3,550,000
	660,000	3,640,000
Subtotal	1,290,000	4,380,000
Housing Bonds:		
2001 Series A:		
Serial bonds, due 2013, interest at 5.15%	235,000	460,000
Term bonds, due 2015, interest at 5.30%	1,490,000	1,490,000
	1,725,000	1,950,000
2001 Series B-1B:		
Serial bonds, due 2012 to 2013, interest from 4.45% to 4.55%	-	2,235,000
Term bonds, due 2022, interest at 5.15%	-	7,810,000
	-	10,045,000
2001 Series B-2T:		
Term bonds, due 2031, interest at variable rate	3,635,000	3,715,000
2002 Series A:		
Serial bonds, due 2012, interest at 4.55%	-	175,000
Term bonds, due 2016 to 2032, interest from 5.00% to 5.55%	-	8,620,000
	-	8,795,000
2003 Series A-1:		
Serial bonds, due 2013, interest at 4.10%	-	90,000
Term bonds, due 2018 to 2035, interest from 4.625% to 4.95%	-	7,455,000
	-	7,545,000
2003 Series A-2T:		
Term bonds, due 2034, interest at variable rate	20,600,000	21,010,000
2003 Series B-1A:		
Serial bonds, due 2013 to 2016, interest from 4.65% to 4.90%	-	1,485,000
Term bonds, due 2024 to 2034, interest from 5.375% to 5.50%	-	9,100,000
	-	10,585,000
2003 Series B-1B:		
Term bonds, due 2024 to 2034, interest from 5.375% to 5.55%	-	2,605,000

	2013	**2012**
2003 Series B-2T:		
Term bonds, due 2035, interest at variable rate	8,815,000	8,900,000
2003 Series C-1A:		
Serial bonds, due 2013 to 2014, interest from 4.00% to 4.10%	-	665,000
Term bonds, due 2023 to 2034, interest from 4.85% to 5.00%	-	15,695,000
	-	16,360,000
2003 Series C-1B:		
Serial bonds, due 2013 to 2014, interest from 4.00% to 4.10%	-	60,000
Term bonds, due 2023 to 2035, interest from 4.85% to 5.00%	-	1,370,000
	-	1,430,000
2004 Series A-1A:		
Serial bonds, due 2013 to 2016, interest from 4.125% to 4.50%	615,000	775,000
Term bonds, due 2025 to 2033, interest from 5.00% to 5.10%	6,335,000	6,335,000
	6,950,000	7,110,000
2004 Series A-1B:		
Term bonds, due 2016 to 2045, interest from 4.50% to 5.35%	3,120,000	3,145,000
2004 Series B-1A:		
Serial bonds, due 2013 to 2015, interest from 3.50% to 3.70%	40,000	50,000
Term bonds, due 2025 to 2045, interest from 4.55% to 4.85%	1,890,000	1,890,000
	1,930,000	1,940,000
2004 Series B-1B-1:		
Serial bonds, due 2013 to 2015, interest from 3.90% to 4.10%	400,000	510,000
Term bonds, due 2045, interest at 4.90%	12,875,000	12,875,000
	13,275,000	13,385,000
2004 Series B-1B-2:		
Serial bonds, due 2013 to 2015, interest from 3.90% to 4.10%	75,000	100,000
Term bonds, due 2025 to 2035, interest from 4.65% to 4.90%	860,000	860,000
	935,000	960,000
2004 Series B-2T:		
Term bonds, due 2015 to 2030, interest from 4.85% to 5.57%	3,315,000	3,400,000
2005 Series A-1A:		
Serial bonds, due 2013 to 2015, interest from 4.10% to 4.25%	1,225,000	1,585,000
Term bonds, due 2025 to 2035, interest from 4.75% to 4.875%	17,230,000	17,230,000
	18,455,000	18,815,000
2005 Series A-1B:		
Term bonds, due 2035, interest at 4.90%	270,000	270,000
2005 Series A-2T:		
Term bonds, due 2015 to 2018, interest from 5.14% to 5.29%	1,065,000	1,210,000

