TEXAS STATE
AFFORDABLE HOUSING
CORPORATION

Financial Statements
and Supplemental Information
as of and for the Year Ended
August 31, 2014 and
Independent Auditors' Report

MAXWELL
& LOCKE
RITTER

TEXAS STATE AFFORDABLE HOUSING CORPORATION

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INDEPENDENT AUDITORS’ REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Texas State Affordable Housing Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Texas State Affordable Housing Corporation (the "Corporation") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the Corporation'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 an opinion 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 auditors' 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of August 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 and Note 25 to the financial statements, in 2014, the Corporation adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The schedule of operating revenues and operating expenses by activity is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating revenues and operating expenses by activity on page 47 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Corporation's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
December 11, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

TEXAS STATE AFFORDABLE HOUSING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended August 31, 2014

This discussion and analysis of Texas State Affordable Housing Corporation's (the "Corporation") financial performance provides an overview of the Corporation's financial activities for the fiscal year ended August 31, 2014. Please read it in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The Corporation's total assets were approximately $191.3 million; of this amount approximately $163.6 million represent assets associated with the single family bond program, approximately $9.9 million represents unrestricted cash equivalents and investments, and approximately $9.2 million represents real estate held under the Neighborhood Stabilization Program (the "NSP"), the Affordable Communities of Texas (the "ACT") Program, and the Single Family Rental Program. Total assets decreased approximately $45.5 million during 2014 primarily due to paying down the Corporation's bond debt.

- The Corporation's liabilities totaled approximately $159.6 million of which approximately $151.6 million related to the single family bond program, approximately $3.3 million consisted of notes payable, and approximately $4.0 million related to federal NSP funds owed to the Texas Department of Housing and Community Affairs. Total liabilities decreased approximately $45.3 million during 2014 primarily due to the repayment of the Corporation's bond debt.

- The assets of the Corporation exceeded its liabilities at the close of the fiscal year ending August 31, 2014 by approximately $31.4 million. Of this amount, approximately $17.6 million may be used to meet the Corporation's ongoing obligations to the public and the Corporation's creditors and approximately $1.5 million is invested in capital assets.

- The Corporation's operating revenues for fiscal 2014 totaled approximately $15.0 million and exceeded operating expenses by approximately $2.5 million. The major revenue sources were interest and investment income of approximately $7.6 million, single family program income of approximately $3.0 million, and multifamily program income of approximately $1.5 million. Revenue increased in fiscal year 2014 by approximately $4.0 million due to the increase in the fair market value of the mortgage backed securities held in the single family bond program. This represents an unrealized gain on mortgage-backed securities held in trust. The Corporation follows the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires that certain types of investments be reported at fair value on the balance sheet.

- Operating expenditures for fiscal year 2014 consisted primarily of interest expense on bonds and notes payable of approximately $6.8 million, salary, wages and payroll related expense of approximately $2.1 million, and program and loan administration expense of approximately $1.7 million.

- Management implemented GASB Statement No. 65 during fiscal year 2014, which resulted in a prior period adjustment to net position. GASB Statement No. 65 requires debt issuance costs to be recognized as an expense in the period incurred. The implementation of this statement resulted in the recognition of approximately $3.0 million of previously capitalized debt issuance costs as a prior period expenditure resulting in the restatement of beginning net position in 2014. See Note 25 for additional information.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Corporation as prescribed by GASB Statement No. 34.

The Corporation operates as a single enterprise fund; therefore the basic financial statements presented are the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. As with all proprietary funds, the financials are presented using the economic resources measurement focus.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Corporation as a whole. These statements include all assets and liabilities of the Corporation using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report the Corporation’s net position and changes in it. Net position is the difference between assets and liabilities, which is one way to measure the Corporation’s financial health, or financial position. Over time, increases or decreases in the Corporation’s net position are one indicator of whether its financial health is improving or deteriorating.

The Corporation’s activities are accounted for as a special purpose government, or single enterprise fund.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Condensed Statement of Net Position

	2014	2013	Increase (Decrease) Amount	Increase (Decrease) Percentage
ASSETS:				
Current Assets	$ 16,003,540	$ 23,073,449	$ (7,069,909)	-30.64%
Noncurrent Assets (as restated)	175,247,894	210,742,823	(35,494,929)	-16.84%
Total Assets	191,251,434	233,816,272	(42,564,838)	-18.20%
LIABILITIES:				
Current Liabilities	4,915,275	6,083,906	(1,168,631)	-19.21%
Noncurrent Liabilities	154,698,623	198,838,416	(44,139,793)	-22.20%
Total Liabilities	159,613,898	204,922,322	(45,308,424)	-22.11%
DEFERRED INFLOWS OF RESOURCES -				
Deferred Revenue (as restated)	235,902	254,144	(18,242)	-7.18%
NET POSITION:				
Invested in Capital Assets	1,483,422	1,543,574	(60,152)	-3.90%
Restricted for Debt Service (as restated)	12,190,094	13,135,125	(945,031)	-7.19%
Restricted for Other Purposes	93,999	137,136	(43,137)	-31.46%
Unrestricted	17,634,119	14,078,115	3,556,004	25.26%
Total Net Position (as restated)	$ 31,401,634	$ 28,893,950	$ 2,507,684	8.68%

Net position increased from approximately $28.9 million, as restated, to approximately $31.4 million in fiscal year 2014. Of total net position, approximately $1.5 million is invested in capital assets. Restricted assets totaled approximately $12.3 million, and the remaining balance of approximately $17.6 million is unrestricted and available for corporate programs, payment of obligations, and fulfillment of the Corporation's public purpose.

The Corporation's total assets decreased from approximately $233.8 million, as restated, to approximately $191.3 million during fiscal year 2014. The largest single factor contributing to this decrease was the principal payments made to bondholders in the single family bond programs.

As of August 31, 2014, the Corporation's current assets totaled approximately $16.0 million and current liabilities equaled approximately $4.9 million resulting in available net working capital of approximately $11.1 million.

Noncurrent assets consist primarily of restricted investments held by the bond trustee of approximately $153.1 million; owned real estate totaling approximately $9.2 million; notes receivable of approximately $4.6 million; down payment assistance of approximately $3.4 million; noncurrent investments of approximately $2.4 million; the Corporation's loan portfolio equaling approximately $695,000; and purchased mortgage servicing rights totaling approximately $437,000. The Corporation's capital assets consist of furniture, land, and equipment used in operations totaling approximately $1.5 million, net of accumulated depreciation.

Noncurrent liabilities consisted of bonds payable totaling approximately $147.9 million; notes payable of approximately $2.7 million; due to federal programs of approximately $4.0 million and unearned revenue of approximately $146,000.

Condensed Statement Revenues, Expenses and Changes in Net Position

			Increase (Decrease)	
	2014	**2013**	**Amount**	**Percentage**
REVENUES:				
Interest and Investment Income	$ 7,623,634	$ 10,000,892	$ (2,377,258)	-23.77%
Net Increase (Decrease) in Fair Value of Investments	165,508	(11,403,663)	11,569,171	-101.45%
Single Family Income	3,019,383	3,902,390	(833,007)	-22.63%
Multifamily Income	1,541,543	195,062	1,346,481	690.28%
Public Support	1,244,313	7,179,786	(5,935,473)	-82.67%
Other	1,395,519	1,104,676	290,843	26.33%
Total Revenues	14,989,900	10,979,143	4,010,757	-19.00%
EXPENSES:				
Interest Expense on Bonds and Notes Payable (as restated)	6,847,804	8,299,995	(1,452,191)	-17.50%
Salaries, Wages and Payroll Related Costs	2,103,800	2,003,360	100,400	5.01%
Program and Loan Administration	1,671,505	1,393,162	278,343	19.98%
Texas Foundation Fund Grant Expenditures	300,000	300,000	-	
Other	1,559,107	3,236,490	(1,677,383)	-51.83%
Total Expenses (as restated)	12,482,216	15,233,007	(2,750,791)	-20.54%
Net Income (as restated)	2,507,684	(4,253,864)	6,761,548	158.95%
Beginning Net Position (as restated)	28,893,950	33,147,814	(4,253,864)	-12.83%
Ending Net Position (as restated)	$ 31,401,634	$ 28,893,950	$ (4,253,864)	14.72%

Interest and investment income decreased approximately $2.4 million from the previous year. This resulted primarily from the decrease in single family bond activity. No new single family bonds were issued during fiscal year 2014. All of the existing bond programs, however, continued to pay down resulting in decreased cash and mortgage backed security balances and a corresponding decrease in interest income.

