DORMITORY AUTHORITY OF THE STATE OF NEW YORK
(A Component Unit of the State of New York)

Basic Financial Statements

March 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Directors
Dormitory Authority of the State of New York:

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Dormitory Authority of the State of New York (DASNY), a component unit of the State of New York, which comprise the statements of net position as of and for the year ended March 31, 2014 and 2013, and the statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 financial position of DASNY, as of March 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 – 19 and schedule of funding progress for the retiree health plan on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014 on our consideration of DASNY'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 DASNY's internal control over financial reporting and compliance.

KPMG LLP

Albany, New York
June 25, 2014

The following discussion and analysis of the Dormitory Authority of the State of New York's (DASNY) financial performance provides an overview of DASNY's activities as of and for the years ended March 31, 2014 and 2013. It should be read in conjunction with DASNY's financial statements that follow this section. This discussion and analysis is intended to serve as an introduction to DASNY's basic financial statements, which are comprised of the financial statements and the notes to the financial statements.

Background

DASNY is a public benefit corporation, an independent corporate agency with governmental functions delegated to it by the State of New York (the State), and is authorized to finance, design, construct or rehabilitate buildings for use by various public and private not-for-profit corporations. DASNY is governed by an eleven member Board composed of the Director of the Budget of the State, the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her, five members appointed by the Governor, with the advice and consent of the Senate, one member appointed by the Temporary President of the State Senate, and one member appointed by the Speaker of the State Assembly. All bonds and notes issued by DASNY must also be approved by the New York State Public Authorities Control Board.

DASNY's two primary lines of business are debt issuance and construction management, which are supported by DASNY's operating activities. As a part of its operating activities, DASNY also devotes significant efforts to the administration of grants authorized by the State and payable to a variety of public and private grantees from proceeds of bonds issued by DASNY. DASNY has a staff of approximately 535 located in three main offices (Albany, New York City and Buffalo) and at approximately 60 field sites across the State. DASNY provides services to various clients within two major categories: private institutions, which generally include clients qualified under Section 501(c)(3) of the Internal Revenue Code (e.g. nonprofit healthcare clients and independent colleges, universities and other nonprofits), and public programs, which include the State University of New York, the City University of New York, New York State agencies and municipal facilities. DASNY's clients, both public and private, typically have alternatives to using the debt issuance and construction management services offered by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY's outstanding bonds and notes, both fixed and variable rate, are special obligations payable solely from payments required to be made by or for the account of the client for which the particular special obligations were issued. Such payments are pledged or assigned to the trustees for the holders of the respective special obligations. DASNY has no obligation to pay its special obligations other than from such payments. In addition, certain bond and note issues are also secured by other forms of credit enhancement, including municipal bond insurance and bank letters of credit. DASNY monitors the ratings of credit enhancers and takes appropriate actions as required under the provisions of the related bond documents. DASNY also works closely with its clients to identify and implement strategies, including refunding bonds, converting interest rate modes, and adding or substituting liquidity facilities, to mitigate the effects of market changes as well as downgrades to credit enhancer ratings. See note 7 to the basic financial statements for a further discussion of bonds and notes outstanding.

All required secondary market disclosures for DASNY's private not-for-profit clients is done through Digital Assurance Certification LLC (DAC) which can be accessed through the following website: www.dacbond.com. DASNY also provides additional information on its website at www.dasny.org. In addition, while certain information pertaining to DASNY's debt issuances for DASNY's public clients is available on the DAC website, DASNY, the bond trustee and the client each have responsibilities with respect to the filing of material event notices and providing updated financial and operational data with the nationally recognized municipal securities information repositories.

Overview of Basic Financial Statements

DASNY has elected the option under Governmental Accounting Standards Board (GASB) Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, to report conduit debt in its basic financial statements. DASNY's basic financial statements are a compilation of almost two thousand separate self-balancing accounts related to both the individual series of outstanding bonds and notes and the individual operating accounts for nonbonded projects, various special purposes and operations. The vast majority of activity reflected in the basic financial statements relates to the monies held in the restricted accounts associated with the issuance of bonds and notes, the collection of monies in accordance with the provisions of the underlying loan or financing agreements, the payments to the holders of the bonds and notes in accordance with the provisions of the underlying bond and note resolutions, and disbursements for construction and other loan activity. DASNY does not commingle cash and investments.

This report consists of three parts: management's discussion and analysis, financial statements, and the notes to the financial statements. The three financial statements presented are as follows:

- Statements of Net Position – These statements present information reflecting DASNY's assets, liabilities, and net position. Net position represents the amount of total assets less liabilities and is one way to measure DASNY's financial position. Net position is comprised of Unrestricted net position, related to DASNY's operating activities, Restricted net position, related to monies held in the restricted bond and note accounts, and Net investment in capital assets, primarily related to its Albany headquarters building. Restricted net position remains in the accounts of each of the individual bond or note issues and accrues to the benefit of the respective client institutions. At final maturity, the restricted net position of an individual bond or note issue will be $0.
- Statements of Revenues, Expenses, and Changes in Net Position – These statements reflect DASNY's operating and nonoperating revenues and expenses for each year. The majority of DASNY's revenue and expense activity does not relate to operations, rather it relates to activity in the restricted accounts of the individual series of bonds and notes. In some years, revenues exceed expenses in restricted bond and note accounts. In other years, expenses exceed revenues in restricted bond and note accounts as accumulated revenues are utilized for various purposes. Restricted net position remains in each of the individual bond or note issues and accrues to the benefit of the respective client institutions.
- Statements of Cash Flows – The statements of cash flows are presented using the direct method of reporting which reflects cash flows from operating, noncapital financing, capital financing, and investing activities. Cash collections and payments are reflected in these statements to arrive at the net increase or decrease in cash for each year. The statements also include a reconciliation between operating income or

loss per the Statements of Revenues, Expenses, and Changes in Net Position to net cash from operating activities per the Statements of Cash Flows.

The basic financial statements provide information about DASNY's overall financial condition. The notes provide explanations and more details about the content of the basic financial statements.

DASNY is considered a special-purpose government engaged in business-type activities and follows financial reporting for enterprise funds. The basic financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, DASNY is included in the financial statements of the State as a discrete component unit.

DASNY Operating Activities

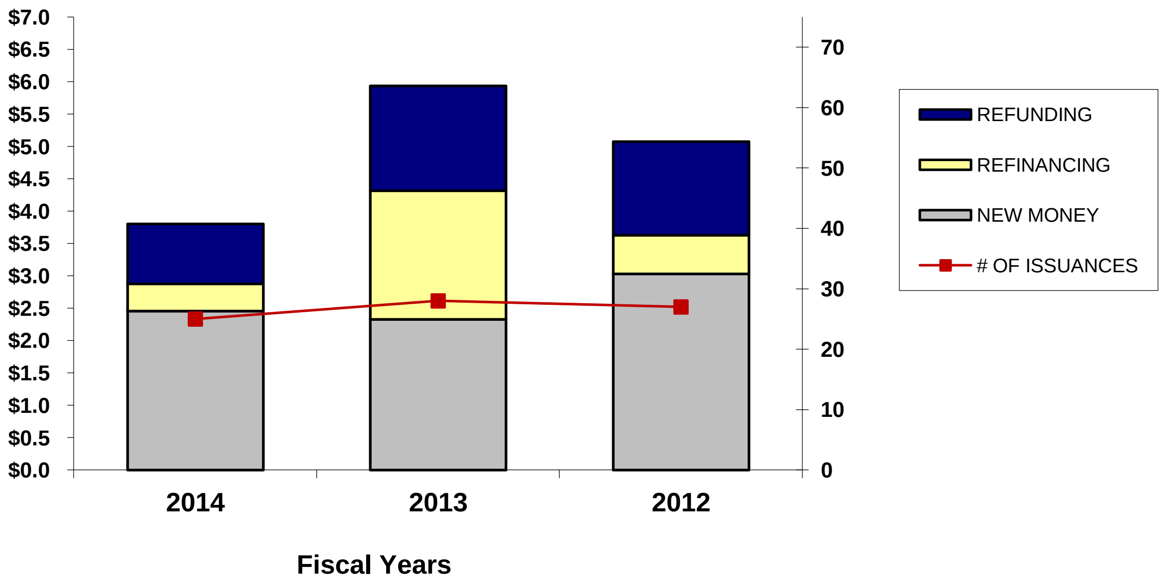
DASNY operating revenues primarily result from financing fees related to bond issuance, annual administrative fees related to ongoing bond management, and construction fees related to project management and other construction-related services provided. Generally, private institutions and the State's mental hygiene program pay a financing fee upon issuance of the bonds and notes and an ongoing annual administrative fee throughout the term of the bonds and notes based on a percentage of either the original par amount or the par amount outstanding, depending on the fee structure in place when the bonds or notes were issued. Other public clients (e.g., City University of New York, State University of New York, New York State agencies, and court facilities) pay financing and administrative fees in amounts equal to their respective allocable share of DASNY operating expenses applicable to financing and ongoing bond management activities. Construction fees for public and private clients are generally equal to the allocable amount of DASNY operating expenses attributable to the construction services provided.

DASNY's internal operating expenses totaled approximately $77 million during 2014, of which 12% was allocable to private institutions and 88% was allocable to public programs. DASNY's internal operating expenses totaled approximately $78 million during 2013, of which 13% was allocable to private institutions and 87% was allocable to public programs.

Debt Issuance Activities

DASNY's debt issuance activity for the last three years is illustrated below. Refunding debt represents bonds and notes issued to refund previously issued DASNY bonds and notes. Refinancing debt represents bonds and notes issued to refund non-DASNY bonds and notes, including bonds and notes issued by other State entities, and to pay off bond anticipation notes, commercial loans and lines of credit. New money debt represents bonds and notes issued to fund new money capital projects and grants.

Par Amount of Bonds and Notes Issued
($ in billions)



The par amount of bonds issued has ranged between $3.8 billion and $5.9 billion from 2012 through 2014. During this period the par amount of new money debt issuances increased approximately 6% from 2013 to 2014 and declined approximately 23% from 2012 to 2013. The increase from 2013 to 2014 was due primarily to an increase of approximately 11% in new money issuances for public clients that offset a 23% decline in issuances for private institutions. The decrease from 2012 to 2013 was primarily attributable to new money issuances for private institutions which declined by 41% during the period. The decline in new money issuances among private institutions is driven by various factors including the narrow spread between taxable and tax-exempt interest rates, which minimizes the benefits of tax-exempt borrowing, and the proliferation of other entities capable of issuing tax-exempt debt that compete with DASNY. The significant reduction in private institution new money debt issuances has had an adverse impact on operating revenue from financing and administrative fees. DASNY modified its fee structure at the end of 2013 in an effort to remain competitive and mitigate the decline in private institution new money debt issuances.

The State's Enacted Budget for 2013-14 included three new financing programs for DASNY. The first new program is a self-supporting revenue bond program for SUNY dormitories which changed the existing program that financed SUNY dormitories in several important ways. The new program relies solely on the revenue stream associated with student rents, fees and charges to pay debt service on the bonds and eliminates SUNY's general obligation pledge and the State appropriation feature from the credit structure. DASNY issued approximately $440 million in bonds for SUNY dormitories under the new program structure. The second new financing program included in the State's 2013-14 Enacted Budget is the State Sales Tax Revenue Bond Program. This program is an alternative to the State's Personal Income Tax Revenue Bond program which has been the State's primary vehicle for financing certain components of the State's capital plan. Under this new program, the bonds are secured by approximately 25% of the State's four percent sales tax. DASNY issued approximately $960 million in State Sales Tax Revenue Bonds. The State's 2013-14 Enacted Budget also contained major reforms of the Workers' Compensation system, including a new DASNY bond program to address the unmet obligations of self-insured employers. Under the new program, unmet obligations of self-insured employers are effectively transferred to third party insurers and bonds issued under the program are secured by monies received in connection with a new unified employer assessment. DASNY issued approximately $370 million in employer assessment bonds under this new program.

An additional $259 million and $329 million par of reofferings occurred during 2014 and 2013, respectively, and is not included in the debt issuance activities noted above. The reofferings were carried out to effectuate conversions of variable to fixed rate bonds, changes in interest rate modes for variable rate bonds, and changes in liquidity facilities for variable rate bonds.

The par amounts of bonds and notes issued during the last three years are reflected in the following tables. These amounts vary from the amounts reflected in Proceeds from Issuance of Bonds and Notes on the Statements of Cash Flows due to the inclusion in the Statements of Cash Flows of the net premium received on the bonds and notes issued.