	2013	2012
2006 Series A-1:		
Serial bonds, due 2013 to 2016, interest from 3.90% to 4.05%	1,050,000	1,285,000
Term bonds, due 2022 to 2043, interest from 4.50% to 4.75%	19,680,000	19,680,000
	20,730,000	20,965,000
2007 Series A-1:		
Serial bonds, due 2013 to 2017, interest from 4.05% to 4.35%	1,575,000	1,830,000
Term bonds, due 2027 to 2048, interest from 4.80% to 5.00%	29,680,000	29,680,000
	31,255,000	31,510,000
2007 Series A-2T:		
Term bonds, due 2027, interest at 5.608%	1,210,000	1,270,000
2007 Series B-1A/B:		
Serial bonds, due 2013 to 2017, interest from 4.10% to 4.50%	1,090,000	1,325,000
Term bonds, due 2022 to 2049, interest from 5.00% to 5.50%	24,405,000	24,405,000
	25,495,000	25,730,000
Unamortized bond premium	160,211	105,801
Subtotal	162,940,211	222,755,801
Multi-Family Funding Bonds:		
2009 Series A, Subseries 2009A-1		
Term bonds, due 2051, interest at 3.01%	51,000,000	51,000,000
2009 Series A, Subseries 2009A-2		
Term bonds, due 2051, interest at 2.32%	14,100,000	14,100,000
2010 Series A:		
Serial bonds, due 2013 to 2021, interest from 1.50% to 4.00%	5,005,000	5,435,000
Term bonds, due 2025 to 2035, interest from 4.625% to 5.25%	15,550,000	15,550,000
	20,555,000	20,985,000
2011 Series A:		
Serial bonds, due 2013 to 2017, interest from .95% to 2.50%	715,000	730,000
Term bonds, due 2021 to 2032, interest from 3.125% to 4.625%	4,310,000	4,310,000
	5,025,000	5,040,000
Subtotal	90,680,000	91,125,000
Multi-Family Development Bonds:		
2011 Series 1:		
Serial bonds, due 2013 to 2021, interest from 1.50% to 4.25%	560,000	605,000
Term bonds, due 2025 to 2051, interest from 4.75% to 5.875%	8,285,000	8,285,000
	8,845,000	8,890,000

	2013	2012
2011 Series 1:		
Term bonds, due 2013, interest at 1.125%	-	7,000,000
2013 Series 1-AB:		
Serial bonds, due 2014 to 2023, interest from .40% to 2.85%	4,245,000	-
Term bonds, due 2015 to 2048, interest from .85% to 4.125%	39,275,000	-
	43,520,000	-
2013 Series 2-T:		
Serial bonds, due 2013 to 2023, interest from .489% to 3.218%	19,035,000	-
Term bonds, due 2027 to 2036, interest from 3.768% to 4.606%	36,725,000	-
	55,760,000	-
Unamortized bond discount	(47,579)	-
Subtotal	108,077,421	15,890,000
Multi-Family Mortgage Revenue Bonds:		
1998 Series A:		
Term bonds, due 2028, interest at variable rate	1,885,000	1,965,000
Series 2006 (University Heights Project):		
Term bonds, due 2039, interest at variable rate	26,700,000	26,700,000
Series 2006 (Sutterfield Project):		
Term bonds, due 2039, interest at variable rate	7,000,000	7,000,000
Series 2006 (The Groves):		
Term bonds, due 2040, interest at variable rate	30,950,000	30,950,000
Subtotal	66,535,000	66,615,000
Total Multi-Family Fund	429,522,632	400,765,801
Total Bonds And Notes Payable	1,566,213,846	1,602,788,286

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.