The Corporation reported an increase during fiscal year 2014 in the fair value of investments. The Corporation's investments consisting primarily of mortgaged backed securities. In 2013, however, the Corporation recorded an $11.4 million decrease in the value of these investments. The increases and decreases associated with mortgage backed securities represent unrealized gains and losses and are required to be recorded in compliance with the provisions of GASB Statement No. 31.

Single family income decreased $.9 million from 2013 reflecting the overall decrease in single family bond activity.

Multifamily income increased by $1.3 million from the previous year. This resulted primarily from the collection of past due issuer fees.

Public Support decreased $5.9 million from the previous fiscal year. This was due to a significant decrease in donated property.

Interest expense on bonds and notes payable decreased $2.2 million from the previous year. This is a direct result of the decrease in single family bond activity.

Other expenses are comprised of professional fees, amortization, office and equipment rental and maintenance, travel, depreciation, grant expenditures and other operating expenses. The decrease of $1.7 million from 2013 to 2014 is related primarily to a decrease in federal grant fund expenditures under the NSP and National Foreclosure Mitigation Program grant programs.

BUSINESS TYPE ACTIVITIES

For the purposes of financial reporting, the Corporation is a special purpose government operating as a single enterprise fund. All activities of the Corporation are categorized as business type activities and are accounted for in the Basic Financial Statements.

BUDGETARY HIGHLIGHTS

The Corporation is not required to adopt a legal budget and has not done so, therefore, no budgetary highlights or comparison are required.

RELEVANT DECISIONS AND ECONOMIC FACTORS

Public Purpose - The Corporation is organized, operated and administered exclusively for the promotion of social welfare, and is a section 115 and 501(c)(3) nonprofit corporation under the Internal Revenue Code of 1986, as amended. The Corporation's mission is to serve the housing needs of moderate and lower income Texans who are not afforded housing finance options through conventional lending channels.

LEGISLATIVE REPORTING REQUIREMENTS

- The number and amount of private grants, donations, or other funds applied for and received by the Corporation during fiscal year 2014, as well as the use of these funds, were as follows:

Grant Applications Submitted	Status	Amount Requested	Amount Rewarded	Program/Activity
Bank of America	Received	$ 30,000	25,000	Texas Statewide Homebuyer Ed.
Insperity	Received	5,000	5,000	Texas Financial Toolbox
Frost Bank	Received	5,000	2,500	Texas Statewide Homebuyer Ed.
Texas Financial Education Endowment	Received	40,000	30,000	Texas Statewide Homebuyer Ed.
Capital One	Received	10,000	10,000	Texas Statewide Homebuyer Ed.
Bank of America	Received	30,000	40,000	Texas Statewide Homebuyer Ed.
Wells Fargo Priority Markets Initiative	Received	250,000	150,000	Affordable Communities of Texas
Wells Fargo	Received	20,000	15,000	Foreclosure Prevention
Wells Fargo Housing Foundation	Approved	15,000	10,000	Texas Statewide Homebuyer Ed.
Google Grants	Received	In-Kind	In-Kind	Homeownership Programs/Texas Financial Toolbox
Home Depot Foundation	Declined	100,000	N/A	ACT-VET Initiative
Meadows Foundation	Declined	500,000	N/A	ACT Program
State Farm	Declined	10,000	N/A	Texas Statewide Homebuyer Ed.
BBVA Compass	Declined	10,000	N/A	Texas Statewide Homebuyer Ed.

- The number, amount, and purpose of loans provided to affordable housing developers during fiscal year 2014 were as follows:

  Loan in the amount of $137,072 was provided to a non-profit developer for the purpose of acquiring and rehabilitating single family homes.

  Loan in the amount of $128,135 was provided to a non-profit developer for the purpose of acquiring and financing interim construction on single family homes.

  Loan in the amount of $178,948 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.

  Loan in the amount of $95,187 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.

  Loan in the amount of $80,161 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.

- The amount and source of funds deposited into a fund created by the Corporation for the purpose of providing grants and the number, amount and purpose of any grants provided during fiscal year 2014 were as follows:

  $300,000 was set aside in the Texas Foundation Fund for the purpose of making grants to non-profit organizations and rural government entities for the costs associated with the construction, rehabilitation, and/or critical repair of single family homes, as well as, the provision of supportive housing services within multifamily housing. During the fiscal year, sixteen (16) such grants were made in the aggregate amount of $300,000.

- The total amount of revenue generated by the Corporation in excess of its expenditures equaled approximately $2.5 million for fiscal year 2014.

CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act (the "Act"), the Corporation will be abolished effective September 1, 2023 unless continued in existence as provided by the Act.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors, and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Texas State Affordable Housing Corporation at 2200 E. Martin Luther King Jr. Blvd., Austin, Texas 78702, phone 512-477-3555.

BASIC
FINANCIAL STATEMENTS

TEXAS STATE AFFORDABLE HOUSING CORPORATION
STATEMENT OF NET POSITION
August 31, 2014

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	1,935,696
Restricted Assets Held by Bond Trustee:		
Cash and Cash Equivalents		5,493,124
Accrued Interest		220,080
Custodial Cash and Cash Equivalents		270,174
Investments, at Fair Value		5,604,093
Accounts Receivable and Accrued Revenue, Net of Uncollectible Amounts of $40,829		276,394
Accrued Interest Receivable		44,338
Loans Receivable, Current Portion		65,000
Notes Receivable, Current Portion		422,363
Downpayment Assistance, Current Portion		1,603,811
Prepaid Expenses		68,467
Total Current Assets		16,003,540
Noncurrent Assets		
Loans Receivable, Net of Uncollectible Amounts of $91,726		695,448
Notes Receivable		4,556,365
Investments, at Fair Value		2,369,861
Mortgage Servicing Rights, Net of Accumulated Amortization of $2,291,015		437,046
Capital Assets, Net of Accumulated Depreciation of $489,449		1,483,422
Owned Real Estate, Federal & Other Programs		9,223,019
Downpayment Assistance		3,395,275
Restricted Investments Held by Bond Trustee, at Fair Value		153,087,458
Total Noncurrent Assets		175,247,894
TOTAL ASSETS	$	191,251,434

(continued)

The notes to the financial statements are an integral part of this statement.

TEXAS STATE AFFORDABLE HOUSING CORPORATION
STATEMENT OF NET POSITION - Continued
August 31, 2014

LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	$	272,222
Notes Payable, Current Portion		613,429
Custodial Reserve Funds		270,174
Other Current Liabilities		69,174
Payable from Restricted Assets Held by Bond Trustee:		
Revenue Bonds Payable, Current Portion		1,984,680
Accrued Interest on Bonds		1,705,596
Total Current Liabilities		4,915,275
Noncurrent Liabilities		
Notes Payable		2,681,818
Revenue Bonds Payable		147,919,378
Due to Federal Programs		3,951,482
Unearned Revenue		145,945
Total Noncurrent Liabilities		154,698,623
Total Liabilities		159,613,898
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue		235,902
Total Deferred Inflows of Resources		235,902
NET POSITION		
Invested in Capital Assets		1,483,422
Restricted for:		
Debt Service		12,190,094
Other Purposes		93,999
Unrestricted		17,634,119
Total Net Position	$	31,401,634

The notes to the financial statements are an integral part of this statement.