Par Amount of Bonds Issued By Program (in millions)

	2014				
Program	**New money debt**	**Refunding debt**	**Refinancing debt**	**Program total**	**Number of issuances**
Private institutions					
Nonprofit healthcare	$ 1.2	24.6	—	$ 25.8	1
Independent colleges, universities and other nonprofits	272.2	16.7	42.6	331.5	13
Public programs					11
State University of New York	977.2	482.5	—	1,459.7	
City University of New York	449.7	112.9	—	562.6	
NYS agencies	738.0	270.1	211.5	1,219.6	
Municipal facilities	17.2	19.0	168.6	204.8	
Total par	$ 2,455.5	925.8	422.7	$ 3,804.0	25

Par Amount of Bonds Issued by Program (in millions)

Program	2013 New money debt	Refunding debt	Refinancing debt	Program total	Number of issuances
Private institutions					
Nonprofit healthcare	$ 27.7	98.3	—	$ 126.0	4
Independent colleges, universities and other nonprofits	327.6	732.2	95.3	1,155.1	18
Public programs					6
State University of New York	1,122.9	259.2	—	1,382.1	
City University of New York	377.2	52.4	—	429.6	
NYS agencies	465.2	103.5	1,677.9	2,246.6	
Municipal facilities	5.0	369.1	219.9	594.0	
Total par	$ 2,325.6	1,614.7	1,993.1	$ 5,933.4	28

Program	2012 New money debt	Refunding debt	Refinancing debt	Program total	Number of issuances
Private institutions					
Nonprofit healthcare	$ 315.5	408.6	111.0	$ 835.1	5
Independent colleges, universities and other nonprofits	284.9	114.3	52.0	451.2	10
Public programs					12
State University of New York	1,055.1	838.1	—	1,893.2	
City University of New York	369.0	—	—	369.0	
NYS agencies	971.8	59.7	—	1,031.5	
Municipal facilities	34.9	24.8	433.6	493.3	
Total par	$ 3,031.2	1,445.5	596.6	$ 5,073.3	27

The par amount of bonds and notes retired during the past three years is presented in the following tables. Scheduled redemptions represent bonds and notes retired in accordance with their respective bond amortization schedules. Amounts refunded by DASNY bonds represent bonds retired through DASNY's issuance of refunding bonds. The amount refunded by DASNY presented below varies from the amount of refunding debt issued shown in the previous table due to several factors. Original issue premium on the new bonds issued, balances available in existing bond accounts, and lower interest rates on the new bonds as compared to interest rates on the prior bonds each reduce the amount of new bonds required to refund the prior bonds. The need to fund bondholder interest on the prior bonds through the final redemption dates increases the amount of new bonds required to refund prior bonds. Generally, the amount of refunding debt issued by DASNY is less than the amount of bonds refunded by DASNY. Amounts defeased and redeemed early include amounts retired with funds deposited by institutions of which some amounts have been funded through the issuance of debt by other issuers or financial institutions, amounts retired with proceeds from the sales of mortgages securing the related bonds, and amounts retired with existing assets in bond accounts. There are many reasons why bonds may be refunded or retired early by the issuance of DASNY bonds including changes in interest rates. There are also many reasons why bonds may be defeased or redeemed early by the issuance of debt by other issuers or financial institutions including changes in interest rates and increasing competition in the market for the issuance of tax-exempt bonds. Defeasances and early redemptions decreased significantly in 2014 from the prior two years.

Par Amount of Bonds Retired By Program (in millions)

	2014			
Program	**Scheduled redemptions**	**Refunded by DASNY bonds**	**Defeasances and early redemptions**	**Total bonds retired**
Private institutions				
Nonprofit healthcare	$ 318.8	26.1	239.9	$ 584.8
Independent colleges, universities and other nonprofits	258.3	13.4	88.7	360.4
Public programs				
State University of New York	426.7	517.3	—	944.0
City University of New York	188.0	120.8	—	308.8
NYS agencies	594.9	295.9	1.6	892.4
Municipal facilities	215.0	21.2	38.9	275.1
Total par	$ 2,001.7	994.7	369.1	$ 3,365.5

	2013			
Program	**Scheduled redemptions**	**Refunded by DASNY bonds**	**Defeasances and early redemptions**	**Total bonds retired**
Private institutions				
Nonprofit healthcare	$ 275.7	122.9	980.7	$ 1,379.3
Independent colleges, universities and other nonprofits	266.4	816.9	245.2	1,328.5
Public programs				
State University of New York	420.0	314.8	1.5	736.3
City University of New York	205.7	55.8	0.7	262.2
NYS agencies	558.2	111.1	0.4	669.7
Municipal facilities	205.6	415.3	96.9	717.8
Total par	$ 1,931.6	1,836.8	1,325.4	$ 5,093.8

Par Amount of Bonds Retired by Program (in millions)

	2012			
Program	**Scheduled redemptions**	**Refunded by DASNY bonds**	**Defeasances and early redemptions**	**Total bonds retired**
Private institutions				
Nonprofit healthcare	$ 463.4	441.2	560.0	$ 1,464.6
Independent colleges, universities and other nonprofits	290.9	119.3	68.2	478.4
Public programs				
State University of New York	241.2	978.6	5.1	1,224.9
City University of New York	231.2	—	—	231.2
NYS agencies	541.2	63.3	6.1	610.6
Municipal facilities	156.9	27.5	14.2	198.6
Total par	$ 1,924.8	1,629.9	653.6	$ 4,208.3

Bonds and notes outstanding increased by $438 million (1%) from 2013 to 2014 and by $840 million (2%) from 2012 to 2013 with increases for State University of New York, City University of New York and NYS agencies, and decreases for private institutions and municipal facilities. Bonds and notes outstanding for private institutions decreased from 42% of total bonds and notes outstanding to 36% of total bonds and notes outstanding from 2012 to 2014. More detailed information regarding DASNY's bonds and notes outstanding is presented in note 7 to the basic financial statements.

Bonds and Notes Outstanding by Program as of March 31 (in millions)

Program	**2014**		**2013**		**2012**	
Private institutions:						
Nonprofit healthcare	$ 6,037.5	13%	$ 6,596.5	15%	$ 7,849.9	18%
Independent colleges, universities, and other nonprofits	10,584.4	23	10,613.3	23	10,786.7	24
Public programs:						
State University of New York	10,068.0	22	9,552.3	21	8,896.7	20
City University of New York	4,662.7	10	4,408.9	10	4,241.4	9
NYS agencies	10,787.2	24	10,460.0	23	8,892.9	20
Municipal facilities	3,632.2	8	3,702.5	8	3,826.3	9
Total	$ 45,772.0	100%	$ 45,333.5	100%	$ 44,493.9	100%

Construction Management Activities

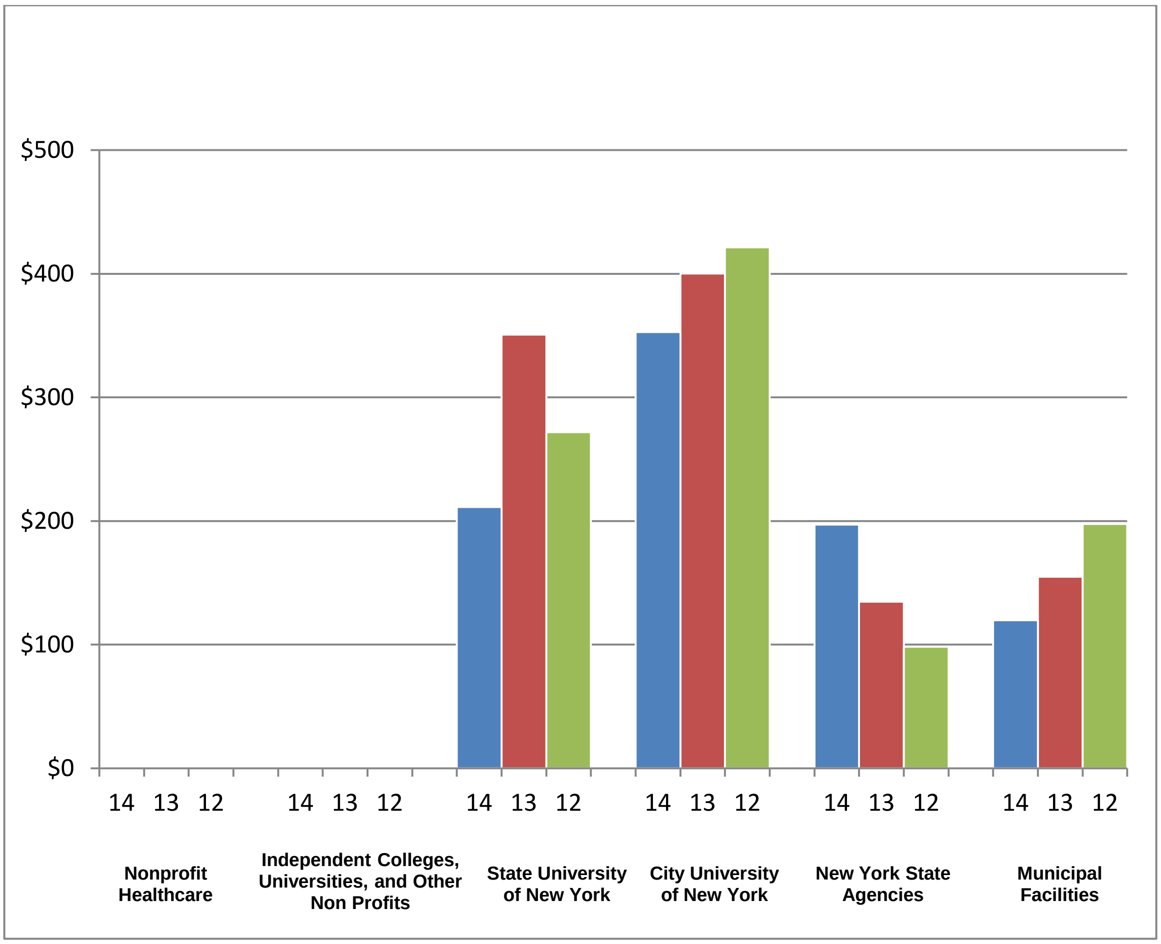
One of DASNY's primary lines of business is providing direct project management and ancillary services on projects for a variety of clients. Approximately 81% of DASNY's personal service expense during 2014 and 2013 was associated with this line of business. For DASNY-managed projects, these services include design preparation and review, bidding, negotiating, and administering contracts for construction, acquisition of furniture, fixtures and equipment, and on-site project management. DASNY provides project management services on most of the projects that are funded from bonds and notes issued by DASNY on behalf of its public clients, except for State University of New York educational facilities, Boards of Cooperative Educational Services (BOCES), and public school districts. DASNY also provides its construction management services to certain other public clients, with the cost of such projects funded with amounts provided by the clients. DASNY's statutorily authorized client base has grown over time. At any given time, DASNY manages approximately 500 active projects of varying sizes ranging from several thousand dollars to several hundred million dollars.

Construction disbursements for projects managed by DASNY decreased by $159 million (15%) from 2013 to 2014 with increases for State mental hygiene agencies and decreases for State University of New York, City University of New York, New York City Health and Hospitals Corporation and New York City court facilities. Construction disbursements for projects managed by DASNY increased by $51 million (5%) from 2012 to 2013 with increases for State University of New York and State mental hygiene agencies and decreases for City University of New York, New York City Health and Hospitals Corporation and New York City court facilities. Certified construction disbursements represent disbursements for projects where DASNY does not provide any construction services, but rather, the individual clients manage the construction and DASNY reimburses the clients for expenditures made. This category includes construction disbursements made on behalf of most nonprofit healthcare, independent colleges, universities, and other nonprofits, State University of New York educational facilities, certain State grant programs, public school districts, BOCES and Special Act School Districts. Payoff of non-DASNY debt represents bond proceeds used to refinance debt that was not issued by DASNY, including bonds issued by other State entities, bond anticipation notes, tax-exempt and taxable debt issued by other issuers or private institutions, and commercial bank loans and lines of credit. The decrease in payoff of non-DASNY debt from 2013 to 2014 shown in the following table is primarily due to the refinancing in 2013 by DASNY of significant amounts of bonds issued by other State entities. Other loan disbursements include costs of issuance and capitalized fees and expenses. The total disbursements presented below are included in Construction, Loan and Other Disbursements and Project Funds Disbursed on the Statements of Cash Flows.