Homeownership Opportunity Bonds Payable	Date of Issue	Outstanding Principal Balance
Series 26-B	3/31/1998	$ 6,395,000
Series 29-A	12/23/1998	24,590,000
Series 37-B	8/8/2001	145,000
Series 40-A	9/26/2002	29,225,000
Series 43-A	6/1/2003	10,260,000
		$ 70,615,000

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.

Homeownership Opportunity Bonds Payable	Date of Issue	Outstanding Principal Balance
Series 44-A	9/24/2003	$ 13,225,000
Series 45-A	11/20/2003	7,075,000
Series 45-B	11/20/2003	16,295,000
		$ 36,595,000

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.

Homeownership Opportunity Bonds Payable	Date of Issue	Outstanding Principal Balance
Series 59-C	3/30/2008	$ 25,000,000
		$ 25,000,000

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.

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

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.

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

On June 6, 2012, the Corporation refunded $53,215,000 of certain Homeownership Opportunity Bonds with an average interest rate of 5.11% by the issuance of $62,900,000 Homeownership Opportunity Bonds Series 61A-C dated June 6, 2012 with an average interest rate of 2.99%.

The Corporation refunded the following debt to reduce its total debt service payments over the next twenty-two years by $9,704,384 and to obtain an economic gain of $8,305,126.

Homeownership Opportunity Bonds Payable	Date of Issue	Outstanding Principal Balance
Series 25-A	9/23/1997	$ 1,060,000
Series 28-A	9/29/1998	1,555,000
Series 30-B	3/30/1999	795,000
Series 36-B	3/29/2001	625,000
Series 38-A	12/20/2001	14,995,000
Series 39-A	3/27/2002	45,000
Series 39-B	3/27/2002	13,625,000
Series 41-A	12/19/2002	1,785,000
Series 41-B	12/19/2002	6,620,000
Series 42-A	04/01/2003	12,110,000
		$ 53,215,000

The Operating Fund's lines of credit were established with financial institutions primarily to make funds available for the origination, or purchase from participating originating lenders, of single-family loans prior to the time such loans are funded by bond proceeds received by the issuance of bonds under the Single-Family Fund. At June 30, 2013, the Corporation may borrow up to a maximum of $85,000,000 under various revolving loan agreements expiring between August 2013 and December 2014. Borrowings under the lines of credit are payable on demand and are unsecured.

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, 2013 (dollars in thousands):

	Operating Fund Bonds/Notes		Single-Family Fund Bonds/Notes		Multi-Family Fund Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 82,600	$ 1,130	$ 32,680	$ 41,454	$ 5,340	$ 13,924
2015	107	551	32,820	40,432	14,065	13,415
2016	114	545	33,770	39,355	6,805	13,174
2017	121	537	33,225	38,215	5,975	12,992
2018	3,628	533	38,930	37,028	6,380	12,820
2019-2023	4,271	2,009	189,180	162,668	35,970	60,972
2024-2028	1,555	1,476	204,735	121,389	49,010	53,725
2029-2033	3,896	685	219,470	77,354	66,575	42,800
2034-2038	-	-	173,745	33,559	49,545	30,457
2039-2043	-	-	68,790	8,695	116,025	20,451
2044-2048	-	-	10,860	1,364	50,410	9,392
2049-2053	-	-	-	-	23,310	1,295
	$ 96,292	$ 7,466	$ 1,038,205	$ 601,513	$ 429,410	$ 285,417

Homeownership Opportunity Bonds Series 46-T, 48-T, and 63-T, 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 .51%-1.19% at June 30, 2013. The Multi-Family Mortgage Revenue Bonds bear interest at a tax-exempt rate established weekly, which range from .06% - .45% at June 30, 2013.