TEXAS STATE AFFORDABLE HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended August 31, 2014

Operating Revenues	
Interest and Investment Income	$ 7,623,634
Net Increase in Fair Value of Investments	165,508
Single Family Income	3,019,383
Asset Oversight and Compliance Fees	434,475
Loan Servicing Fees, Net of Subservicer Fees of $76,910	152,707
Multifamily Income	1,541,543
Land Bank Income	642,386
Public Support	
Federal Grants	232,640
Contributions	1,011,673
Other Operating Revenue	165,951
Total Operating Revenues	14,989,900
Operating Expenses	
Interest Expense on Bonds and Notes Payable	6,847,804
Salaries, Wages and Payroll Related Costs	2,103,800
Program and Loan Administration	1,671,505
Grant Expenditures	434,301
Professional Fees and Services	379,021
Texas Foundation Fund Grant Expenditures	300,000
Amortization	174,621
Depreciation	123,880
Travel and Meals	104,595
Office and Equipment Rental and Maintenance	42,507
Other Operating Expenses	300,182
Total Operating Expenses	12,482,216
Net Income	2,507,684
Total Net Position, Beginning (as restated)	28,893,950
Total Net Position, Ending	$ 31,401,634

The notes to the financial statements are an integral part of this statement.

TEXAS STATE AFFORDABLE HOUSING CORPORATION
STATEMENT OF CASH FLOWS
Year Ended August 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	$ 13,808,455
Payments to Employees	(1,596,966)
Payments of Benefits and Other Payroll Related Costs	(480,679)
Payments to Suppliers of Goods and Services	(10,126,345)
Net Cash Provided By Operating Activities	1,604,465
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Payments of Principal on Notes Payable	(541,375)
Payments of Principal Related to Bond Maturities and Calls	(43,186,490)
Net Cash Provided By (Used In) Non-Capital Financing Activities	(43,727,865)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Additions to Capital Assets	(37,512)
Proceeds from Sale of Single Family Homes	2,570,388
Purchase and Rehabilitiation of Single Family Homes	(1,175,726)
Net Cash Provided By (Used In) Capital and Related Financing Activities	1,357,150
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale and Maturities of Investments by Bond Trustee	36,768,516
Proceeds from Sale of Unrestricted Investments	6,418,699
Purchase of Unrestricted Investments	(10,359,391)
Net Cash Provided By (Used In) Investing Activities	32,827,824
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,938,426)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	15,637,420
CASH AND CASH EQUIVALENTS - END OF THE YEAR	$ 7,698,994

(continued)

The notes to the financial statements are an integral part of this statement.

TEXAS STATE AFFORDABLE HOUSING CORPORATION
STATEMENT OF CASH FLOWS - Continued
Year Ended August 31, 2014

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Income from Operations	$	2,507,684
Adjustments to Reconcile Operating Income to Net Cash:		
Depreciation and Amortization Expense		192,664
Unrealized Gain on Investments		(165,508)
Amortization of Downpayment Assistance		693,034
Provision for Estimated Losses		514,994
Income from Donated Properties		(932,386)
Changes in Current Assets and Liabilities:		
Increase in Accounts Receivable and Accrued Revenue		239,417
Decrease in Accrued Interest Receivable		90,491
Decrease in Loans Receivable		67,557
Increase in Notes Receivable		(1,009,874)
Increase in Prepaid Expenses		(1,128)
Increase in Accounts Payable and Accrued Expenses		(62,297)
Decrease in Accrued Interest on Bonds		(513,915)
Increase in Other Liabilities, Unearned Revenue, and Deferred Revenue, net		(16,268)
Net Cash Provided By Operating Activities	$	1,604,465

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

Acquisition of Donated Real Estate	$	932,386
Real Estate Donated to Others	$	243,888
Debt Forgiven - Affordable Communities of Texas Veterans Housing Iniative	$	105,837

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Reporting Entity - Texas State Affordable Housing Corporation (the "Corporation") was incorporated on May 6, 1994 under the Texas Non-Profit Corporation Act, Article 1396.1.01 et seq., Vernon's Annotated Texas Civil Statutes as amended, and is legally separate from the State of Texas and does not receive State appropriated funding. Under Government Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, the Corporation is a special purpose government and a component unit of the State of Texas for financial reporting purposes. In addition, there are no component units included within the reporting entity of the Corporation.

The Governing Board consists of five directors, all of which are appointed by the Governor of the State of Texas. The public purpose of the Corporation is to perform such activities and services that the Corporation's Board of Directors determines will promote public health, safety, and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income, and to perform activities and services related to this purpose and for other purposes as set forth in Chapter 2306, Subchapter Y, of the Government Code, as amended.

The Corporation is organized, operated and administered as a non-profit organization in accordance with Section 501(c)(3) of the Internal Revenue Code.

Dissolution of Entity - The Corporation is subject to Chapter 325 of the *Texas Government Code* (the "Texas Sunset Act"). Unless continued in existence as provided by the Texas Sunset Act, the Corporation will be abolished effective September 1, 2023.

Upon dissolution of the Corporation, title to or other interest in real or personal property or rights thereto owned by the Corporation shall be transferred pursuant to Chapter 2306, Subchapter Y of the Government Code.

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - The accompanying financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles as prescribed by GASB. The Corporation presents its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. For financial reporting purposes, the Corporation is considered a special purpose government

Corporate Lines of Business

Servicing Operations

Servicing Operations account for the Corporation's activities as Master Servicer for the Texas Department of Housing and Community Affairs' (the "Department" or "TDHCA") single-family mortgage revenue bond program issues 52, 53, and 54, and servicer of the Corporation's own portfolio of single and multifamily loans. The Corporation subcontracts the servicing related to the Department's single-family mortgage revenue bond programs.

Asset Oversight and Compliance

Asset Oversight and Compliance - These operations are used to account for asset oversight and compliance monitoring activities performed by the Corporation for multifamily bond properties for which the Corporation acted as conduit issuer.

Single Family Programs

Single Family Bond Program - Through the Single Family Bond Program (the "SFB Program"), the Corporation provides below market 30-year fixed rate mortgage loans to eligible first-time homebuyers through the issuance of tax exempt single family mortgage revenue bonds. The Corporation's SFB Programs provide down payment and closing cost assistance to the borrower in the form of a grant in an amount up to 5% of the loan amount.

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

The Corporation also offers a single family Mortgage Credit Certificate Program (the "MCC Program"). Under the MCC Program, qualified homebuyers are eligible to take a portion of the annual interest paid on their mortgage as a special tax credit, up to $2,000, each year that they occupy the home as their principal residence.

TBA Program - Under the To Be Announced Program (the "TBA Program"), the Corporation finances first-lien mortgage loans to enable qualified mortgagors to purchase single family residences in the State of Texas. The TBA program is a non-bond financing program which utilizes the conventional loan market through a third-party provider (the "TBA provider"). The TBA provider agrees to purchase mortgage loans (which have been pooled and securitized into mortgage-backed securities) from the Corporation for a period of approximately 90 to 120 days, at a specified price based on the interest rate of the mortgage loan. The TBA provider provides pricing each day based on market fluctuations in interest rates. The program is referred to as TBA (to be announced) because the specific mortgage-backed security to be delivered is not known at the time the trade is initially made but is "to be announced" at a later date before the trade is settled.