Construction and Loan Disbursements by Program
(in millions)

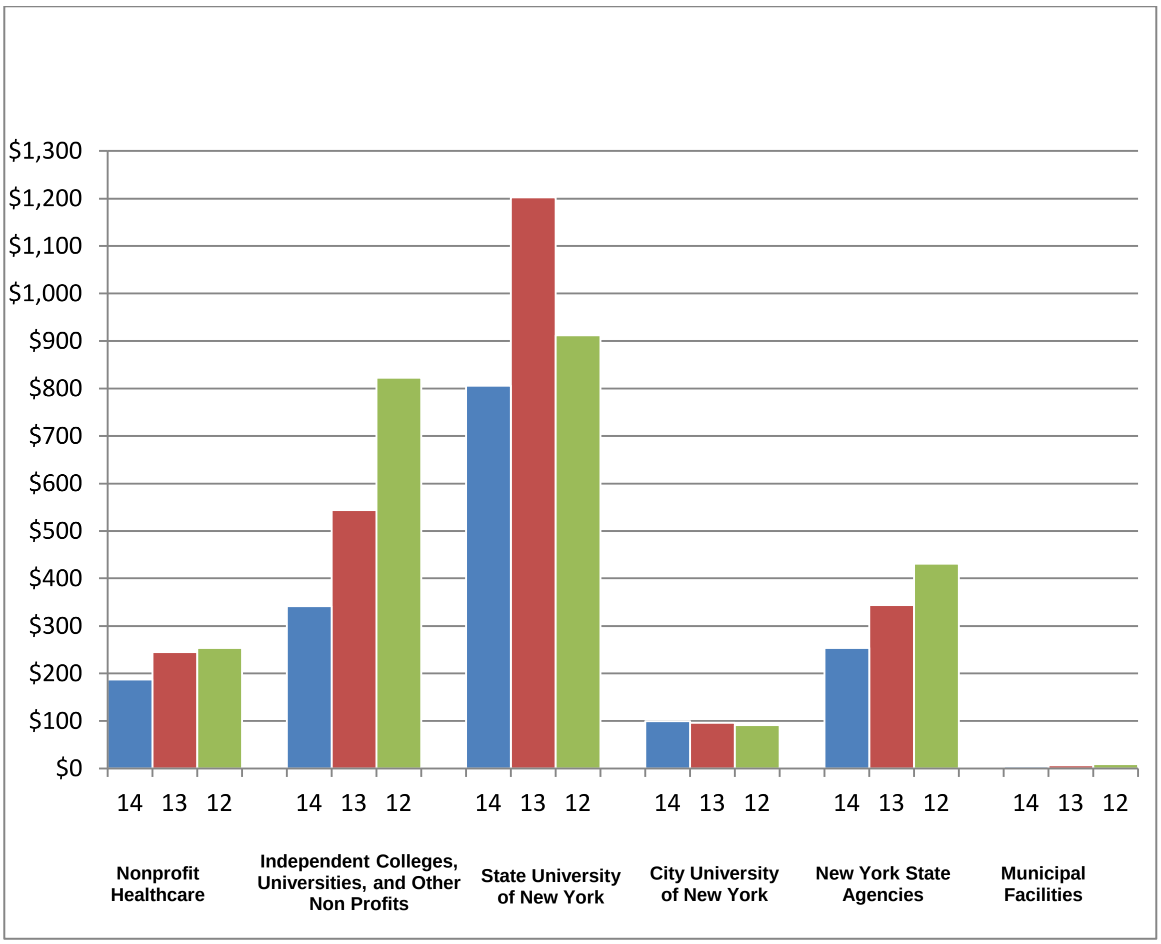
	2014	2013	2012
Construction disbursements for DASNY - managed projects:			
Private institutions			
Nonprofit healthcare	$ —	—	—
Independent colleges, universities and other nonprofits	1.4	0.9	1.3
Public programs			
State University of New York	211.2	350.8	271.9
City University of New York	352.9	400.1	421.3
NYS agencies	197.2	134.7	98.2
Municipal facilities	119.8	155.0	197.5
Total construction disbursements for DASNY-managed projects	882.5	1,041.5	990.2
Certified construction disbursements:			
Private institutions			
Nonprofit healthcare	187.0	245.5	254.1
Independent colleges, universities and other nonprofits	341.6	543.6	822.6
Public programs			
State University of New York	806.0	1,202.2	911.6
City University of New York	99.9	96.4	91.7
NYS agencies	254.0	344.3	431.5
Municipal facilities	4.3	6.9	9.3
Total certified construction disbursements	1,692.8	2,438.9	2,520.8
Total construction disbursements	2,575.3	3,480.4	3,511.0
Payoff of non-DASNY debt	450.1	2,430.1	641.7
Other loan disbursements	612.7	417.1	416.2
Total construction and loan disbursements	$ 3,638.1	6,327.6	4,568.9

Construction Disbursements for DASNY-Managed Projects by Program
(in millions)



DORMITORY AUTHORITY OF THE STATE OF NEW YORK
(A Component Unit of the State of New York)
Management's Discussion and Analysis
March 31, 2014 and 2013
(Unaudited)

Certified Construction Disbursements by Program
(in millions)



Investing Activities

DASNY managed an investment portfolio valued at $3.7 billion and $4.3 billion as of March 31, 2014 and 2013, respectively. An additional $372 million and $198 million of money market funds as of March 31, 2014 and 2013, respectively, managed by DASNY is reflected in the Statements of Net Position as a component of Cash and Cash Equivalents. The portfolio is comprised of investments held for bond-financed construction projects and grant programs, reserve requirements, debt service obligations, nonbond-financed capital and rehabilitation projects, and DASNY operations. Total investments, including money market funds, decreased by $357 million (8%) from 2013 to 2014 and $1.3 billion (23%) from 2012 to 2013 due to fewer new money bond issuances, the expenditure of existing assets on construction and the use of existing assets in connection with defeasances of

DASNY bonds by other entities. Additional information regarding types of securities, maturity ranges, and risk characteristics of the investment portfolio is included in note 3 to the basic financial statements.

Investment Balances by Purpose as of March 31
(in millions)

		2014	2013	2012
Bonded construction and grants	$	2,114.7	2,320.4	3,303.8
Reserve funds		890.3	1,000.1	1,241.8
Debt service obligations		537.7	697.5	722.4
Non-bonded projects		90.9	158.6	195.0
DASNY operations		91.0	78.1	173.1
Total	$	3,724.6	4,254.7	5,636.1

Financial Analysis

Condensed summary of net position as of March 31 (in millions)

	2014			2013			2012		
Assets:									
Cash, cash equivalents, and investments	$	4,359	9%	$	4,652	10%	$	5,958	13%
Leases and loans receivable		42,622	89		41,755	89		39,855	86
Accrued financing income receivable		326	1		311	—		265	—
Capital assets, net		11	—		12	—		12	—
Other assets		474	1		382	1		368	1
Total assets		47,792	100		47,112	100		46,458	100
Liabilities:									
Bonds and notes outstanding		45,772	96		45,334	97		44,494	97
Accrued interest payable		499	1		519	1		490	1
Other liabilities		1,248	3		946	2		1,079	2
Total liabilities		47,519	100		46,799	100		46,063	100
Net position:									
Net investment in capital assets		11	4		12	4		12	3
Restricted		194	71		235	75		317	80
Unrestricted		68	25		66	21		66	17
Total net position	$	273	100%	$	313	100%	$	395	100%

(Continued)

Assets

Cash, Cash Equivalents and Investments primarily represent monies held for construction, reserves, or for payment of debt service on outstanding bonds and notes. Such monies are held in trust by a trustee bank for the benefit of bondholders. DASNY records investments at fair value. Increases and decreases primarily result from the correlation of proceeds from new bond issues to the amount of bond proceeds disbursed for construction and other activities. More detailed information regarding Cash, Cash Equivalents and Investments is presented in note 3 to the basic financial statements.

Leases and Loans Receivable represents accumulated construction costs for each project, net of principal repayments from clients, client contributions, and investment earnings on construction accounts. When a project is completed, the receivable will equal the bonds or notes outstanding net of any bond proceeds deposited in reserve accounts. Increases and decreases primarily result from the correlation of construction, loan, and other disbursements to the amount of principal receipts on leases and loans receivable, project contributions and income on investments in construction accounts. More detailed information regarding Leases and Loans Receivable is presented in note 4 to the basic financial statements.

Accrued Financing Income Receivable represents the amount of interest on bonds and notes due from clients since the last client loan payment date through DASNY's fiscal year-end. Increases and decreases can result from accrued interest payable on new bond issues, changes in the balance of capital appreciation bonds, the conversion of variable rate bonds to fixed rate bonds and changes in the interest rate environment.

Capital assets approximate \$33 million as of March 31, 2014 and 2013, primarily related to DASNY's Albany headquarters building. Net of accumulated depreciation, capital assets totaled approximately \$11 million as of March 31, 2014 and \$12 million as of March 31, 2013. DASNY's interest in capital assets financed through the issuance of bonds and notes on behalf of clients is recorded on the Statements of Net Position as a component of Leases and Loans Receivable. More detailed information regarding DASNY's capital assets is presented in note 5 to the basic financial statements.

Liabilities

Accrued Interest Payable represents interest due, but not yet paid, to the holders of outstanding bonds and notes from the last interest payment date through DASNY's fiscal year-end. Increases and decreases can result from accrued interest payable on new bond issues offset by a net decrease in the balance of capital appreciation bonds outstanding due to scheduled maturities as well as changes in the interest rate environment.

Other Liabilities increased by \$302 million (32%) from 2013 to 2014, primarily as a result of an increase in amounts held for institutions representing SUNY dormitory rents and healthcare restructuring loan repayments. Other Liabilities decreased by \$133 million (12%) from 2012 to 2013, primarily as a result of a decrease in accounts payable and accrued expenses.

Net Position

Net Investment in Capital Assets primarily relates to DASNY's headquarters building and related furniture and equipment.

(Continued)

Restricted Net Position relates to activity in the bonds and note accounts. Restricted Net Position decreased by $41 million (17%) from 2013 to 2014 and by $82 million (26%) from 2012 to 2013, primarily as a result of transfers to escrow in connection with refundings and the utilization of prior years' accumulated earnings for debt service.

Unrestricted Net Position relates to DASNY's operating activities. The related assets include unrestricted cash and investments, including monies available to assist healthcare clients and program development accounts. Unrestricted Net Position increased by $2 million (3%) from 2013 to 2014 with an increase in other revenue offset by an increase in maintenance and operations. Unrestricted Net Position remained stable from 2012 to 2013 with an increase in personal service, employee benefits and maintenance and operations offset by a decrease in New York State assessments.

Condensed summary of revenues, expenses, and changes in net position for the fiscal year ended March 31 (in millions)

	2014		2013		2012	
Operating revenues:						
Financing income	$ 2,068	94%	$ 1,997	92%	$ 1,953	92%
Income on investments held for institutions	10	—	16	1	19	1
Fees for services	95	4	96	4	96	4
Other revenues	39	2	67	3	65	3
Total operating revenues	2,212	100%	2,176	100%	2,133	100%
Operating expenses:						
Interest on bonds and notes	2,068	92%	2,026	90%	1,928	89%
Personal service, employee benefits, maintenance and operations	105	5	103	4	100	5
Other expenses	79	3	129	6	127	6
Total operating expenses	2,252	100%	2,258	100%	2,155	100%
Operating loss	(40)		(82)		(22)	
Nonoperating expenses:						
Income on investments held for DASNY	—		—		—	
Decrease in net position	(40)		(82)		(22)	
Net position, beginning of year	313		395		417	
Net position, end of year	$ 273		$ 313		$ 395	

(Continued)

Revenues, Expenses, and Changes in Net Position

The majority of DASNY's revenues and expenses does not relate to operations, rather, it relates to activity in the restricted accounts of the individual series of bonds and notes. The revenues generated in restricted bond and note accounts accumulate until needed. In some years, revenues exceed expenses in restricted bond and note accounts, usually as a result of income on investments and contributions of cash and investments. In other years, expenses exceed revenues in restricted bond and note accounts as accumulated revenues are utilized, usually for payment of debt service, redemption of bonds and notes or transfers to escrow in connection with refundings. Restricted net position remains in each of the individual bond and note issues and accrues to the benefit of the client institutions. At final maturity, the restricted net position of an individual bond and note issue will be $0.

The overall decrease in net position of $40 million from 2013 to 2014, and $82 million from 2012 to 2013, consisted of a decrease in net position in restricted accounts each year, which resulted primarily from transfers to escrow in connection with refundings and the utilization of prior years' accumulated earnings for debt service. Net position in operating accounts and net investment in capital assets remained relatively stable from 2012 to 2014.

Financing Income represents the interest payments received from clients. Financing income and investment earnings on certain restricted bond and note accounts are used to pay interest on bonds and notes outstanding. Financing Income increased by $71 million (4%) from 2013 to 2014 and by $44 million (2%) from 2012 to 2013. These increases resulted primarily from interest on new bond issues as well as the end of capitalized interest for certain bond issues, offset by the elimination of interest attributable to bonds defeased during the period.