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
	$ 1,602,788,287	$ 616,900,128	$(653,474,570)	$ 1,566,213,846

Bonds and notes payable activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and notes payable:				
General obligation bonds	$ 5,000,000	$ -	$ -	$ 5,000,000
Unsecured notes	59,610,123	212,350,000	(197,074,139)	74,885,984
Secured notes	20,000,000	38,000,000	(39,000,000)	19,000,000
Revenue bonds	1,572,071,502	124,354,291	(192,523,490)	1,503,902,303
	$ 1,656,681,625	$ 374,704,291	$(428,597,629)	$ 1,602,788,287

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

Total credit exposure as a result of loan commitments at June 30, 2013 is as follows:

Fund	Commitments
Operating Fund	$ 19,980,852
Single-Family Fund	6,476,261
Multi-Family Fund	6,238
Total	$ 33,386,881

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

The Corporation is party to a standby letter of credit agreement whereby the Corporation guarantees payment of principal and interest to bondholders in the event of nonperformance by the borrower. The Corporation's exposure to credit loss is represented by the contractual amount of the letter of credit, up to a maximum of $1,991,649 at June 30, 2013. The Corporation also entered into a confirming letter of credit agreement with a financial institution whereby the financial institution guarantees payment of principal and interest to bondholders in the event of nonperformance by both the borrower and the Corporation. The Corporation holds a marketable security as collateral to support this confirming letter of credit with a fair value of $2,546,030 at June 30, 2013.

The Corporation has entered into contracts with six developments under the Neighborhoods Opportunity Program to fund projects over the next ten years for a total of $1,300,000. At June 30, 2013, $65,000 has been paid under these contracts.

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

Rhode Island Housing is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God for which Rhode Island Housing carries commercial insurance. Neither Rhode Island Housing nor its insurers have settled any claims which exceeded Rhode Island Housing's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year. Rhode Island Housing also is self-insured for unemployment compensation, and no accrual has been recorded in the accompanying financial statements for claims expected to arise from services rendered on or before June 30, 2013 because Rhode Island Housing officials are of the opinion that, based on prior experience, any claims will not be material.

8. Segment Information

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

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, 2013 and 2012 totaled $845,311 and $882,798, respectively. The assets of the Plan were placed under a separate trust agreement for the benefit of the applicable employees, and therefore are neither an asset nor a liability of the Corporation.

Post-employment Healthcare Plan

The Rhode Island Housing Retiree Healthcare Plan (RIHRHP) is a single-employer defined benefit healthcare plan administered by the Corporation. RIHRHP provides medical insurance benefits to eligible employees who retire from active full-time employment based on years of service and age. As of June 30, 2013, the plan included 14 retirees, 11 of which are receiving benefits, and 168 active employees. RIHRHP does not issue a stand-alone financial report.

The Corporation's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. For the years ended June 30, 2013 and 2012, plan members receiving benefits contributed $6,081 and $5,712, respectively, as their required contribution.

The annual OPEB cost and related information for the fiscal years ended June 30, 2013 and 2012, are as follows:

	2013	2012
Annual required contribution (ARC)	$ 364,344	$ 353,732
Interest on OPEB obligation	139,116	124,000
Adjustments to ARC	(128,888)	(114,888)
Annual OPEB cost	374,572	362,844
Net estimated employer contributions	(22,958)	(27,001)
Increase in net OPEB obligation	351,614	335,843
Net OPEB obligation, beginning of year	3,091,437	2,755,594
Net OPEB obligation, end of year	$ 3,443,051	$ 3,091,437
Percent of annual OPEB cost contributed	6.1%	7.4%

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, 2013 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
June 30, 2011	351,467	25,120	7.1%	2,755,594
June 30, 2012	362,844	27,001	7.4%	3,091,437
June 30, 2013	374,572	22,958	6.1%	3,443,051

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 $2,764,235 as of June 30, 2011, the most recent actuarial valuation date. As of June 30, 2013, the unfunded accrued liability, as a percentage of covered payroll of $8,121,754, was approximately 34%.

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 8.50%, declining to an ultimate rate of 4.50% after 8 years.