Affordable Communities of Texas - Using its statutory authority to own property tax-free, the Corporation has created the Affordable Communities of Texas Program (the "ACT Program") which is the first statewide land bank and land trust program in Texas. The land bank provides for the acquisition and temporary holding (up to ten years) of land or buildings for the purpose of redeveloping the properties for affordable housing. The land trust provides for the acquisition and long-term holding of land or buildings for the purpose of redevelopment for affordable housing. A property held by the land bank will be owned in perpetuity by the Corporation and leased for residential housing that benefits low-income households. The ACT Program is financed by the Corporation utilizing federal and private funding along with property donations from financial institutions.

Interim Construction and Acquisition Program - The Interim Construction and Acquisition Program (the "ICAP Program") provides financing for the acquisition, construction and redevelopment of single family homes for low-income families in rural communities and high need areas. See Note 4.

Single Family Rental Program - The Corporation's Single Family Rental Program (the "SFR Program") provides affordable, below-market rental homes in high opportunity neighborhoods in the Austin Metropolitan Statistical Area (the "MSA") to eligible low income families.

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Multifamily Programs

Multifamily 501(c)(3) Bond Program - The Corporation acts as a conduit issuer of multifamily mortgage revenue bonds for qualified 501(c)(3) owners of multifamily housing developments. Each multifamily property owner must agree to restrict a certain number of the units so that they are affordable in their market place. Additionally, each property must provide significant resident and/or community services with excess revenues.

Multifamily Private Activity Bond Program - Under the Multifamily Private Activity Bond Program (the "MPAB Program"), the Corporation administers 10 percent of the State's volume cap allocation of private activity bonds for multifamily residential rental housing each year. For the 2014 program year, the amount available for issuance was approximately $58 million. The Corporation's MPAB Program provides financing for new construction, or acquisition and rehabilitation of existing multifamily rental properties. The Corporation is required by statute to target areas, such as cities and counties, and to issue requests for proposals to developers to provide the type of housing requested by the target area. In exchange for receiving the lower tax-exempt revenue bond interest rate, multifamily complexes financed through the MPAB Program must provide a minimum number of affordable units.

Multifamily Direct Lending - The Multifamily Direct Lending Program (the "MDL Program") provides financing for the purpose of increasing and preserving the stock of affordable multifamily housing units provided in Texas. Lending efforts are targeted to all reputable entities engaged in affordable housing development that focus on rural Texas and small cities, as well as other underserved and difficult to develop areas. See Note 4.

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Significant Accounting Policies

Basis of Accounting - The Corporation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of the related cash flows. GASB Statement No. 62, which was adopted in 2013, codifies all FASB and AICPA pronouncements issued before November 30, 1989 that do not conflict with GASB pronouncements. As a result, the Corporation no longer has to consider pre-1989 FASB or AICPA pronouncements nor will it be permitted to apply "new" FASB pronouncements issued after November 30, 1989.

Cash and Cash Equivalents - For the purpose of reporting cash flows, cash and cash equivalents consist of cash and short-term investments with a maturity at the date of purchase of three months or less, which are highly liquid, and can be readily exchanged for cash at amounts equal to their stated value.

Investments - The Corporation's investment policies and types of investments are governed by Section 2256 of the Texas Government Code (the "Public Funds Investment Act"). The Corporation's management believes that it complied with the requirements of the Public Funds Investment Act and the Corporation's investment policy. The Corporation follows the provisions of GASB Statement No. 31, which requires certain types of investments to be reported at fair value on the statement of net position. The Corporation utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. The fair value of the Corporation's mortgage backed securities has been estimated by each bond issues' trustee using a pricing service.

In accordance with GASB Statement No. 31, changes in the fair value of investments are reported in the statement of revenues, expenses and changes in net position as a net increase or decrease in the fair value of investments.

Loans Receivable - Mortgage loans originated by the Corporation are carried at the unpaid principal balance outstanding, net of allowances for possible loan losses.

Mortgage loans purchased by the Corporation are carried at the amortized cost of loans acquired, net of allowance for possible loan loss.

Notes Receivable - Notes receivable is comprised of loans made under the MDL Program, the MPAB Program and the Single Family Interim Construction and Acquisition Program. Notes are carried at the unpaid principal balance outstanding.

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Allowance for Possible Losses - Losses are charged to the allowance for possible loan losses when the loss actually occurs or when a determination is made that a loss is likely to occur. During the year, management estimates the level of future losses to determine whether the allowance is adequate to absorb anticipated losses in the existing mortgage loans. Based on these estimates, a provision for possible losses on loans is credited to the allowance in order to adjust the allowance to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan portfolio, future adjustments may be necessary due to changes in economic conditions. However, it is the judgment of management that the allowances are currently adequate to absorb reasonably foreseeable losses in the existing portfolios.

Amortization of Bond Premium - The premiums related to the SFB Programs totaled $15 million and are amortized using the effective interest method. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of premiums on debt. Amortization of the bond premium for fiscal year 2014 totaled $508,000; accumulated amortization as of August 31, 2014 equaled $7.4 million.

Deferred Outflows and Deferred Inflows of Resources - The Corporation complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the Corporation's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the Corporation's acquisition of net position applicable to a future reporting period.

Purchased Mortgage Servicing Rights - Purchase Mortgage Servicing Rights are recorded at cost and are amortized in relation to the remaining value of the related mortgage balances at the end of each period so that the value of the servicing rights equals the same percentage of the outstanding mortgage balance as when originally purchased. Amortization expense for fiscal year 2014 was approximately $69,000; accumulated amortization as of August 31, 2014 equaled approximately $2.3 million.

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Expenses for betterments that materially extend the useful life of an asset are capitalized at cost. Land owned by the Corporation is not depreciated. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, usually 3 to 5 years. The building is depreciated using the straight-line method over 30 years. The Corporation capitalizes assets with a cost greater than $1,500 and a useful life of more than one year.

Compensated Absences - Employees of the Corporation earn annual leave on a monthly basis. Each employee is entitled to earned but unused annual leave pay up to a maximum 180 hours if employed less than two years, 243 hours if employed less than five years, 329 if employed less than ten years, 444 hours if employed less than 15 years, and 599 if employed more than 15 years as compensation upon termination of employment. The total compensated absences accrued liability as of August 31, 2014 was approximately $104,000.

Reserve and Custodial Accounts - The Corporation holds certain cash reserves totaling approximately $270,000 as of August 31, 2014 for the benefit of three multifamily projects that are financed by the Corporation.

Net Position - When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net position.

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Property Valuation - When the Corporation receives donated property, a Broker's Price Opinion (the "BPO") is obtained. The BPO typically offers a range of values. The property is booked at the lowest value in the range offered in the BPO.

Operating and Nonoperating Revenues and Expenses - Operating revenues and expenses generally result from providing services in connection with the bond programs, lending programs, and federal and other grants. Operating expenses are primarily related to interest expense on bonds and general administrative expenses. The Corporation considers all of its revenues and expenses to be operating revenues and expenses.

Recently Issued Accounting Pronouncements - GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for fiscal years beginning after December 15, 2012 and has been implemented in these financial statements. See Note 25 for the prior period adjustment related to the adoption of GASB Statement No. 65.

See Note 9 for additional information on GASB Statement No. 65 and deferred inflows of resources.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Cash and cash equivalents at August 31, 2014 consisted of bank deposits totaling $830,714, deposits in the Federal Home Loan Bank totaling $96,669, and money market accounts totaling $1,008,313.