Income on investments (operating and nonoperating) primarily includes income on restricted bond and note accounts other than construction accounts. Income on investments in construction accounts is not included in the Statements of Revenues, Expenses, and Changes in Net Position as it is reflected in the Statements of Net Position as a component of Leases and Loans Receivable since the earnings are generally used for project costs. Total income on investments decreased by $6 million (36%) from 2013 to 2014 and by $3 million (16%) from 2012 to 2013 primarily as a result of a declining investment portfolio due to fewer new money bond issuances and the defeasance of nonprofit healthcare bonds which held reserve funds that were invested in high-yielding investment agreements.

Fees for Services include financing fees and annual administrative fees related to ongoing bond management and construction services. Fees for Services decreased by $1 million (1%) from 2013 to 2014 and remained stable from 2012 to 2013. As noted previously, DASNY modified its fee structure at the end of 2013 to lower costs to its clients, which is effective for bonds issued in 2014 and beyond.

Other Revenues primarily represent the receipt in restricted bond and note accounts of income on investments transferred from construction accounts and contributions of cash and investments. Changes reflect the relative amounts of contributions deposited to meet reserve requirements along with investment income available in construction accounts and transferred to other restricted bond and note accounts. Other Revenues decreased by $28 million from 2013 to 2014 and remained relatively stable from 2012 to 2013.

(Continued)

Interest on Bonds and Notes increased by $42 million (2%) from 2013 to 2014 and by $98 million (5%) from 2012 to 2013 primarily as a result of interest on new bond issues as well as the end of capitalized interest for certain bond issues, offset by the elimination of interest associated with bonds defeased during the period.

Personal Service, Employee Benefits, and Maintenance and Operations increased by $2 million (2%) from 2013 to 2014, primarily due to increases in property and general liability insurance. Personal Service, Employee Benefits, and Maintenance and Operations increased by $3 million (3%) from 2012 to 2013, primarily due to increases in retirement contributions and health insurance.

Other Expenses include transfers of accumulated restricted net position and current year revenues to escrow in connection with refundings, amounts returned to institutions, reductions to leases and loans receivable due to redemption of bonds, arbitrage expense, uncollectible expenses, program expenses and administrative fees paid from restricted accounts. Other Expenses decreased by $50 million from 2013 to 2014 due to a decrease in transfers to escrow. Other Expenses remained relatively stable from 2012 to 2013.

Interest Rate Exchange Agreements (Swaps)

Article 5-D of the State Finance Law authorizes the State and various public authorities that issue State-supported bonds to enter into swaps up to certain limits and also limits the amount of outstanding variable rate State-supported bonds. Additionally, Section 2926 of the Public Authorities Law authorizes DASNY to enter into swaps up to certain limits in connection with bonds and notes issued on behalf of a municipality for court facilities and combined occupancy structures and bonds and notes issued on behalf of a municipality for health facilities. Pursuant to these authorizations, as a means to lower borrowing costs for the State and New York City (the City) and to cost effectively support their strategies to diversify their debt portfolios with a combination of fixed and variable-rate debt and more closely match their assets and liabilities, at various times, DASNY enters into interest rate swap agreements. DASNY's swaps are undertaken as a part of the State's and City's overall debt management programs. DASNY is only obligated to make swap payments from monies paid to it by the State or City pursuant to lease and financing agreements related to the State and City-supported bonds. More detailed information regarding DASNY's interest rate exchange agreements, including their requirements and risks are presented in notes 7 and 8 to the basic financial statements.

Request for Information

DASNY's corporate headquarters is located at 515 Broadway, Albany, New York 12207-2964. The main telephone number is 518-257-3000. DASNY maintains an internet website which can be accessed from the following address www.dasny.org.

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
(A Component Unit of the State of New York)

Statements of Net Position

March 31, 2014 and 2013

(In thousands)

Assets		**2014**	**2013**
Current assets:			
Cash and cash equivalents (note 3)	$	634,045	397,492
Investments (note 3)		673,867	903,553
Leases and loans receivable, net (note 4)		4,357,753	4,109,992
Project funds receivable		180,913	146,277
Accrued financing income receivable		325,567	311,305
Accrued interest receivable on investments		3,737	5,609
Other receivables (note 2g)		29,041	27,410
Total current assets		6,204,923	5,901,638
Investments (note 3)		3,050,687	3,351,169
Leases and loans receivable, net (note 4)		38,264,970	37,644,690
Project funds receivable		73,150	77,937
Other receivables (notes 2g and 12)		187,569	124,384
Capital assets, net (note 5)		11,172	11,789
Total assets	$	47,792,471	47,111,607
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	$	231,418	217,018
Bonds and notes outstanding (notes 6 and 7)		4,357,753	4,109,992
Accrued interest payable		499,456	518,872
Unearned financing income		19,735	57,028
Amounts held for institutions (note 6)		277,325	144,573
Due to New York State (note 6)		146,852	128,915
Current portion of other long-term liabilities (note 6)		1,857	1,944
Unearned fees for services		40,501	46,176
Total current liabilities		5,574,897	5,224,518
Bonds and notes outstanding (notes 6 and 7)		41,414,249	41,223,552
Amounts held for institutions (note 6)		331,703	160,000
Due to New York State (note 6)		11,309	11,282
Other long-term liabilities (note 6)		186,837	179,189
Total liabilities		47,518,995	46,798,541
Net position			
Net investment in capital assets (note 5)		11,172	11,789
Restricted		194,097	234,658
Unrestricted (note 13)		68,207	66,619
Total net position	$	273,476	313,066

See accompanying notes to basic financial statements.

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
(A Component Unit of the State of New York)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended March 31, 2014 and 2013

(In thousands)

	2014	2013
Operating revenues:		
Financing income	$ 2,067,946	1,997,394
Income on investments held for institutions	10,261	15,918
Fees for services	94,756	95,880
Contributions of cash and investments	11,655	25,098
Other	27,190	41,364
Total operating revenues	2,211,808	2,175,654
Operating expenses:		
Interest on bonds and notes	2,067,795	2,026,011
Amounts returned to institutions	9,978	5,824
Reduction of leases and loans receivable due to redemption of bonds	35,259	33,977
Personal service and employee benefits	83,095	84,314
Maintenance and operations	21,361	19,031
New York State assessments	4,085	4,086
Transfers to escrow	14,300	65,575
Other	15,563	18,667
Total operating expenses	2,251,436	2,257,485
Operating loss	(39,628)	(81,831)
Nonoperating revenues:		
Income on investments held for DASNY	38	56
Decrease in net position	(39,590)	(81,775)
Net position, beginning of year	313,066	394,841
Net position, end of year	$ 273,476	313,066

See accompanying notes to basic financial statements.

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
(A Component Unit of the State of New York)

Statements of Cash Flows

Years ended March 31, 2014 and 2013

(In thousands)

		2014	2013
Cash flows from operating activities:			
Fees for services	$	91,499	95,240
Amounts received from institutions		12,415	26,263
Project funds received		323,836	312,546
Dorm rent receipts		520,836	—
Permit and patient income receipts		1,961,276	3,382,006
Special purpose healthcare loan receipts		155,564	50,922
Other receipts		67,717	31,909
Personal service and employee benefits		(68,549)	(70,386)
Maintenance and operations		(12,938)	(19,434)
New York State assessments		(4,086)	—
Permit and patient income transferred to New York State		(2,016,167)	(3,385,902)
Project funds disbursed		(306,431)	(352,149)
Dorm rent disbursements		(360,835)	—
Amounts returned to institutions		(13,173)	(105,110)
Special purpose healthcare loan disbursements		(66,317)	(54,477)
Other disbursements		(18,835)	(20,455)
Net cash provided by (used) in operating activities		265,812	(109,027)
Cash flows from noncapital financing activities:			
Proceeds from the issuance of bonds and notes		4,115,074	6,870,259
Amounts transferred to escrow to defease debt		(1,134,008)	(1,953,333)
Principal repayments of bonds and notes		(2,282,081)	(2,159,499)
Interest paid on bonds and notes		(2,138,252)	(2,078,310)
Net cash provided by (used in) noncapital financing activities		(1,439,267)	679,117
Cash flows from capital financing activities:			
Acquisition of property and equipment		(133)	(282)
Net cash provided by (used in) capital financing activities		(133)	(282)
Cash flows from investing activities:			
Purchases of investments		(10,621,566)	(15,533,584)
Proceeds from sales and maturities of investments		11,149,972	16,916,203
Income on investments		15,734	19,763
Construction, loan, and other disbursements		(3,331,667)	(5,975,442)
Principal receipts on leases and loans receivable		2,181,402	2,087,097
Financing income		2,016,266	1,991,534
Net cash provided by (used in) investing activities		1,410,141	(494,429)
Net increase in cash and cash equivalents		236,553	75,379
Cash and cash equivalents, beginning of year		397,492	322,113
Cash and cash equivalents, end of year	$	634,045	397,492

See accompanying notes to basic financial statements.

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
(A Component Unit of the State of New York)

Statements of Cash Flows

Years ended March 31, 2014 and 2013

(In thousands)

		2014	**2013**
Operating loss	$	(39,628)	(81,831)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense		748	791
Interest on bonds and notes		2,067,795	2,026,011
Income on investments held for institutions		(10,261)	(15,918)
Financing income		(2,067,946)	(1,997,394)
Reduction of leases and loans receivable due to redemption of bonds		35,259	33,977
Amounts transferred to escrow to defease debt		14,300	65,575
Assets received from escrow		(404)	(139)
Change in assets and liabilities:			
Increase in leases and loans receivable		(17,457)	(112,703)
Increase in project funds receivable		(37,066)	(15,576)
Increase in other receivables		(21,455)	(6,107)
Increase (decrease) in accounts payable and accrued expenses and other long-term liabilities, net of construction funds		69,195	(383)
Increase in due to New York State		17,964	2,559
Increase (decrease) in amounts held for institutions		260,443	(11,048)
Increase (decrease) in unearned fees for services		(5,675)	3,159
Total adjustments		305,440	(27,196)
Net cash provided by (used in) operating activities	$	265,812	(109,027)

See accompanying notes to basic financial statements.

(1) DASNY

The Dormitory Authority of the State of New York (DASNY) is a public benefit corporation established in 1944 and is governed by Title 4 and 4B, Article 8 of the Public Authorities Law of the State of New York. DASNY is an independent corporate agency with governmental functions delegated to it by the State of New York (the State). It is not a municipal corporation. DASNY employees are not employees of the State or of a civil service division thereof.

DASNY was established by the State as a public benefit corporation for the purpose of financing, designing, constructing, purchasing, reconstructing, and/or rehabilitating buildings (projects), including the acquisition of equipment, for a variety of public and private institutions. The private institutions for which DASNY is authorized to provide these services consist of colleges and universities, hospitals, nursing homes and various other entities that are specifically enumerated in DASNY's enabling legislation. The public institutions for which DASNY is authorized to provide these services include various agencies of the State, the City University of the City of New York (the City), the State University of the State of New York, local school districts, cities and counties with respect to certain court and municipal health facilities and for various other purposes as authorized by law. DASNY has also established lease financing programs that are used to finance the acquisition of equipment for various clients. DASNY is also authorized by statute to finance directly or indirectly certain student loans and on behalf of the State, to fund and administer grants to various public and private entities. To accomplish its purpose, DASNY has the power to borrow money and to issue negotiable bonds or notes, in conformity with the applicable provisions of the Uniform Commercial Code, and to provide for the rights of the holders of such debt instruments. DASNY's obligations are not a debt of the State. All bonds and notes issued by DASNY are subject to the approval of the Public Authorities Control Board of the State.

DASNY is authorized pursuant to Section 1678 (25) of the Public Authorities Law to establish subsidiaries for the purpose of limiting its potential liability when exercising its powers and duties in pursuit of remedies against a borrower that has defaulted in its obligations under a loan agreement or mortgage with DASNY.

On March 17, 2011, NGHP Holding Corporation (NGHP) was established as a subsidiary of DASNY in the form of a public benefit corporation as a result of North General Hospital's default under its loan agreements and mortgages with DASNY. North General Hospital filed a petition in bankruptcy and NGHP acquired certain real property assets subject to certain liabilities of North General Hospital on June 30, 2011 in accordance with the plan of liquidation approved by the Bankruptcy Court. NGHP is included in these basic financial statements as a blended component unit as DASNY's governing board serves as the governing board of NGHP and DASNY management has operational responsibility for NGHP.