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

10. Subsequent Events

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

Date of Call	Principal Program	Outstanding
October 1, 2013	Homeownership Opportunity Bonds	$ 42,560,000
October 1, 2013	Home Funding Bonds	$ 5,660,000

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, 2013

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%

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, 2013 and 2012

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2013	**2012**	**2013**	**2012**
Assets				
Loans receivable	$ 867,979,787	$ 942,929,923	$ 60,257,274	$ 70,812,116
Less allowance for loan losses	(16,368,068)	(10,200,000)	7,498	-
Loans receivable, net	851,611,719	932,729,923	60,264,772	70,812,116
Investments	23,608,033	24,838,875	108,426,528	86,182,272
Accrued interest-loans	3,338,766	3,659,415	197,793	209,195
Accrued interest-investments	126,276	180,389	349,194	288,206
Cash and cash equivalents	100,077,210	80,419,270	16,637,700	40,152,078
Bond issuance costs, net	7,323,821	6,862,217	1,640,444	1,353,594
Other assets, net	16,864,618	18,816,505	633,802	141,050
Interfund receivable	-	1,272	18,597	18,597
Total Assets	**$ 1,002,950,443**	**$ 1,067,507,866**	**$ 188,168,830**	**$ 199,157,108**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 866,568,709	$ 920,260,618	$ 173,830,787	$ 182,875,883
Accrued interest payable on bonds and notes	9,084,262	9,743,705	1,374,472	1,355,142
Accounts payable and accrued liabilities	297,492	379,958	-	-
Fees, net	276,017	301,986	-	-
Total liabilities	**876,226,480**	**930,686,267**	**175,205,259**	**184,231,025**
Net Position				
Net position, restricted for debt service	126,723,963	136,821,599	12,963,571	14,926,083
Total Liabilities and Net Position	**$ 1,002,950,443**	**$ 1,067,507,866**	**$ 188,168,830**	**$ 199,157,108**

(Continued)

See Accompanying Notes to Financial Statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position - Single-Family Fund
June 30, 2013 and 2012

	Single-Family Fund Totals	
	2013	**2012**
Assets		
Loans receivable	$ 928,237,061	$ 1,013,742,039
Less allowance for loan losses	(16,360,570)	(10,200,000)
Loans receivable, net	911,876,491	1,003,542,039
Investments	132,034,561	111,021,147
Accrued interest-loans	3,536,559	3,868,610
Accrued interest-investments	475,470	468,595
Cash and cash equivalents	116,714,910	120,571,348
Bond issuance costs, net	8,964,265	8,215,811
Other assets, net	17,498,420	18,957,555
Interfund receivable	18,597	19,869
Total Assets	**$ 1,191,119,273**	**$ 1,266,664,974**
Liabilities and Net Position		
Liabilities		
Bonds and notes payable	$ 1,040,399,496	$ 1,103,136,501
Accrued interest payable on bonds and notes	10,458,734	11,098,847
Accounts payable and accrued liabilities	297,492	379,958
Fees, net	276,017	301,986
Total liabilities	**1,051,431,739**	**1,114,917,292**
Net Position		
Net position, restricted for debt service	139,687,534	151,747,682
Total Liabilities and Net Position	**$ 1,191,119,273**	**$ 1,266,664,974**