Restricted cash and cash equivalents at August 31, 2014 totaled $5,493,124 and were maintained in money market mutual funds by the bond trustee. The Corporation also maintained seven custodial accounts with a combined total of $270,174 pledged as reserves on three multifamily projects. These funds were maintained in interest bearing demand accounts.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

Investments

The Corporation's unrestricted investments consisted of the following at August 31, 2014:

Description/Maturity	Interest Rate	Cost	Fair Value	Unrealized Gain/(Loss)
Certificate of Deposit - 8/20/15	0.600%	$ 245,000	$ 244,764	$ (236)
Certificate of Deposit - 2/20/15	0.350%	245,000	244,839	(161)
Certificate of Deposit - 10/5/14	0.750%	245,000	245,000	-
Certificate of Deposit - 2/20/15	0.400%	245,000	244,894	(106)
Certificate of Deposit - 8/27/15	0.400%	245,000	244,648	(352)
Certificate of Deposit - 9/18/14	0.450%	248,000	248,000	-
Certificate of Deposit - 8/28/15	0.500%	245,000	244,640	(360)
Certificate of Deposit - 8/10/15	1.100%	245,000	246,322	1,322
Certificate of Deposit - 7/12/15	0.400%	753,718	753,718	-
Certificate of Deposit - 8/1/15	0.400%	45,200	45,200	-
Certificate of Deposit - 7/13/15	0.600%	1,000,000	1,000,000	-
Municipal Obligation - 9/15/14	0.450%	310,000	309,954	(46)
Municipal Obligation - 10/15/14	2.000%	1,000,000	1,002,130	2,130
Municipal Obligation - 10/15/14	0.500%	530,000	529,984	(16)
Total Short Term Investments		5,601,918	5,604,093	2,175
Pass through securities GNMA - 10/20/2034	5.990%	9,110	10,177	1,067
Certificate of Deposit - 7/4/16	0.750%	360,000	360,000	-
Federal Agency Coupon Securities - 5/26/16	0.500%	500,000	499,587	(413)
Federal Agency Coupon Securities - 4/17/17	0.875%	1,000,000	1,000,810	810
Federal Agency Coupon Securities - 6/24/16*	0.500%	500,000	499,287	(713)
Total Long Term Investments		2,369,110	2,369,861	751
Total Investments		$ 7,971,028	$ 7,973,954	$ 2,926

*Pledged as collateral against cash advances from the Federal Home Loan Bank of Dallas. See Note 10.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

Description/Maturity	Interest Rate	Cost	Fair Value	Unrealized Gain/(Loss)
GNMA/FNMA Investments - 2032/2033	6.71%	-	-	-
GNMA/FNMA Investments - 2032/2033	6.02%	-	-	-
GNMA/FNMA Investments - 2032/2033	5.74%	-	-	-
GNMA/FNMA Investments - 2035/2036	5.45%	7,682,752	8,491,489	808,737
GNMA/FNMA Investments - 2036	5.49%	5,727,265	6,325,879	598,614
GNMA/FNMA Investments - 2036/2037	5.49%	7,788,177	8,606,387	818,210
GNMA/FNMA Investments - 2036/2037	5.49-5.75%	5,523,219	6,128,043	604,824
GNMA/FNMA Investments - 2036/2037	5.75%	5,927,224	6,571,374	644,150
GNMA/FNMA Investments - 2037/2038	5.65%	10,549,511	11,709,357	1,159,846
GNMA/FNMA Investments - 2037/2038	5.75%	13,572,355	15,066,139	1,493,784
GNMA/FNMA Investments - 2037/2038	5.65%	7,300,136	8,098,684	798,548
GNMA/FNMA Investments - 2037/2038	6.10%	7,075,856	7,967,797	891,941
GNMA/FNMA Investments - 2037/2038	6.00%	7,225,344	8,106,152	880,808
GNMA/FNMA Investments - 2040/2042	3.5-4.75%	61,670,690	66,016,157	4,345,467
Total Restricted Investments		$ 140,042,529	$ 153,087,458	$ 13,044,929

Interest income on investments held by the bond trustee includes the following amounts:

Single Family Mortgage Revenue Bonds Series 2005A & B	$ 835,722
Single Family Mortgage Revenue Bonds Series 2006A ,B & C	1,215,588
Single Family Mortgage Revenue Bonds Series 2007A-1, A-3 , B, C, D	3,053,380
Single Family Mortgage Revenue Bonds Series 2009A, B/2011A,B/2013A	2,847,319
	$ 7,952,009

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

Compared to the prior fiscal year, the fair value of investments held by the bond trustee as of August 31, 2014 has decreased by approximately $36.6 million. The Corporation follows GASB Statement No. 31, whereby investments are required to be reported at fair value at the statement of net position date rather than at cost, except for money-market investments and participating interest-earning investment contracts and certain external investment pools, which may be reported at fair value or at amortized cost, provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. In addition, GASB Statement No. 31 also affects the way in which unrealized gains and losses are recognized for financial reporting purposes.

The Corporation holds approximately $153.1 million (valued under GASB Statement No. 31 at fair value) in mortgage backed securities issued by Ginnie Mae ("GNMA"), Fannie Mae ("FNMA") and Freddie Mac ("FMCC") through the Corporation's SFB Programs. These securities have a face value of approximately $140.0 million and unrealized gain of approximately $13.1 million as of August 31, 2014. The Corporation is susceptible to risk that the market for such mortgage backed securities could decline, which would eventually result in a loss of value for the investments held. Further, it is likely that the Corporation will only collect the face value of the mortgage backed securities as the mortgages are repaid in the future.

Credit Risk

The primary stated objective of the Corporation's adopted investment policy is the safety of principal and avoidance of principal loss. Credit risk within the Corporation's portfolio, among the authorized investments approved by the Corporation's adopted investment policy, is represented only in time and demand deposits, repurchase agreements, commercial paper, municipal obligations and non-rated SEC registered money market mutual funds.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

State law and the Corporation's adopted investment policy restricts both time and demand deposits, including certificates of deposit (“CD’s”), to those banks doing business in the State of Texas and further requires full insurance and/or collateralization from these depositories (banks and savings banks). CD’s are limited to a stated maturity of one year. Brokered CD’s must be insured by the Federal Deposit Insurance Corporation (“FDIC”) and executed on a delivery versus payment basis to the Corporation’s depository with a further restriction on maximum maturity to one year. The FDIC insurance must be verified before purchase. On all time and demand deposits, collateral at a 102% margin is required and collateral is limited to obligations of the U.S. Government, its agencies or instrumentalities. Independent safekeeping for collateral is required outside the pledging bank's holding company with monthly reporting. Securities are priced at market on a daily basis as a contractual responsibility of the bank.

In accordance with the adopted policy and state law, repurchase agreements are limited to those with defined termination dates and executed with a primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed 90 days to stated maturity. Reverse repurchase agreements may not exceed 90 days after the term of the reverse and funds may be used only to acquire authorized investments matched to the reverse.

State law and the Corporation’s adopted investment policy require that municipal obligations have a maximum stated maturity of 3 years or less and be rated at least A or its equivalent by at least two nationally recognized rating agencies.

State law and the Corporation’s adopted investment policy require that commercial paper have a maximum stated maturity of 90 days or less and be rated A1/P1 or its equivalent by at least two nationally recognized rating agencies.

The Corporation’s adopted investment policy restricts money market mutual fund investments to Securities and Exchange Commission (“SEC”) registered money market mutual funds striving to maintain a $1 net asset value and with a weighted average maturity of 90 days as further defined by State law. Neither the state law nor the Corporation’s investment policy requires a rating on money market funds.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

Local government investment pools in Texas are required to be rated AAA, or equivalent, by at least one nationally recognized rating agency. The Corporation's adopted investment policy further restricts investments to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

As of August 31, 2014:

- collateralized or insured certificates of deposit represented 41.59% of the total portfolio,
- municipal obligations rated A or better represented 18.59% of the total portfolio,
- no investment was made in a local government investment pool,
- investment in a Federal Home Loan Bank ("FHLB") money market mutual fund represented 0.98% of the total portfolio,
- funds invested in fully collateralized or insured interest bearing accounts or money market accounts represented 18.56% of the total portfolio,
- funds invested in one GNMA security represented 0.10% of the total portfolio, and
- holdings in U.S. Government Treasury securities rated AAA by at least one nationally recognized rating agency represented 20.18% of the total portfolio.