On November 20, 2013, Atlantic Avenue Healthcare Property Holding Corporation (Atlantic Avenue) was established as a subsidiary of DASNY in the form of a public benefit corporation as a result of Interfaith Medical Center's default under its loan agreements and mortgages with DASNY. Interfaith Medical Center filed a petition in bankruptcy and, as of March 31, 2014, no plan of reorganization or liquidation of Interfaith Medical Center has been approved by the Bankruptcy Court. Atlantic Avenue is considered a blended component unit as DASNY's governing board serves as the governing board of Atlantic Avenue and DASNY management has operational responsibility for Atlantic Avenue. However, as of March 31, 2014, Atlantic Avenue has not acquired any assets, incurred any liabilities or entered into any transactions and therefore has had no impact on these financial statements (see note 14).

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, DASNY is included in the financial statements of the State as a discrete component unit.

(2) Summary of Significant Accounting Policies

(a) Basis of Reporting

DASNY's basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles for governments as prescribed by the GASB, which is the primary standard-setting body for establishing governmental accounting and financial reporting principles. DASNY has elected the option under GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations* to report conduit debt in its basic financial statements, other than certain tax-exempt equipment leases (see note 7(c)). The more significant of DASNY's accounting policies are described below.

(b) Basis of Accounting

DASNY follows the economic resources measurement focus and the accrual basis of accounting for revenues and expenses whereby revenues are recognized when earned and expenses are recognized when obligations are incurred.

The basic financial statements are a compilation of almost two thousand separate self-balancing accounts, each related to either an individual series of outstanding bonds and notes or an individual operating account.

DASNY's primary operating revenue is financing income, representing interest on indebtedness, received from institutions. DASNY also recognizes as operating revenue the income on investments held for institutions, except interest earned on construction account investments. Income on investments in construction accounts is recorded as a reduction to leases and loans receivable since the earnings are generally used for project costs. Fees charged to institutions for services and certain remaining bond proceeds transferred from refunded issues are also recognized as operating revenue. Operating expenses for DASNY include the interest expense on bonds and notes, reduction of leases and loans receivable, which represents bonds redeemed with earnings, administrative expenses and amounts returned to institutions.

The majority of DASNY's revenues and expenses does not relate to operations, rather, it relates to activity in the restricted debt accounts of the individual series of bonds and notes. The revenues generated in restricted debt accounts accumulate until needed. In some years, revenues exceed expenses in restricted debt accounts, usually as a result of income on investments and contributions of cash and investments. In other years, expenses exceed revenues in restricted debt accounts as accumulated revenues are utilized, usually for payment of debt service, redemption of bonds and notes, transfers to escrow in connection with refundings or amounts returned to institutions. Restricted net position remains in each of the individual bond or note issues and accrue to the benefit of the client institutions. At final maturity, the restricted net position of an individual bond or note issue will be $0.

Any revenues and expenses that do not support DASNY's primary business functions are reported as nonoperating revenues and expenses.

(c) Cash and Cash Equivalents

Cash and Cash Equivalents include cash on deposit and money market funds.

(d) Investments

Investments are recorded at fair value, other than investment agreements, repurchase agreements, and certificates of deposit, which are recorded at cost. DASNY uses an independent pricing source to determine the fair value of investments at quoted market prices. Changes in fair value are included in Income on Investments Held for Institutions and nonoperating Income on Investments Held for DASNY in the Statements of Revenues, Expenses, and Changes in Net Position, except for changes in fair value related to investments in the construction accounts, as described in note 2(e).

(e) Leases and Loans Receivable

Projects are financed primarily under either a lease (where the lease payments are pledged to the trustee for the benefit of the bondholders), a loan (where the loan payments are pledged to the trustee for the benefit of the bondholders), or other agreements, including service contracts and financing agreements with the State and municipalities, which provide for the payment of debt service dependent upon annual appropriation, or for which specific revenues have been pledged in support of a collateralized borrowing. Additionally, in certain instances, revenues of the institutions have been pledged under the terms of the respective bond resolutions and certain restricted amounts are required to be maintained with the trustee in accordance with such resolutions.

Leases and Loans Receivable represents accumulated construction costs for projects financed through bond and note issues, net of principal repayments received from institutions, institution contributions, and income on investments on construction accounts. Income on investments on construction accounts is recorded as a reduction to this receivable since the earnings are generally used for project costs. The disbursement of project costs financed with bond proceeds is recorded as an increase to this receivable. The principal portion of debt service received from institutions is recorded as a reduction to this receivable. Also included in this receivable are bond issuance costs and premium or discount on the debt issued.

Interest paid from bond proceeds during the construction period, capitalized interest, is recorded as an increase to the receivables. Capitalized interest was approximately $38 million and $73 million for the fiscal years ended March 31, 2014 and 2013, respectively. Income earned on construction fund investments during the construction period is recorded as a reduction of the receivables. Construction fund investment income was approximately $2 million and $6 million for the fiscal years ended March 31, 2014 and 2013, respectively.

Leases and Loans Receivable, together with amounts held in construction accounts and amounts deposited in certain other restricted accounts, are generally equal to the face value of the associated bonds or notes outstanding. The effective interest rate on the receivables is generally imputed based on the effective rate on the bond or note, and the related income is included in Financing Income in the Statements of Revenues, Expenses, and Changes in Net Position.

DASNY maintains various asset management monitoring systems to evaluate the ability of institutions to meet their debt service payments and establishes loan loss reserves as necessary. All bond and note issues are special obligations of DASNY and many include credit enhancements to ensure payment of debt service to the bondholders (see note 7).

(f) Project Funds Receivable

Project Funds Receivable includes amounts due from institutions for projects funded from other than available bond or note proceeds. The amounts reported in this asset category also include construction costs for certain mental health projects and grants paid by the State in the first instance which will subsequently be funded from bond or note proceeds or other State appropriations and reimbursed to the State. The related liability for these costs is reported as Due to New York State in the Statements of Net Position. Additionally, the cost of retainage on construction contracts that will be funded in the future by institution contributions or additional bond or note proceeds is included in Project Funds Receivable.

(g) Other Receivables

Other Receivables consist of amounts due from institutions for various healthcare loans, DASNY administrative fees, other postemployment benefit obligations and accrued leave credits allocable to public clients, prepaid expenses, and bond issuance costs and project costs advanced from DASNY operating funds. Also included in Other Receivables are amounts due to NGHP from New York City Health and Hospitals Corporation related to a building lease. At March 31, 2014 and 2013, DASNY has recorded $86 million and $174 million, respectively, as an allowance for uncollectible accounts primarily related to advances made to assist healthcare institutions which, for the most part, does not impact the Statements of Revenues, Expenses, and Changes in Net Position.

(h) Capital Assets

DASNY's capital assets include land, buildings and equipment (see note 5). Land is reported at its original acquisition cost. Buildings and equipment are stated at cost, less accumulated depreciation, determined using the straight-line method. It is DASNY's policy to capitalize buildings and equipment which have a cost in excess of $50,000 at the date of acquisition. DASNY buildings are depreciated over 25 years, building improvements and renovations are depreciated over the remaining life of the building or lease, furniture and equipment are depreciated over 7 to 10 years, financial management system equipment, software and related costs are depreciated over 10 years, and other computer equipment and software are depreciated over 5 years.

(i) Amounts Held for Institutions

Certain public institutions provide monies directly to DASNY to be used for the construction or renovation of capital projects. Monies are also released from trustee accounts to DASNY for rehabilitation and renovation of projects. These monies and related earnings are included in Amounts Held for Institutions in the Statements of Net Position and are restricted for the purpose of making future improvements to projects. Also included in Amounts Held for Institutions are monies received from the State for purposes of helping hospitals in need and improving the healthcare delivery system, as well as, deposits of room rents collected by campuses to cover debt service and required reserves related to the SUNY Dormitory Facilities Revenue bond program. In addition, the obligation of NGHP to pay North General Hospital claims, to pay costs incurred in connection with properties owned by NGHP, or to redeem a portion of the North General Hospital Series 2003 Bonds are included in Amounts Held for Institutions.

(j) Due to New York State

The State pays construction costs for certain mental health projects managed by other State agencies, and advances funds for certain grant programs from its short-term investment pool (STIP), which are subsequently reimbursed by DASNY from bond or note proceeds, or other funds appropriated to DASNY. The unreimbursed balance of such State advances for construction costs and grant programs is included in Due to New York State in the Statements of Net Position. Patient income receipts related to the State mental health program and rent receipts from tenants leasing State-owned mental health facilities which have not yet been remitted to the State are also included in this liability. In addition, proceeds from the sale of State-owned mental health properties are also reported in Due to New York State.

(k) Unearned Fees for Services

As provided for in the various financing documents on all programs other than nonprofit health care institutions, independent colleges, universities and other nonprofit institutions, and certain New York State agencies, excess fees collected over expenses incurred relating to DASNY are obligations of DASNY to the institutions. Such amounts are included in the Statements of Net Position in Unearned Fees for Services.

Conversely, any excess of expenses over fees collected are claims of DASNY against the institutions. Such amounts are included in the Statements of Net Position in Other Receivables.

(l) Compensated Absences

Employees accrue vacation at varying rates ranging from 13 days per year to a maximum of 25 days per year. Overtime eligible employees accrue compensatory leave when they work between 37.5 hours and 40 hours in a workweek. A maximum of 225 hours of accrued vacation leave and a maximum of 240 hours of accrued compensatory leave is payable upon separation. At March 31, 2014 and 2013 accrued expenses of $4.1 million and $4.4 million, respectively, were recorded for the estimated obligation for vacation and compensatory leave and included in Other Long Term Liabilities in the Statements of Net Position. Related receivables of $3.9 million, representing the portion of the liability allocable to public clients, are included in Other Receivables in the Statements of Net Position at March 31, 2014 and 2013. In addition, the Authority is holding the remaining portion of the liability in a reserve established by the Board.

(m) Derivative Instruments

As a means to lower borrowing costs for the State and the City and to cost effectively support their strategies to diversify their debt portfolios with a combination of fixed and variable rate debt, at various times, DASNY enters into swap agreements. The related lease and financing agreements between DASNY and the State or the City include provisions that obligate the State or the City, subject to annual appropriation, to pay to DASNY all amounts due in connection with the swap agreements. Such swap repayment terms are considered derivative instruments with terms reciprocal to those of the swap agreements. When analyzed concurrently, because of the reciprocal terms, the swap agreements and the swap repayment terms in the lease and financing agreements with the State and the City are not considered associated with hedgeable items. Consequently, the swap agreements and the swap repayment terms in the lease and financing agreements are regarded as investment derivatives. Given that the fair value of the swap repayment terms offsets the fair value of the swap agreements and both are reported as investments, there is no net impact on the basic financial statements (see note 8).

(n) Restricted Net Position

The amounts reported in this net position category are restricted in accordance with the bond and note resolutions for the payment of outstanding bonds and notes and also may be used for the payment of project costs, arbitrage payments to the Internal Revenue Service and costs of issuance. Restricted net position is held for the benefit of the institutions and bondholders. Monies remaining upon retirement of the bonds and notes are returned to the institutions.

(o) Revenue Recognition

DASNY recognizes revenue when earned. Financing income is recognized as the related interest on bonds and notes is incurred. Fees for services are recognized, and unearned fees for services are amortized, as the related personal service expense of DASNY is incurred.

(p) Income Taxes

DASNY is a component unit of the State of New York and is generally exempt from Federal, State, and local income taxes.

(q) Use of Estimates

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods.

Significant items subject to such estimates and assumptions include the fair value of investments, the carrying value of capital assets, accrued expenses and other long-term liabilities. Actual results could differ from those estimates.

(r) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(3) Cash, Cash Equivalents and Investments

DASNY has a written investment policy that applies to all its investments. This policy allows for the following investments:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America;
- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by any agency or instrumentality of the United States of America that are rated in at least the second highest rating category by at least two nationally recognized statistical rating organizations;
- Certificates or other instruments which evidence the ownership of or the right to receive the payment of the principal and guaranteed interest on obligations, wholly comprised of such obligations listed above;
- Obligations of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, (i)(A)the interest on which is excludable from gross income under Section 103 of the Internal Revenue Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Internal Revenue Code (Exempt Obligations), or (B) which qualifies as a "Build America Bond" within the meaning of Section 54AA of the Internal Revenue Code, and (ii) are rated in at least the second highest rating category by at least two nationally recognized statistical rating organizations;
- Shares or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of $1.00 per share, that is rated in the highest short-term rating category by at least one nationally recognized statistical rating organization, and at the time such investment is made, such fund had a minimum asset value of $500 million;
- Commercial paper issued by a domestic corporation rated in the highest short-term rating category by at least two nationally recognized statistical rating organizations and having maturities of not longer than 270 days from the date they are purchased;
- Bankers' acceptances issued by a bank rated in the highest short-term rating category by at least two nationally recognized statistical rating organizations and having maturities of not longer than 365 days from the date they are purchased;
- Collateralized investment agreements; and

(Continued)

- Collateralized or insured certificates of deposit.