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, 2013 and 2012

	Homeownership Opportunity Bond Program		Home Funding Bond Program	
	2013	**2012**	**2013**	**2012**
Operating revenues:				
Interest income on loans	$ 44,494,992	$ 49,333,318	$ 2,677,182	$ 2,922,015
Earnings on investments:				
Interest on investments	1,131,488	1,883,273	3,808,171	3,407,495
Net increase (decrease) in fair value of investments	(688,264)	296,808	(2,131,195)	3,307,787
Total operating revenues	**44,938,216**	**51,513,399**	**4,354,158**	**9,637,297**
Operating expenses:				
Interest expense	37,774,501	43,035,301	5,270,791	5,001,116
Other administrative expenses	96,759	222,939	-	-
Housing initiatives	29,091	48,723	-	-
Provision for loan losses	9,587,008	2,455,892	-	-
REO expenditures	830,982	737,028	157	-
Arbitrage rebate	28,876	(261,152)	-	-
Amortization of bond issuance costs	533,593	514,705	128,934	65,855
Early retirement of debt	433,354	929,851	99,781	36,514
Depreciation and amortization of other assets	453,730	368,004	69,740	37,274
Total operating expenses	**49,767,894**	**48,051,291**	**5,569,403**	**5,140,759**
Operating income (loss)	**(4,829,678)**	**3,462,108**	**(1,215,245)**	**4,496,538**
Transfers in (out)	(5,267,958)	(13,042,317)	(747,267)	314,493
Total change in net position	**(10,097,636)**	**(9,580,209)**	**(1,962,512)**	**4,811,031**
Net position, beginning of year	136,821,599	146,401,808	14,926,083	10,115,052
Net position, end of year	$ 126,723,963	$ 136,821,599	$ 12,963,571	$ 14,926,083

(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, 2013 and 2012

	Single-Family Fund Total	
	2013	**2012**
Operating revenues:		
Interest income on loans	$ 47,172,174	$ 52,255,333
Earnings on investments:		
Interest on investments	4,939,659	5,290,768
Net increase (decrease) in fair value of investments	(2,819,459)	3,604,595
Total operating revenues	**49,292,374**	**61,150,696**
Operating expenses:		
Interest expense	43,045,292	48,036,417
Other administrative expenses	96,759	222,939
Housing initiatives	29,091	48,723
Provision for loan losses	9,587,008	2,455,892
REO expenditures	831,139	737,028
Arbitrage rebate	28,876	(261,152)
Amortization of bond issuance costs	662,527	580,560
Early retirement of debt	533,135	966,365
Depreciation and amortization of other assets	523,470	405,278
Total operating expenses	**55,337,297**	**53,192,050**
Operating income (loss)	**(6,044,923)**	**7,958,646**
Transfers in (out)	(6,015,225)	(12,727,824)
Total change in net position	**(12,060,148)**	**(4,769,178)**
Net position, beginning of year	151,747,682	156,516,860
Net position, end of year	$ 139,687,534	$ 151,747,682

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 Net Position - Multi-Family Fund
June 30, 2013 and 2012

	Multi-Family Housing Bond Program		Housing Bond Program	
	2013	**2012**	**2013**	**2012**
Assets				
Loans receivable	$ 932,884	$ 3,867,890	$ 157,862,614	$ 215,214,538
Less allowance for loan losses	-	-	-	-
Loans receivable, net	932,884	3,867,890	157,862,614	215,214,538
Investments	21,177,114	31,345,658	16,552,191	25,841,005
Accrued interest-loans	5,986	24,819	978,937	1,283,982
Accrued interest-investments	202,748	415,442	114,711	250,000
Cash and cash equivalents	766,968	977,379	10,666,227	15,603,991
Bond issuance costs, net	5,680	61,600	20,943	56,912
Total Assets	**$ 23,091,380**	**$ 36,692,788**	**$ 186,195,623**	**$ 258,250,428**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 1,290,000	$ 4,380,000	$ 162,940,211	$ 222,755,801
Accrued interest payable on bonds and notes	37,110	122,262	1,662,604	2,434,547
Accounts payable and accrued liabilities	108,585	246,529	1,293,984	3,187,825
Fees, net	-	-	-	-
Escrow deposits	-	-	1,247,725	1,247,726
Total liabilities	**1,435,695**	**4,748,791**	**167,144,524**	**229,625,899**
Net Position				
Net position, restricted for debt service	21,655,685	31,943,997	19,051,099	28,624,529
Total Liabilities and Net Position	**$ 23,091,380**	**$ 36,692,788**	**$ 186,195,623**	**$ 258,250,428**