Concentration of Credit Risk

The Corporation recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Corporation's adopted investment policy establishes diversification as a major objective of the investment program. The Policy requires that no issuer or institution represent more than 50 % of the total portfolio with the exception of US Treasuries. Further diversification requirements established by the investment policy are:

	Max % of Portfolio
US Obligations	80 %
Obligations of US Agencies	80 %
Certificates of Deposit	60 %
By Institution	15 %
Repurchase Agreements	30 %
Money Market Mutual Funds	25 %
Commercial Paper	30 %
By Issuer	10 %
Local Government Stable Net Asset Value Pools	75 %
Banking Accounts	80 %
Municipal Obligations	50 %

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the Corporation's adopted investment policy sets a maximum stated maturity for US obligations of 3 years. Certificates of deposit are restricted to a maturity of one (1) year and commercial paper 90 days. The Policy sets a maximum weighted average maturity of one (1) year.

As of August 31, 2014, the portfolio, excluding the GNMA, held no security with a stated maturity date beyond 28 months (April 2017). With the inclusion of the one GNMA the dollar weighted average maturity of the total portfolio was 289 days.

As of August 31, 2014, the portfolio contained one mortgage-backed security and four U.S. agency and municipal structured notes which could be affected by interest rate risk.

Custodial Credit Risk

To control custody and safekeeping risk, state law and the Corporation's adopted investment policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the Corporation and held in the Corporation's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of the Financial Institutions Reform Recovery and Enforcement Act. The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

Portfolio disclosure as of August 31, 2014:

- the portfolio contained 39.64% in certificates of deposit
- the portfolio contained no repurchase agreements
- all bank demand deposits were fully insured and collateralized.
- all pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

NOTE: 3 LOANS RECEIVABLE

Loans receivable are carried at the unpaid principal balance, net of loss allowances. A summary of loans receivable at August 31, 2014 is as follows:

Loans Receivable at September 1, 2013	$	919,731
Additions		-
Paydowns		(67,557)
Loans Receivable at August 31, 2014		852,174
Allowance for possible loan losses		(91,726)
Net Balance at August 31, 2014	$	760,448

The current portion of loans receivable at August 31, 2014 is $65,000; the remaining balance of $695,448 is classified as noncurrent loans receivable.

The activity for allowance for loan losses for fiscal year 2014 is as follows:

Balance at September 1, 2013	$	(91,726)
Current Year Reduction		-
Loss Applied to the Allowance		-
Balance at August 31, 2014	$	(91,726)

The Corporation considers loans receivable to be delinquent when they become more than 90 days past due.

NOTE 4: NOTES RECEIVABLE

Notes receivable were comprised of loans made under the MDL Program, the MPAB Program, the Single Family Direct Lending Program and ACT Veterans Housing Initiative (see Note 12). Under the ACT Veterans Housing Initiative, donated properties are sold to Veterans at 75% of the appraised value and the remaining 25% is carried as forgivable notes receivable which are forgiven over 10 years. Notes are carried at the unpaid principal balance outstanding. Included in notes receivable are three notes totaling $2,352,455 which collateralize advances from FHLB. See Note 10.

NOTE 4: NOTES RECEIVABLE - Continued

A summary of notes receivable at August 31, 2014 is as follows:

Balance at September 1, 2013	$ 3,968,854
Additions	1,615,763
Collections	(500,052)
Accumulated Amortization	(105,837)
Provision for loan loss	-
Balance at August 31, 2014	$ 4,978,728

The current portion of notes receivable at August 31, 2014 is $422,363; the remaining balance of $4,556,365 is classified as non-current notes receivable. Management considers these loans fully collectible. Accordingly, no provision has been made for uncollectible amounts.

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2014 consisted of the following:

	Cost or Basis In Property			
	Balance September 1, 2013	**Additions**	**Deletions**	**Balance August 31, 2014**
Land	$ 232,241	$ -	$ -	$ 232,241
Building	1,289,876	-	-	1,289,876
Furniture and Fixtures	413,626	37,511	383	450,754
Total	$1,935,743	$ 37,511	$ 383	$1,972,871

NOTE 5: CAPITAL ASSETS - Continued

	Accumulated Depreciation			
	Balance September 1, 2013	Additions	Deletions	Balance August 31, 2014
Building	$ 161,889	$ 38,535	$ -	$ 200,424
Furniture and Fixtures	230,280	59,128	383	289,025
Total	$ 392,169	$ 97,663	$ 383	$ 489,449

Capital assets, less accumulated depreciation, at August 31, 2014 totaled $1,483,422.

NOTE 6: INCOME TAX STATUS

The Corporation, a non-profit corporation operating under section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal income taxes and, accordingly, no provision for income taxes is included in the financial statements. The Corporation is classified as a non-profit organization other than a private foundation. Tax returns for the past three years are open to examination by the Internal Revenue Service. Management believes it has appropriate support for any tax position taken and as such does not have any uncertain tax positions that are required to be reported in these financial statements.

NOTE 7: OPERATING LEASES

Operating Leases

The Corporation leases certain office equipment under a three-year lease agreement which calls for monthly lease payments of $509.

The future minimum lease payments under the agreement are as follows:

Year Ended August 31,		Amount
2015		2,036
2016		-
2017		-
2018		-
Total Minimum Future Rental Payments	$	**2,036**

The Corporation leases a portion of its office building to a third party. The lease expired on August 31, 2013 and the tenant is now leasing on a month-to-month bases under monthly rental payments of $1,245.

NOTE 8: CUSTODIAL RESERVE FUNDS

The Corporation holds certain cash reserves for the benefit of three multifamily projects that were financed by the Corporation through the MDL Program. See Note 4.

Reserve activity for the year ended August 31, 2014 was as follows:

Balance at September 1, 2013	$	300,675
Deposits		42,112
Disbursements		(72,613)
Balance at August 31, 2014	$	270,174

NOTE 9: DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

In a prior year, the Corporation received $679,800 from the Department's Housing Trust Fund for the origination of down payment and closing cost assistance loans for households who earn less than 60% of the area median family income. The Corporation established a loan receivable for each loan made with a corresponding offset to deferred revenue. Recognition of the deferred revenue occurs as loans are repaid. Revenue recognized during fiscal year 2014 totaled approximately $18,243. The remaining deferred revenue for this portfolio was $235,902 at August 31, 2014.

The prepaid issuer fees from six multifamily bond portfolios are recognized as income throughout the year. As of August 31, 2014, unearned revenue related to these properties totaled $145,945.

A summary of deferred inflows of resources and unearned revenue activity for fiscal year 2014 is as follows:

	Deferred Inflows of Resources	Unearned Revenue
Balance at September 1, 2013	$ 254,145	$ 113,838
Additions	-	414,652
Revenue Earned	-	(382,545)
Loan Payments Received	(18,243)	-
Balance at August 31, 2014	$ 235,902	$ 145,945

NOTE 10: NOTES PAYABLE

During fiscal year 2004 the Corporation provided permanent financing for: (1) the new construction of a 60-unit multifamily affordable housing development in Brady, Texas in the amount of $875,000; and, (2) the new construction of a 44-unit multifamily affordable housing development in Stephenville, Texas in the amount of $550,000. The Corporation used unrestricted assets to fund 25% of each loan. Advances from FHLB funded the remaining 75% resulting in two notes payable by the Corporation totaling $1,068,750 at 6.345% with a 30 year amortization and 20 year term (balloon payment). The Corporation utilized financing from FHLB in September of 2011 by pledging the note receivable for a multifamily apartment complex and taking an advance for 70% of the value. The Corporation has further utilized FHLB financing by pledging approximately $500,000 in securities and taking a two year advance. The unpaid balance of the FHLB advances at August 31, 2014 totaled $2,245,247. FHLB advances are collateralized by the related notes receivable which totaled $2,352,455 as of August 31, 2014. See Note 4.