In addition, DASNY's Board and Treasurer may also specifically authorize, as deemed appropriate, other investments that are consistent with DASNY's investment objectives, and in the case of investments held in the restricted debt accounts of the individual series of bonds and notes, allowed under the provisions of the related bond or note resolution.

One of the primary objectives of DASNY's investment policy is to provide sufficient liquidity to meet the purposes for which the funds are being held. The majority of DASNY's investment portfolio consists of short-term investment securities to achieve its liquidity objective. Consequently, DASNY's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates since the majority of investments are short-term in nature. Most investments are held to pay for construction expenditures with maturities based upon expectations of when they will be used, or held on behalf of the various institutions to fund specific reserves or payment of debt service, or held for general operating purposes which generally do not exceed maturities of more than one year. Investment securities maturing beyond five years generally relate to restricted reserves that are typically invested with maturity dates that coincide with those of the underlying bonds and notes and are held under guaranteed investment contracts and Federal Agency mortgage-backed securities (MBSs). MBSs, including collateralized mortgage obligations, carry added interest rate risk since the payments are based on cash flows from interest and principal payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. DASNY held approximately $24 million of these securities at March 31, 2014 for a specific client who is aware of the interest rate risks associated with holding securities of this type. No such securities were held at March 31, 2013.

The amount of investments by type and maturity, at March 31, 2014 and 2013 are presented in the following tables. Investment maturity classifications in the tables are based on the maturity of the underlying investments, which differs from their classification on the Statements of Net Position. Investments reported as current on the Statements of Net Position generally have maturities of one year or less, unless they are restricted by the underlying bond and note resolutions and are expected to be reinvested upon maturity, or the proceeds at maturity are generally used to support construction activities, in which case they are reported as investments, other than current.

Investments reported as current on the Statements of Net Position at March 31, 2014 and 2013 include $530 million and $690 million, respectively, for debt service payments to be made in the fiscal years ended March 31, 2015 and 2014, respectively, which are restricted by the underlying bond and note resolutions. Also included in investments reported as current at March 31, 2014 and 2013 are investments held for DASNY operations, nonbond related capital projects and rehabilitation and renovation of projects totaling $144 million and $214 million, respectively.

	March 31, 2014				
			Maturities (in years)		
Investment type	Amount	Percentage of total	Less than 1	1-5	More than 5
			(In thousands)		
Recorded at fair value:					
Obligations of the United States Government:					
U.S. Treasury notes/bonds	$ 344,865	9.3%	$ 333,253	11,612	—
U.S. Treasury bills	1,268,812	34.1	1,268,812	—	—
U.S. Treasury strips	1,102,422	29.6	1,102,267	155	—
	2,716,099	73.0	2,704,332	11,767	—
Federal agency, notes and debentures:					
Federal National Mortgage Association (FNMA)	206,185	5.6	151,152	54,795	238
Federal Home Loan Bank	287,303	7.7	266,318	20,985	—
Federal Home Loan Mortgage Corp. (FHLMC)	288,275	7.8	271,137	4,944	12,194
Federal Farm Credit Bank	46,167	1.2	—	46,167	—
	827,930	22.3	688,607	126,891	12,432
Federal agency mortgage backed:					
Federal National Mortgage Association	13,390	0.4	—	5,441	7,949
Government National Mortgage Association (GNMA)	4,325	0.1	—	1,164	3,161
Federal Home Loan Mortgage Corp.	4,568	0.1	—	1,196	3,372
U.S. Department of Veteran's Affairs	1,588	—	—	1,588	—
	23,871	0.6	—	9,389	14,482
Recorded at cost:					
Investment agreements	139,209	3.7	—	4,668	134,541
Time deposit agreements	8,728	0.2	1,245	7,483	—
Certificates of deposit	8,717	0.2	8,717	—	—
Total	$ 3,724,554	100.0%	$ 3,402,901	160,198	161,455

	March 31, 2013				
		Percentage	Maturities (in years)		
Investment type	Amount	of total	Less than 1	1-5	More than 5
			(In thousands)		
Recorded at fair value:					
Obligations of the United States Government:					
U.S. Treasury notes/bonds	$ 585,878	13.8%	$ 521,203	58,505	6,170
U.S. Treasury bills	1,504,113	35.4	1,504,113	—	—
U.S. Treasury strips	1,188,050	27.9	1,186,724	1,326	—
	3,278,041	77.1	3,212,040	59,831	6,170
Federal agency, notes and debentures:					
Federal National Mortgage Association	404,702	9.5	373,406	31,046	250
Federal Home Loan Bank	85,044	2.0	81,193	3,851	—
Federal Home Loan Mortgage Corp.	246,422	5.8	215,033	30,972	417
Federal Farm Credit Bank	34,749	0.8	—	34,749	—
	770,917	18.1	669,632	100,618	667
Recorded at cost:					
Investment agreements	171,125	4.0	3,231	13,691	154,203
Time deposit agreements	28,276	0.7	—	28,276	—
Certificates of deposit	6,363	0.1	6,363	—	—
Total	$ 4,254,722	100.0%	$ 3,891,266	202,416	161,040

Investment credit risk is the risk that an issuer or other counterparty will not fulfill its obligations.

Federal Agency notes and debentures are issued by Government-Sponsored Enterprises (GSEs), which carry the implicit guarantee of the United States federal government. At March 31, 2014 and 2013, DASNY held approximately $828 million and $771 million, respectively, in agency securities issued by several GSEs, all of which are rated in at least the second highest rating category by at least two of the nationally recognized statistical rating organizations.

Federal Agency MBSs, including collateralized mortgage obligations, are issued by GSEs some of which carry the explicit guarantee of the United States federal government, such as GNMA and U.S. Department of Veteran’s Affairs, and others which carry the implicit guarantee of the United States federal government, such as FNMA and FHLMC. The credit risk of MBSs depends on the likelihood of the underlying borrower paying the promised cash flows of principal and interest on time. This risk is mitigated by the GSEs guaranteeing against the homeowner default, therefore the security generally carries the rating of the GSEs, the guarantor. At March 31, 2014, DASNY held approximately $24 million in MBSs issued by several GSEs, all of which are rated in at least the second highest rating category by at least two of the nationally recognized statistical rating organizations. No such securities were held at March 31, 2013.

Under investment agreements, DASNY has invested monies with financial institutions at a fixed contract rate of interest. Because the security is essentially a written contract there is no rating available for such an instrument; however, at the time the agreements are entered into, the underlying providers are generally rated in at least the second highest rating category by at least one of the nationally recognized statistical rating organizations, in accordance with established investment policy and guidelines. All agreements are collateralized by investment securities held by a third-party custodian either in DASNY's name or the name of the bond trustee, at values ranging from 103% to 106% on required evaluation dates and no less than 100% at any given time.

Under certain circumstances, if the credit ratings of the investment agreement provider fall below a certain level, the provisions of the specific agreement require additional collateral to be posted, a substitute provider to be obtained, or give DASNY the right to terminate the agreement. As of March 31, 2014, there were 19 investment agreements totaling $133 million invested with four providers with credit ratings below the level allowing one or more such actions. As of March 31, 2013, there were 23 investment agreements totaling $147 million invested with four providers with credit ratings below the level allowing one or more such actions. DASNY has requested the providers to post additional collateral securities necessary to satisfy the guidelines published by nationally recognized credit rating agencies for investment grade collateralized transactions in accordance with the terms of the related investment agreements or as otherwise required pursuant to the particular agreement. As of March 31, 2014 and 2013, there were two investment agreements totaling $18 million with two providers, who posted additional collateral securities in accordance with the terms of the particular agreement. DASNY has not terminated the remaining agreements, but has reserved all of its rights and remedies under the agreements, in part because of an increase in exposure to reinvestment risk since interest rates equivalent to the interest rates paid on deposits held under the agreements cannot be obtained in the current market.

A portion of DASNY's investments portfolio is invested in several money market funds, which are open-ended mutual funds that invest in short-term debt securities and whose objective is to carry a net asset value (NAV) of $1.00, allowing for withdrawals equal to the amount of the original deposit plus an allocable portion of any interest that may have been earned by the fund. These funds are reflected in the Statements of Net Position as a component of Cash and Cash Equivalents. DASNY's investment policy requires at the time of investment, each fund have a minimum asset value of $500 million and be rated in the highest short-term rating category by at least one nationally recognized statistical rating organization. At March 31, 2014 and 2013, DASNY held approximately $372 million and $198 million, respectively, in investments of this type which were all rated in the highest short-term rating category by at least one nationally recognized statistical rating organization

Custodial credit risk for deposits is the risk that in the event of a bank failure, DASNY's deposits may not be returned. DASNY's deposit policy for custodial credit risk includes minimum equity and rating requirements of, and diversification among, trustee and custodian banks. Certain deposits held in DASNY bank accounts are collateralized with securities held by custodian banks and certain are insured by federal depository insurance. As of March 31, 2014 and 2013, DASNY had bank deposits of $120 million and $184 million, respectively, of which $97 million and $101 million, respectively, were uninsured and uncollateralized. The uninsured cash balances were primarily the result of amounts temporarily held pending debt repayment, disbursement, or investment.

(4) Leases and Loans Receivable

Leases and Loans Receivable represents amounts due in accordance with various financing agreements relating to the construction of projects.

Leases and Loans Receivable at March 31, 2014 consisted of the following (in thousands):

Minimum payments to be received during the fiscal years ending March 31:		
2015	$	4,145,245
2016		4,076,892
2017		3,966,266
2018		4,060,558
2019		3,941,620
Thereafter		51,971,799
Total minimum payments receivable		72,162,380
Less unearned financing income, unexpended bond proceeds, and other credits		29,539,657
Total leases and loans receivable, net		42,622,723
Less current leases and loans receivable, net		4,357,753
Long-term leases and loans receivable, net	$	38,264,970

Leases and loans receivable financed by bonds and notes are collectible through periodic payments. The collection of this receivable from institutions is dependent on the ability of each institution to generate sufficient resources to service its bonds and notes. For hospitals and nursing homes, this is predicated in part on their ability to obtain Medicare, Medicaid, or other third-party reimbursement rates sufficient to offset operating costs. For higher education institutions, this is predicated in part on their ability to maintain enrollment and tuition at levels adequate to offset operating costs. For certain public institutions, payment is dependent upon annual appropriation. In certain situations, various credit structures are in place to reduce the risk of nonpayment to bondholders should an institution be unable to pay its debt service (see note 7). Based on continuous monitoring of collectability, it has been determined that there is no need to establish reserves for loan losses at March 31, 2014 or 2013.

(5) Capital Assets

Capital Assets, Net at March 31, 2014 and 2013 consisted of the following (in thousands):

	2014		2013	
Capital assets, not being depreciated:				
Land		$ 1,083		$ 1,083
Capital assets, being depreciated:				
Buildings	$ 23,388		$ 23,388	
Equipment	9,135		9,004	
Total capital assets being depreciated	32,523		32,392	
Less accumulated depreciation	(22,434)		(21,686)	
Net value of capital assets, being depreciated		10,089		10,706
Net value of all capital assets		$ 11,172		$ 11,789

During fiscal years ended March 31, 2014 and 2013, DASNY recorded depreciation expense of $748 thousand and $791 thousand, respectively, which is recorded in Maintenance and Operations expense in the Statements of Revenues, Expenses, and Changes in Net Position.