(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, 2013 and 2012

	Multi-Family Mortgage Revenue Bond Program		Multi-Family Funding Bond Program	
	2013	**2012**	**2013**	**2012**
Assets				
Loans receivable	$ 66,535,000	$ 66,615,000	$ 90,724,607	$ 91,177,767
Less allowance for loan losses	-	-	-	-
Loans receivable, net	66,535,000	66,615,000	90,724,607	91,177,767
Accrued interest-loans	21,671	32,354	482,945	485,345
Cash and cash equivalents	2,105,926	1,088,068	9,772,371	6,946,899
Bond issuance costs, net	-	-	-	53,708
Total Assets	**$ 68,662,597**	**$ 67,735,422**	**$ 100,979,923**	**$ 98,663,719**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 66,535,000	$ 66,615,000	$ 90,680,000	$ 91,125,000
Accrued interest payable on bonds and notes	6,006	15,096	748,052	749,361
Fees, net	66,750	66,750	-	-
Escrow deposits	2,111,998	1,087,797	-	-
Total liabilities	**68,719,754**	**67,784,643**	**91,428,052**	**91,874,361**
Net Position				
Net position, restricted for debt service	(57,157)	(49,221)	9,551,871	6,789,358
Total Liabilities and Net Position	**$ 68,662,597**	**$ 67,735,422**	**$ 100,979,923**	**$ 98,663,719**

(Continued)

See Accompanying Notes to Financial Statements.

RHODE ISLAND HOUSING AND MORTGAGE FINANCE CORPORATION
(A Component Unit of the State of Rhode Island)
Combining Statements of Net Position
June 30, 2013 and 2012

	Multi-Family Development Bonds		Multi-Family Fund Total	
	2013	**2012**	**2013**	**2012**
Assets				
Loans receivable	$ 105,183,092	$ 15,871,052	$ 421,238,197	$ 392,746,247
Less allowance for loan losses	-	-	-	-
Loans receivable, net	105,183,092	15,871,052	421,238,197	392,746,247
Investments	-	-	37,729,305	57,186,663
Accrued interest-loans	618,091	77,607	2,107,630	1,904,107
Accrued interest-investments	-	-	317,459	665,442
Cash and cash equivalents	25,582,760	8,005,718	48,894,252	32,622,055
Bond issuance costs, net	376,655	34,101	403,278	206,321
Total Assets	**$ 131,760,598**	**23,988,478**	**$ 510,690,121**	**485,330,835**
Liabilities and Net Position				
Liabilities				
Bonds and notes payable	$ 108,077,421	$ 15,890,000	$ 429,522,632	$ 400,765,801
Accrued interest payable on bonds and notes	1,329,823	141,096	3,783,595	3,462,362
Accounts payable and accrued liabilities	-	-	1,402,569	3,434,354
Fees, net	-	-	66,750	66,750
Escrow deposits	-	-	3,359,723	2,335,523
Total liabilities	**109,407,244**	**16,031,096**	**438,135,269**	**410,064,790**
Net Position				
Net position, restricted for debt service	22,353,354	7,957,382	72,554,852	75,266,045
Total Liabilities and Net Position	**$ 131,760,598**	**$ 23,988,478**	**$ 510,690,121**	**$ 485,330,835**