In May 2006 the Corporation entered into an agreement with Wells Fargo Community Development Corporation and received a loan in the amount of $1,050,000. Loan funds were used to fund an Interim Construction Loan Program, Multifamily Gap Financing Program and Down Payment Assistance Program. The loan is to be repaid in full in 10 years. Interest at 2% is accrued and paid quarterly.

In March 2010 the Corporation entered into an agreement with Meadows Foundation and received a Program-Related Investment ("PRI") in the amount of $500,000. The PRI was to be used to fund the Affordable Communities of Texas Program. The PRI was repaid in full in December 2013 at 0% interest.

The summary of notes payable for the year ended August 31, 2014 is as follows:

Balance at September 1, 2013	$	3,836,622
Advances		-
Repayments		(541,375)
Balance at August 31, 2014	$	3,295,247

NOTE 10: NOTES PAYABLE - Continued

The current portion of notes payable at August 31, 2014 was $613,429; the remaining balance of $2,681,818 was classified as noncurrent notes payable.

The debt service requirements on notes payable for the next five years and thereafter are as follows:

Year Ended August 31:	Principal	Interest	Total
2015	$ 613,429	$ 101,538	$ 714,967
2016	1,095,598	88,976	1,184,574
2017	47,888	74,437	122,325
2018	50,306	72,016	122,322
2019	52,862	69,463	122,325
2020 thru 2024	865,727	276,196	1,141,923
2025 thru 2029	569,437	35,174	604,611
Total	$ 3,295,247	$ 717,800	$ 4,013,047

NOTE 11: BONDED INDEBTEDNESS

The Corporation had thirteen (13) bond series outstanding as of August 31, 2014. The Corporation issues bonds to assist in financing the purchase of homes by, or the construction of rental housing for, families with low to moderate incomes.

Single Family Mortgage Revenue Bonds do not constitute a general obligation of the Corporation or the State of Texas. Single-family bonds are collateralized and payable solely from revenues and other assets pledged under the trust indentures and held in trust by Wells Fargo Corporate Trust Services, the Bond Trustee. Assets pledged consist primarily of mortgage-backed securities and investments. Interest on bonds is payable semiannually or monthly. There are a number of limitations and restrictions contained in the various single family bond indentures.

The Corporation is in compliance with all significant limitations and restrictions at August 31, 2014.

NOTE 11: BONDED INDEBTEDNESS - Continued

Description	Interest Rate	Bonds Outstanding 8/31/13	Bonds Issued	Bonds Matured/ Retired	Bonds Refunded/ Extinguished	Bonds Outstanding 8/31/14	Amounts Due Within One Year
Single Family 2005							
Series 2005A	Variable	$10,705,000	-	$2,795,000	-	$7,910,000	-
Series 2005B	Variable	7,840,000	-	1,945,000	-	5,895,000	-
Single Family 2006							
Series 2006A	Variable	9,573,661	-	1,711,459	-	7,862,202	109,833
Series 2006B	Variable	7,995,461	-	2,251,135	-	5,744,326	75,410
Series 2006C	5.30%	8,910,210	-	2,747,330	-	6,162,880	77,065
Single Family 2007							
Series 2007A-1	5.50%	16,211,880	-	5,290,556	-	10,921,324	137,422
Series 2007A-3	5.60%	17,643,748	-	3,832,777	-	13,810,971	156,872
Series 2007C	5.45%	10,174,243	-	2,623,233	-	7,551,010	93,078
Series 2007B	6.10%	9,925,000	-	2,705,000	-	7,220,000	75,000
Series 2007D	6.00%	9,560,000	-	2,320,000	-	7,240,000	80,000
Single Family 2009/2011							
Series 2011A	Variable	18,085,000	-	4,545,000	-	13,540,000	675,000
Series 09/2011B	Variable	29,890,000	-	4,200,000	-	25,690,000	505,000
Series 2013A	Variable	28,950,000	-	6,220,000	-	22,730,000	-
Total Principal		$185,464,203	-	$43,186,490	-	$142,277,713	$1,984,680
Unamortized Premium		8,134,633				7,626,345	
Total:		$193,598,836				$149,904,058	

The current portion of bonds payable at August 31, 2014 was $1,984,680. The remaining balance of $147,919,378 is classified as noncurrent bonds payable.

NOTE 11: BONDED INDEBTEDNESS - Continued

The principal and interest expense requirements for the next five years and thereafter are summarized below:

Year Ended 31-Aug	Principal	Interest	Total
2015	$ 1,984,680	$ 4,931,802	$ 6,916,482
2016	2,659,390	6,369,340	9,028,730
2017	2,798,516	6,245,266	9,043,782
2018	2,972,345	6,111,621	9,083,966
2019	3,131,167	5,966,743	9,097,910
2020-2024	18,461,489	27,260,613	45,722,102
2025-2029	24,399,965	21,770,093	46,170,058
2030-2034	33,747,445	14,971,772	48,719,217
2035-2039	41,282,716	6,080,660	47,363,376
2040-2044	10,840,000	398,035	11,238,035
Total	$ 142,277,713	$ 100,105,945	$ $242,383,658

The sources of pledged revenue to pay the principal and interest on the bonds is derived from the principal and interest collected from the GNMA, FMCC and FNMA mortgage-backed securities as well as reserves set up at the bond closing. For fiscal year 2014, the debt service requirement equaled $43,186,490 in bond principal and $6,741,090 in bond interest expense, totaling $49,927,580. As of August 31, 2014, pledged revenues totaled $145,535,653.

NOTE 12: ACT VETERANS HOUSING INITIATIVE

The ACT Veterans Housing Initiative is a pilot initiative funded primarily through the donation of foreclosed homes from banks and other mortgage servicers. During the fiscal year ended August 31, 2014, the Corporation received approximately $900,000 in donated properties. The intent of the initiative is to provide low and no-cost housing to U.S. military veterans who are disabled or low-income. The Corporation coordinates the initiative on a statewide basis within Texas using the Affordable Communities of Texas Land Banking program. The Corporation currently has a network of more than twenty locally based non-profit housing providers that manage rehabilitation of the properties and qualification of eligible homebuyers within their local communities.

Properties are made available to qualified veteran households either at a significant discount or as a fully donated home. If discounted, the property is sold for 75% of its post-rehab appraised value with the Corporation placing a deferred forgivable second lien for the remaining 25% of value. If donated, the property is provided at no cost with the Corporation placing a deferred forgivable lien for 100% of the post-rehab appraised value.

NOTE 13: MORTGAGE CREDIT CERTIFICATE PROGRAM

The MCC Program was created to assist low and moderate income first time homebuyers. Under the MCC Program, the homebuyer is eligible to claim a portion of the annual interest paid on the mortgage as a special tax credit, not to exceed $2,000, each year for the life of the home loan. The Corporation must convert single family bond cap each year to issue MCCs. During the fiscal year ended August 31, 2014, the MCC Program revenue totaled approximately $611,000 and is included in single family income in the statement of revenues, expenses, and changes in net position.

NOTE 14: NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM

The Corporation collaborates with the Department and NeighborWorks® America through the National Foreclosure Mitigation Counseling Program (the "NFMC Program"). As the state housing finance agency, the Department, in partnership with the Corporation, applies for NFMC funding from NeighborWorks® America to help increase the capacity of foreclosure mitigation counseling agencies that serve struggling homeowners. The Corporation has been awarded approximately $2 million in NFMC funding, and has administered these funds through 16 HUD-approved counseling organizations throughout the State of Texas.

NOTE 15: NEIGHBORHOOD STABILIZATION PROGRAM

The Corporation was awarded approximately $5 million in Neighborhood Stabilization Program (the "NSP") funds in November 2009 by the Department. The NSP's goal is to help stabilize communities hardest hit by foreclosures by working with locally based non-profit and government agencies to acquire and rehabilitate foreclosed homes, vacant land and tax foreclosed properties, which are then inhabited by low-income individuals and families. The funds used to acquire property must be returned to the Department when the property is sold along with any program income.