(6) Long-Term Liabilities

DASNY's long-term liabilities as of March 31, 2014 and 2013, including the current portion, are comprised of the following (in thousands):

	2014				
	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds and notes payable	$ 45,333,544	3,803,973	(3,365,515)	45,772,002	4,357,573
Other long-term liabilities:					
Accrued retainage	$ 81,399	38,328	(43,313)	76,414	—
Accrued arbitrage	585	29	(156)	458	—
Compensated absences	4,413	—	(256)	4,157	—
OPEB liability	69,359	18,205	(3,332)	84,232	—
Other	25,377	—	(1,944)	23,433	1,857
Total other long-term liabilities	$ 181,133	56,562	(49,001)	188,694	1,857
Due to New York State	$ 140,197	2,169,497	(2,151,533)	158,161	146,852
Amounts held for institutions	$ 304,573	1,093,907	(789,452)	609,028	277,325

		2013				
		Beginning balance	**Additions**	**Deletions**	**Ending balance**	**Due within one year**
Bonds and notes payable	$	44,493,936	5,933,410	(5,093,802)	45,333,544	4,109,992
Other long-term liabilities:						
Accrued retainage	$	89,178	37,973	(45,752)	81,399	—
Accrued arbitrage		637	99	(151)	585	—
Compensated absences		4,419	—	(6)	4,413	—
OPEB liability		55,031	17,406	(3,078)	69,359	—
Other		27,097	157	(1,877)	25,377	1,944
Total other long-term liabilities	$	176,362	55,635	(50,864)	181,133	1,944
Due to New York State	$	137,638	3,495,377	(3,492,818)	140,197	128,915
Amounts held for institutions	$	318,120	429,527	(443,074)	304,573	144,573

(7) Bonds and Notes Outstanding

(a) Description of Bonds and Notes

Bonds and notes are special obligations of DASNY payable solely from payments required to be made by or for the account of the institution for which the particular special obligations were issued. Such payments are pledged or assigned to the trustees for the holders of the respective special obligations. DASNY has no obligation to pay its special obligations other than from such payments. In certain instances, DASNY has a lien on certain land and buildings and revenues to secure the payment of principal and interest on the outstanding bonds and notes. In addition, certain bond and note issues include credit enhancements. The following summarizes bonds and notes outstanding at March 31 by primary security feature (in thousands):

		Amounts of debt outstanding	
		2014	**2013**
Backed by letters of credit	$	1,824,500	1,915,960
Insured by municipal bond insurance		3,720,972	4,608,993
Backed by mortgages insured by the State of New York Mortgage Agency		152,260	171,065
Backed by mortgages insured by agencies of the federal government		1,504,455	1,749,900
Payable from State and local government appropriations, state service contracts or designated income funds		25,469,164	25,310,982
Backed by pledged assets and revenues or payments		13,100,651	11,576,644
Total	$	45,772,002	45,333,544

Fixed rate and variable rate bonds and notes are due in various installments through the fiscal year ending March 31, 2051 and bear interest at variable rates currently ranging from 0.01% per annum to 5.0% per annum, and fixed interest rates currently ranging from 0.42% per annum to 7.875% per annum.

As of March 31, 2014, DASNY had a total of $2.6 billion outstanding variable rate demand bonds, of which $1.7 billion was secured by direct pay bank letters of credit, $548 million was secured by appropriations or by pledged assets and revenues or by payments of the respective clients and with liquidity provided by standby purchase agreements, $160 million was secured by agencies of the federal government, and $188 million was secured by pledged assets and revenues or by payments of the respective clients acting as their own liquidity provider. As of March 31, 2013, DASNY had a total of $2.6 billion outstanding variable rate demand bonds, of which $1.7 billion was secured by direct pay bank letters of credit, $557 million was secured by appropriations or by pledged assets and revenues or by payments of the respective clients and with liquidity provided by standby purchase agreements, $162 million was secured by agencies of the federal government, and $195 million was secured by pledged assets and revenues or by payments of the respective clients acting as their own liquidity provider.

The variable rate demand bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest upon notice and delivery (tender) of the bonds to the remarketing agent being provided within a period of time as specified under the respective bond documents. The remarketing agent is required to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. For those bonds secured by a direct pay letter of credit, the trustee is required to draw an amount sufficient to pay the purchase price of bonds delivered to it and to reimburse the letter of credit provider from monies available from remarketing and from monies held under the bond resolution. The direct pay letters of credit relevant to variable rate bonds expire at various times through January 21, 2019. For those bonds with liquidity provided by a standby bond purchase agreement, secured by an agency of the federal government, or where the conduit borrower is acting as its own liquidity provider, the trustee is required to draw from monies held under the bond resolution or from the liquidity provider an amount sufficient to pay the purchase price of bonds delivered to it and that are unable to be remarketed. The standby bond purchase agreements expire at various times through January 13, 2017.

DASNY issues debt on behalf of both public, primarily the State, and private institutions. DASNY has elected the option under GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, to report conduit debt, primarily issued on behalf of private institutions, in its basic financial statements. In accordance with GASB Statement No. 61, *The Financial Reporting Entity Omnibus, an amendment of GASB Statements No. 14 and No. 34*, DASNY is included in the financial statements of the State as a discrete component unit. As such, bonds issued on behalf of the State are not considered conduit debt. Under GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*, variable rate demand bonds should be reported as long-term debt if certain conditions are met; otherwise, they should be reported as a current liability. In the case of its conduit variable rate demand bonds, DASNY is not a party to the liquidity or takeout agreement with the provider. All liquidity provider fees are paid directly by the conduit borrower and are not DASNY's obligation, and, in some cases, the conduit borrower acts as its own liquidity provider.

Such bonds, and the related leases and loans receivable, are classified as current on the Statements of Net Position. With respect to variable rate demand bonds issued on behalf of its public clients, those bonds secured by liquidity or takeout agreements that expire within one year are classified as current on the Statements of Net Position. All variable rate demand bonds, and the related leases and loans receivable, are disclosed in note 7(b) Maturities of Bond and Notes and note 4 Leases and Loans Receivable. As of March 31, 2014 and 2013, approximately $2.3 billion and $2.1 billion, respectively, of variable rate demand bonds were classified as current on the Statements of Net Position.

DASNY, on behalf of the State, has purchased letters of credit and standby purchase agreements from various providers to ensure the liquidity needs of variable rate demand bonds can be met. As of March 31, 2014, these agreements covered $666 million of variable rate demand bonds outstanding with costs ranging from 0.46% per annum to 0.65% per annum of the amount of credit provided with expiration dates ranging from December 11, 2014 to January 13, 2017. In addition, remarketing agents receive annual fees of between 0.05% per annum and 0.1% per annum of the outstanding principal amount of the bonds.

If the remarketing agent is unable to resell any bonds that are tendered by the bondholders within six months of the tender date, each agreement with the applicable liquidity provider requires the bonds to accelerate and be payable in 6 to 10 equal semi-annual principal repayments bearing an adjustable interest rate equal to the higher of the bank’s prime lending rate or an index tied to the Federal Funds rate. If all the takeout agreements were to be exercised because all outstanding $666 million demand bonds were put and not resold, DASNY would be required to pay between $97 million and $157 million a year in principal repayments plus interest for 5 years under the installment loan agreements. DASNY is only obligated to make such payments from monies paid to it by the State pursuant to financing agreements related to the bonds.

DASNY, on behalf of the City, has purchased a letter of credit from a provider to ensure the liquidity needs of variable rate demand bonds can be met. As of March 31, 2014, this agreement covered $126 million of variable rate demand bonds outstanding at a cost of 0.20% per annum of the amount of credit provided which expires on November 30, 2015. In addition, the remarketing agent receives annual fees of 0.08% per annum of the outstanding principal amount of the bonds.

If the remarketing agent is unable to resell any bonds that are tendered by the bondholders within three months of the tender date, the agreement with the liquidity provider requires the bonds to accelerate and be payable in 20 equal quarterly principal repayments bearing an adjustable interest rate equal to the higher of the bank’s prime lending rate or an index tied to the Federal Funds rate. If the takeout agreement was to be exercised because all outstanding $126 million demand bonds were put and not resold, DASNY would be required to pay $25 million a year in principal repayments plus interest for 5 years under the installment loan agreement. DASNY is only obligated to make such payments from monies paid to it by the City pursuant to financing agreements related to the bonds.

Certain bonds and notes have the respective institution’s cash and investments, surety bonds, or letters of credit pledged to collateralize certain reserve requirements and are not included in the

Statements of Net Position. As of March 31, 2014 and 2013, the amounts pledged are as follows (in thousands):

		2014	2013
Cash and investments (at fair value)	$	100,155	103,057
Surety bonds		145,695	146,188
Letters of credit		51,397	25,516

Under certain circumstances, if the credit ratings of the surety bond provider fall below a certain level, the related reserve funds are required to be funded with cash and investments, deposits of which are to be made by the ultimate obligor on the bonds in ten equal semi-annual installments beginning on the first day of the bond year following such downgrade. As of March 31, 2014, the credit ratings of five surety bond providers, who had issued a total of $99 million in surety bonds, had fallen below the level requiring such actions. Funding of the related reserve funds commences on varying dates based on the provisions of the respective bond resolutions. There are no similar provisions under the terms of letters of credit. If the rating of the letter of credit provider is downgraded, the ratings on the related bonds may be downgraded.

(b) Maturities of Bonds and Notes

Maturities of bonds and notes are as follows (in thousands):

		Principal	Interest	Total
Fiscal years ending March 31:				
2015	$	2,027,598	2,117,647	4,145,245
2016		2,046,444	2,030,448	4,076,892
2017		2,027,066	1,939,200	3,966,266
2018		2,216,666	1,843,892	4,060,558
2019		2,189,270	1,752,350	3,941,620
2020-2024		10,591,355	7,285,153	17,876,508
2025-2029		9,351,013	4,852,232	14,203,245
2030-2034		6,922,944	2,882,178	9,805,122
2035-2039		5,548,872	1,351,196	6,900,068
2040-2044		2,588,064	297,673	2,885,737
2045-2049		237,490	37,112	274,602
2050-2051		25,220	1,297	26,517
Total	$	45,772,002	26,390,378	72,162,380

Bonds and notes maturing during the fiscal year ending March 31, 2015 as shown in the table above do not correspond to the amount reported as the current portion of bonds and notes outstanding in the Statements of Net Position due to a difference in classification of certain variable rate demand obligations. The amount reflected above is based on the stated maturity dates for all bonds and notes

(Continued)

outstanding while the current portion of bonds and notes outstanding in the Statements of Net Position also includes the entire principal amount outstanding of variable rate demand obligations issued on behalf of DASNY's conduit borrowers as well as those variable rate demand obligations relevant to public programs that have liquidity agreements expiring during the upcoming fiscal year.

Interest reflected above for variable rate debt was projected using the interest rates in effect as of March 31, 2014.

(c) Tax-Exempt Leasing Program

DASNY offers a tax-exempt leasing program (TELP) that utilizes DASNY's tax exempt financing authority. In a TELP lease, DASNY, as the lessee, subleases the equipment to the borrower and thereafter has no security interest in the equipment. The repayments are assigned to and made directly to the lessor. The repayments are nontaxable income to the lessor. The leases do not constitute DASNY or State debt. Since DASNY assigns both its security interest in the equipment and its rights to receive sublease repayments to the lessor, and DASNY has no active role in managing or administering the leases, the TELP leases are not included in the Statements of Net Position. The total amount of TELP leases outstanding as of March 31, 2014 and 2013 were approximately $551 million and $668 million, respectively.

(8) Derivative Instruments

Article 5-D of the State Finance Law authorizes the State and various public authorities that issue State – supported bonds to enter into interest rate exchange agreements (swap agreements) up to certain limits and also limits the amount of outstanding variable rate State-supported bonds. Additionally, Section 2926 of the Public Authorities Law authorizes DASNY to enter into swap agreements up to certain limits in connection with bonds and notes issued on behalf of a municipality for court facilities and combined occupancy structures and bonds and notes issued on behalf of a municipality for health facilities. Pursuant to these authorizations, as a means to lower borrowing costs for the State and the City and to cost effectively support their strategies to diversify their debt portfolios with a combination of fixed and variable rate debt, at various times, DASNY enters into swap agreements. The lease and financing agreements entered into by DASNY with the State or the City include terms that obligate the State or City, subject to annual appropriation, to pay to DASNY all amounts due in connection with these swap agreements and obligate DASNY to pay the State or City any amounts received in connection with the swap agreements. These swap repayment terms in the lease and financing agreements are considered derivative instruments with terms reciprocal to those of the swap agreements. When analyzed concurrently, because of the reciprocal terms, the swap agreements and the swap repayment terms in the lease and financing agreements with the State and the City are not considered to be associated with hedgeable items. Consequently, the swap agreements and the swap repayment terms in the lease and financing agreements are regarded as investment derivatives.

At March 31, 2014, DASNY had a total of 25 pay-fixed, receive-variable swap agreements outstanding with a total notional amount of $767 million and a negative fair value of $101 million and reciprocal swap repayment terms in lease and financing agreements with like values. DASNY did not enter into any new swap agreements or related lease and financing agreements during the fiscal year ended March 31, 2014.

At March 31, 2013, DASNY had a total of 25 pay-fixed, receive-variable swap agreements outstanding with a total notional amount of $774 million and a negative fair value of $147 million and reciprocal swap repayment terms in lease and financing agreements with like values. DASNY did not enter into any new swap agreements or related lease and financing agreements during the fiscal year ended March 31, 2013.

The table below summarizes the fair values, notional amounts and changes in fair value of derivative instruments outstanding as of March 31, 2014 and 2013. Bracketed amounts denote negative values.