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, 2013 and 2012

	Multi-Family Housing Bond Program		Housing Bond Program	
	2013	**2012**	**2013**	**2012**
Operating revenues:				
Interest income on loans	$ 184,138	$ 334,033	$ 13,342,914	$ 15,208,622
Earnings on investments:				
Interest on investments	1,629,784	1,879,808	2,611,181	1,078,813
Net increase (decrease) in fair value of investments	-	-	(2,609,728)	1,803,483
Total operating revenues	**1,813,922**	**2,213,841**	**13,344,367**	**18,090,918**
Operating expenses:				
Interest expense	180,187	244,525	8,775,710	9,854,746
Other administrative expenses	32,152	16,278	737,744	761,134
Housing initiatives	-	-	-	-
Arbitrage rebate	(137,945)	57,976	(1,000,210)	842,057
Amortization of bond issuance costs	4,859	6,446	5,201	7,504
Early retirement of debt	51,061	-	-	-
Total operating expenses	**130,314**	**325,225**	**8,518,445**	**11,465,441**
Operating income	**1,683,608**	**1,888,616**	**4,825,922**	**6,625,477**
Transfers in (out)	(11,971,919)	(2,286,755)	(14,399,352)	(6,473,587)
Total change in net position	**(10,288,311)**	**(398,139)**	**(9,573,430)**	**151,890**
Net position, beginning of year	31,943,996	32,342,136	28,624,529	28,472,639
Net position, end of year	$ 21,655,685	$ 31,943,997	$ 19,051,099	$ 28,624,529

(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, 2013 and 2012

	Multi-Family Mortgage Revenue Bond Program		Multi-Family Funding Bond Program	
	2013	**2012**	**2013**	**2012**
Operating revenues:				
Interest income on loans	$ 450,123	$ 476,601	$ 5,809,787	$ 5,405,678
Earnings on investments:				
Interest on investments	-	-	3,971	1,827
Total operating revenues	**450,123**	**476,601**	**5,813,758**	**5,407,505**
Operating expenses:				
Interest expense	127,172	145,217	2,997,538	2,733,849
Other administrative expenses	-	-	136,767	112,619
Amortization of bond issuance costs	-	-	761	1,826
Early retirement of debt	-	-	52,947	-
Total operating expenses	**127,172**	**145,217**	**3,188,013**	**2,848,294**
Operating income	**322,951**	**331,384**	**2,625,745**	**2,559,211**
Transfers in (out)	(330,887)	(330,440)	136,767	(1,411,172)
Total change in net position	**(7,936)**	**944**	**2,762,512**	**1,148,039**
Net positoin, beginning of year	(49,221)	(50,165)	6,789,359	5,641,319
Net position, end of year	$ (57,157)	$ (49,221)	$ 9,551,871	$ 6,789,358

(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 Positon - Multi-Family Fund
For the Years Ended June 30, 2013 and 2012

	Multi-Family Development Bonds		Multi-Family Total	
	2013	2012	2013	2012
Operating revenues:				
Interest income on loans	$ 3,160,629	$ 812,582	$ 22,947,591	$ 22,237,516
Earnings on investments:				
Interest on investments	3,753	1,962	4,248,689	2,962,410
Net increase (decrease) in fair value of investments	-	-	(2,609,728)	1,803,483
Total operating revenues	**3,164,382**	**814,544**	**24,586,552**	**27,003,409**
Operating expenses:				
Interest expense	1,747,820	529,006	13,828,427	13,507,343
Other administrative expenses	18,957	19,127	925,620	909,158
Arbitrage rebate	(37,125)	-	(1,175,280)	900,033
Amortization of bond issuance costs	35,659	24,881	46,480	40,657
Early retirement of debt	3,410	-	107,418	-
Total operating expenses	**1,768,721**	**573,014**	**13,732,665**	**15,357,191**
Operating income	**1,395,661**	**241,530**	**10,853,887**	**11,646,218**
Transfers in (out)	13,000,311	6,958,736	(13,565,080)	(3,543,218)
Total change in net position	**14,395,972**	**7,200,266**	**(2,711,193)**	**8,103,000**
Net position, beginning of year	7,957,382	757,116	75,266,045	67,163,045
Net position, end of year	$ 22,353,354	$ 7,957,382	$ 72,554,852	$ 75,266,045

See Accompanying Notes to Financial Statements.