As of August 31, 2014, the Corporation, through the NSP, owed the Department $3,951,482. This represents funds used to purchase real property for the purpose of establishing a land bank. As the properties are sold, the funds will be paid back to the Department. The effective due date of this obligation is August 31, 2019.

NOTE 16: TEXAS FOUNDATION FUND

The Texas Foundation Fund program provides grants to non-profit organizations and rural government entities for the costs associated with the construction, rehabilitation, or repair of single family homes, or the provision of supportive housing services within multifamily housing. During the fiscal year ended August 31, 2014, the Corporation, through the Texas Foundations Fund, made grants totaling $300,000.

NOTE 17: DOWN PAYMENT ASSISTANCE PROGRAM

Under the various Single Family Home Loan Programs provided by the Corporation, first-time homebuyers are able to apply for a 30 year fixed rate mortgage loan which offers down payment assistance in the form of an interest-free forgivable loan that is to be paid back to the Corporation in the form of a higher interest rate. Down payment assistance is made in amounts equal to approximately 5% of the amount borrowed for the 2002 through 2007 programs. The 2009-13 program offers 3-5% in down payment assistance.

NOTE 18: RELATED PARTY TRANSACTIONS

The Corporation received federal grant awards passed through the Department for the NFMC and NSP Programs during fiscal year 2014. Receivables and payables related to these grants as of August 31, 2014 totaled $112,119 and $3,951,482, respectively. See Notes 14 and 15.

NOTE 19: EMPLOYEE BENEFITS

The Corporation offers a defined contribution 403(b) retirement plan to its employees. Under the plan, the Corporation matches dollar for dollar the first three percent (3%) and one half percent (.5%) of the fourth and fifth percent of the employee's annual gross salary contributed to the plan. The maximum employer contribution is 4%. Total employer contributions for the fiscal year ended August 31, 2014, were $48,993.

NOTE 20: CONDUIT DEBT

The Corporation is authorized to issue statewide 501(c)(3) tax-exempt multifamily mortgage revenue bonds under the Texas Government Code §2306.555. The 501(c)(3) bond program provides long-term variable or fixed rate financing to non-profit borrowers/developers of new or existing multifamily rental properties in order to generate and/or preserve affordable rental housing. The Corporation may finance single developments or pools of properties located throughout the State of Texas. Borrowers must agree to set aside a prescribed percentage of a property's units for rent to persons and families of low income.

Under the MPAB Program, the Corporation administers 10 percent or approximately $54 million of the State's volume cap allocation of private activity bonds for multifamily residential rental housing.

The 501(c)(3) and private activity revenue bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Corporation, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of August 31, 2014, there were twelve series of multifamily housing revenue bonds outstanding with an aggregate principal amount payable of approximately $151 million.

NOTE 21: RISK FINANCING AND RELATED INSURANCE ISSUES

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all such risks, the Corporation has purchased commercial insurance in varying amounts to mitigate the risk of loss.

NOTE 22: SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through December 11, 2014 (the date the financial statements were available for issue), and has determined that the following subsequent events have occurred that require additional disclosure.

Real Estate Purchases
Subsequent to August 31, 2014, the Corporation purchased three homes for lease under the SFR Program for approximately $500,000 and additionally paid $1.375 million for the purchase of an office building.

NOTE 23: NON-CASH CONTRIBUTIONS

During the year ended August 31, 2014, the Corporation received approximately $910,000 in donated property from Bank of America and Wells Fargo to be utilized in the ACT and ACT Veterans Housing Initiative. See Note 12. Additionally, Google, Inc. made an in-kind donation of $7,767 for advertising.

NOTE 24: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Corporation will be abolished effective September 1, 2023 unless continued in existence as provided by the Act.

NOTE 25: PRIOR PERIOD ADJUSTMENT TO NET POSITION

GASB Statement No. 65 was implemented during the current fiscal year. In accordance with GASB Statement No. 65, bond issuance costs previously reported as assets in the statement of net position and amortized over the life of the related debt are now recognized as an expense in the year in which the bonds are sold. The effect of this change in accounting principle is as follows:

Net Position - August 31, 2013	$	31,874,576
Effect of GASB Statement No. 65 Adjustment		(2,980,626)
Net Position - August 31, 2013, as restated	$	28,893,950

NOTE 26: SEGMENT INFORMATION

For a description of the Corporation's operations, please see Note 1.

Segment financial information of the Corporation's only proprietary fund type at August 31, 2014 and for the year then ended is as follows:

Summary Financial Information		Amount
Operating Revenue	$	14,989,900
Depreciation and Amortization		298,501
Net Income		2,507,684
Net Working Capital*		11,088,265
Total Assets		191,251,434
Total Net Position		31,401,634
Noncurrent Notes Payable		2,681,818
Noncurrent Bonds Payable		147,919,378
Deferred Inflows of Resources		235,902
Unearned Revenue		145,945
Fixed Asset Additions		37,511
Due to Federal Programs		3,951,482

NOTE 26: SEGMENT INFORMATION - Continued

* Net Working Capital Calculation		Amount
Unrestricted Cash and Cash Equivalents	$	1,935,696
Restricted Assets Held by Bond Trustee		5,713,204
Custodial Cash and Cash Equivalents		270,174
Investments, Short-Term		5,604,093
Accounts Receivable and Accrued Revenue, net		276,394
Accrued Interest Receivable		44,338
Loans Receivable, Current Portion		65,000
Notes Receivable, Current Portion		422,363
Downpayment Assistance, Current Portion		1,603,811
Prepaid Expenses		68,467
Payables:		
Accounts Payable and Accrued Expenses		(272,222)
Notes Payable, Current Portion		(613,429)
Custodial Reserve Funds		(270,174)
Other Current Liabilities		(69,174)
Bonds Payable and Accrued Interest on Bonds, Current Portion		(3,690,276)
Total Net Working Capital	$	11,088,265

GOVERNMENT AUDITING STANDARDS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors of
Texas State Affordable Housing Corporation:

We have audited, 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, the financial statements of Texas State Affordable Housing Corporation (the "Corporation") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maxwell Locke + Ritter LLP

Austin, Texas
December 11, 2014

OTHER SUPPLEMENTAL INFORMATION

TEXAS STATE AFFORDABLE HOUSING CORPORATION
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES BY ACTIVITY (Unaudited)
For the Year Ended August 31, 2014

	NSP & NFMC	Single Family	Multifamily	ACT	AO/C	Other	Total
Operating Revenues							
Interest and Investment Income	$ -	7,386,006	199,675	-	-	37,953	7,623,634
Net Increase in Fair Value of Investments	-	165,508	-	-	-	-	165,508
Single Family Income	-	3,019,383	-	-	-	-	3,019,383
Federal Grants	232,640	-	-	-	-	-	232,640
Other Revenues	54,466	85,454	1,541,543	1,304,594	434,475	528,203	3,948,735
Total Operating Revenues	287,106	10,656,351	1,741,218	1,304,594	434,475	566,156	14,989,900
Operating Expenses							
Interest Expense on Bonds and Notes Payable	-	6,752,010	90,863	4,931	-	-	6,847,804
Salaries, Wages and Payroll Related Costs	168,070	749,838	89,399	89,609	246,891	759,996	2,103,803
Grant Expenditures	262,102	164,432	-	-	-	7,767	434,301
Other Expenditures	43	523,455	53,664	1,829,084	209,403	480,659	3,096,308
Total Operating Expense	430,215	8,189,735	233,926	1,923,624	456,294	1,248,422	12,482,216
Net Income	$ (143,109)	2,466,616	1,507,292	(619,030)	(21,819)	(682,266)	2,507,684