Type of derivative instrument	Notional amounts (in thousands)	Fair value classification	Swap fair value (in thousands)	Change in fair value classification	Change in fair value (in thousands)
Investment derivatives:					
March 31, 2014:					
Pay-fixed, receive-variable swaps:					
Swap agreements	$ 766,669	Investment	$ (100,556)	Investment income	$ (46,677)
Pay-variable, receive-fixed swaps:					
Lease and financing agreements	766,669	Investment	100,556	Investment income	46,677
Grand total – March 31, 2014			$ —		$ —
Investment derivatives:					
March 31, 2013:					
Pay-fixed, receive-variable swaps:					
Swap agreements	$ 773,753	Investment	$ (147,233)	Investment income	$ (6,136)
Pay-variable, receive-fixed swaps:					
Lease and financing agreements	773,753	Investment	147,233	Investment income	6,136
Grand total – March 31, 2013			$ —		$ —

Fair value – The fair values of the swap agreements and the swap repayment terms in the lease and financing agreements were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the agreements, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the agreements.

Credit risk – As of March 31, 2014, DASNY was not exposed to credit risk on the swap agreements with $101 million in negative fair values. Since changes in interest rates affect the fair values of swap agreements, it is possible that swap agreements with negative fair values become positive, and that swap agreements with positive fair values increase in value, which would expose DASNY to increased credit risk. DASNY's potential credit risk on the swap agreements is reduced due to the lease and financing agreements in place that obligate the State or City to pay DASNY, subject to annual appropriation, all amounts due in connection with the swap agreements. Certain swap agreements include setoff provisions should a swap agreement terminate. These setoff provisions permit, at DASNY's option, or in some cases, at the option of the nondefaulting or nonaffected party, all swap agreements with the given counterparty related to the bonds to terminate and to net the transactions' fair values so that a single sum will be owed by, or owed to, DASNY. Should the counterparties fail to perform according to the terms of the swap contracts, as of March 31, 2014, DASNY faces a maximum credit risk exposure related to the swaps' net positive fair value of $0.

As of March 31, 2014, DASNY was exposed to credit risk on the swap repayment terms with $101 million in positive fair values because the State's and the City's obligations under the lease and financing agreements are subject to annual appropriation.

DASNY guidelines require that, for swap agreements entered into under provisions of Article 5-D of the State Finance Law, counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories and ratings which are obtained from any other nationally recognized statistical rating agency for such counterparty shall also be within the three highest investment grade categories, or the payment obligations of the counterparty are unconditionally guaranteed by an entity with such credit ratings. DASNY guidelines require that, for swap agreements entered into under the provisions of Section 2926 of the Public Authorities Law, counterparties have credit ratings from at least two nationally recognized statistical rating agencies that are within the three highest investment grade categories, or the payment obligations of the counterparty are unconditionally guaranteed by an entity with such credit ratings. In the event that a counterparty's ratings are reduced below certain ratings thresholds, the counterparty is required to comply with the collateral requirement provisions whereby the counterparty will be required to post collateral in an amount equal to 102% of the swap termination value under certain conditions. Collateral is required to be posted at any time that the counterparty does not have at least one rating in the second highest rating category, or any of the ratings assigned to the counterparty are below the three highest rating categories, and credit exposure exists on the valuation date. DASNY monitors the values of the related swap agreements on a daily basis to determine if collateral is required to be posted. As of March 31, 2014, there was no requirement for collateral to be posted. Collateral on all swap agreements related to State-supported bonds is to be held by a third-party custodian. Collateral on all swap agreements related to City-supported bonds may be held by either a third-party custodian or DASNY. All collateral may be in the form of direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, or other securities permitted by law and agreed upon in writing by DASNY and the counterparty. The credit ratings for DASNY's counterparties at March 31, 2014 are as follows:

	Moody's	**S&P**	**Fitch**
Counterparties:			
Citibank, N.A., New York	A2	A	A

	Moody's	**S&P**	**Fitch**
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aa2	AAA	NA
JPMorgan Chase Bank	Aa3	A+	A+
Merrill Lynch Derivative Products AG	Aa3	A+	NR
Morgan Stanley Capital Services, Inc.	Baa2	A-	A
UBS AG	A2	A	A
New York State General Obligations	Aa2	AA	AA
New York State Mental Health Services Facilities Improvement Revenue Bonds	NR	AA-	AA-
New York City General Obligations	Aa2	AA	AA

Additionally, certain swap agreement payments made by DASNY are insured by various municipal bond insurance companies.

(9) Debt Refundings

DASNY has issued bonds on behalf of various institutions to defease existing revenue bonds. Under the terms of the resolutions for the defeased bonds, investments have been deposited in irrevocable trusts with trustee banks to provide sufficient amounts to be used solely for the payment of scheduled debt service on these bonds. As a result, the refunded bonds, certain of which are still held by investors, are considered to be defeased pursuant to the applicable bond resolutions and the liabilities for those bonds and related investments have been removed from the Statements of Net Position. As of March 31, 2014 and 2013, outstanding revenue bonds of approximately $1.9 billion and $2.4 billion, respectively, were considered defeased under existing accounting standards; accordingly, such bonds and the related investments placed in trust are not included in the basic financial statements.

The refundings during the fiscal year ended March 31, 2014, involved the issuance of fixed rate bonds to refund previously issued fixed and variable rate bonds. The refundings totaled $920 million par value of bonds (new bonds) to refund $993 million par value of outstanding bonds (refunded bonds). The proceeds of $1.0 billion from the sale of new bonds, including net original issue premium, plus $14 million of refunded bond monies and deposits from institutions, were deposited in irrevocable trusts (escrow accounts) and used to purchase United States Government securities as described above. The new bonds

(Continued)

also funded reserve requirements and provided for costs of issuance. These refundings included the issuance of $677 million par value of new fixed rate bonds with an average interest rate of 3.34% to refund $734 million par value of outstanding fixed rate bonds with an average interest rate of 5.18%. The proceeds of $747 million from the sale of new fixed rate bonds, including net original issue premium, plus an additional $14 million of refunded fixed rate bond monies and deposits from institutions, were used to fund the related escrow accounts. These fixed rate refundings resulted in a decrease of $88 million in aggregate future debt service payments and a net present value economic gain of $70 million for the fiscal year ended March 31, 2014. The remaining refundings involved either the issuance and/or the refunding of variable rate bonds and included a total of $244 million par value of new bonds to refund $259 million par value of outstanding bonds. The proceeds of $259 million from the sale of these bonds, including net original issue premium, were used to fund the related escrow accounts. Since these refundings involved variable rate bonds, neither the difference between the cash flows required to service the new bonds and those required to service the refunded bonds, nor the present value gain or loss can be reasonably determined as of March 31, 2014.

The refundings during the fiscal year ended March 31, 2013 involved the issuance of fixed and variable rate bonds to refund previously issued fixed and variable rate bonds. The refundings totaled $1.6 billion par value of bonds (new bonds) to refund $1.8 billion par value of outstanding bonds (refunded bonds). The proceeds of $1.8 billion from the sale of new bonds, including net original issue premium, plus $124 million of refunded bond monies and deposits from institutions, were deposited in irrevocable trusts (escrow accounts) and used to purchase United States Government securities as described above. The new bonds also funded reserve requirements and provided for costs of issuance. These refundings included the issuance of $1.5 billion par value of new fixed rate bonds with an average interest rate of 4.31% to refund $1.7 billion par value of outstanding fixed rate bonds with an average interest rate of 5.19%. The proceeds of $1.6 billion from the sale of new fixed rate bonds, including net original issue premium, plus an additional $91 million of refunded fixed rate bond monies and deposits from institutions, were used to fund the related escrow accounts. These fixed rate refundings resulted in a decrease of $303 million in aggregate future debt service payments and a net present value economic gain of $227 million for the fiscal year ended March 31, 2013. The remaining refundings involved either the issuance and/or the refunding of variable rate bonds and included a total of $157 million par value of new bonds to refund $190 million par value of outstanding bonds. The proceeds of $159 million from the sale of these bonds, including net original issue premium, plus an additional $33 million of refunded bond monies, were used to fund the related escrow accounts. Since these refundings involved variable rate bonds, neither the difference between the cash flows required to service the new bonds and those required to service the refunded bonds, nor the present value gain or loss can be reasonably determined as of March 31, 2013.

(10) Commitments and Contingencies

(a) Litigation

DASNY has been named as a defendant in various pending actions which seek to recover damages for alleged wrongful death, personal injuries, loss of service or medical expenses, and violation of civil rights. There are other pending or threatened actions or matters with regard to breach of contract, retained percentages, damages, work at certain projects, liens filed with DASNY, and other claims involving DASNY contracts. It is management’s opinion, based upon the advice of General

Counsel, that these pending or threatened matters are covered either by DASNY's insurance program, surety bonds filed with DASNY, indemnification from the State or its agencies and municipalities under applicable statutes or other agreements (subject to the availability of funds), are recoverable from institutions, or DASNY has sufficient resources to meet any potential liability associated with such pending or threatened actions or matters and, therefore, could not be deemed to have a material adverse effect on DASNY.

(b) Construction Commitments

In the normal course of business, DASNY enters into various commitments for construction costs. Such commitments, when added to the costs already incurred, are not expected to exceed the total amount of indebtedness issued and other available funding, including future authorized bond issues. Commitments for future construction costs totaled approximately $654 million at March 31, 2014.

(c) Risk Management

DASNY is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; accidents; and natural disasters. DASNY maintains commercial insurance coverage, subject to certain limits and deductible/retention provisions, for each of these risks of loss through the purchase of general liability, excess liability, property, builder's risk, directors and officers, blanket crime, business travel accident, auto liability, and workers compensation.

(11) Pension Plan

DASNY participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Term Life Insurance Plan (the Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller promulgates rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their monies. The Systems issue a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12236.

Funding Policy

The Systems are contributory at the rate of 3% of salary for employees with less than ten years of membership. Under Chapter 49 of the Laws of 2003, the annual contribution rates are based on the value of the State Common Retirement Funds as of the preceding April, with a minimum contribution of 4.5%. DASNY's required contributions for the fiscal years ended March 31 were:

2014	$	9,562,627
2013		8,344,486
2012		8,566,541

DASNY's contributions made to the Systems were equal to 100% of the contributions required for each year, plus the current cost of early retirement incentives, if any. There were no costs for early retirement incentives during the fiscal years ended March 31, 2014, 2013, and 2012.

(12) Postemployment Benefits

(a) Plan Description

DASNY is a participating employer in the New York State Health Insurance Program (NYSHIP), which is administered by the State of New York as an agent multiple employer defined benefit plan. Under the plan, DASNY provides certain health care benefits for eligible retired employees and their dependents under a single employer noncontributory health care plan. Article XI of the New York State Civil Service Law assigns the authority to NYSHIP to establish and amend the benefit provisions of the plans and to establish maximum obligations of the plan members to contribute to the plan. Subject to collective bargaining agreements, DASNY's Board is authorized to establish the contribution rates of DASNY employees and retirees below those set by Civil Service Law.

Eligibility for DASNY's Plan requires employees to: be enrolled as a NYSHIP enrollee or a dependent of a NYSHIP enrollee at the time of retirement, be eligible to receive a pension from the ERS and to have ten years of State service. In calculating the ten year service requirement, all of the employee's service need not be with DASNY, but may be a composite of New York State service elsewhere, with a minimum of one year with DASNY immediately preceding retirement. Employees with no prior State service must work a minimum of ten years with DASNY before they and their dependents are eligible for the retirement medical benefits.

DASNY pays 100% of the cost of single coverage and 75% of the cost of dependent coverage for employees who retired before January 1, 1983. DASNY pays 90% of the cost of single coverage and 75% of dependent coverage for employees who retire on or after January 1, 1983. A vestee is a DASNY employee vested as a member of the retirement system administered by the State, who has withdrawn from State service after meeting DASNY's minimum service requirement but has not met the age requirement for continuing health insurance. During the fiscal year ended March 31, 2014, DASNY had an average of 268 retirees, 25 survivors and 5 vestees. At March 31, 2014 DASNY employed 149 employees eligible for retiree benefits. NYSHIP does not issue a stand-alone financial report and NYSHIP's agent activities are included within the financial statements of the State of New York.

DASNY accounts for its other postemployment benefits (OPEB) obligations in accordance with the provisions of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Through the fiscal year ended March 31, 2007, OPEB provisions were financed on a pay-as-you-go basis. The first actuarial valuation date was April 1, 2006 and the most recent actuarial valuation date was April 1, 2012. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment mortality and the healthcare cost trend rate. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about the plan.

DASNY's annual OPEB cost for the plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. On March 30, 2010 the Health Care and Education Reconciliation Act of 2010 (HCERA), which amends certain aspects of PPACA was signed into law. The new laws have a financial impact on employers who sponsor postretirement healthcare benefits and therefore are reflected in DASNY's actuarial valuations as of April 1, 2010. An adjustment was made to reflect the effect of the benefit mandates as well as the excise tax that is applicable starting in 2018. The excise tax is 40% of the excess amount by which the plan's healthcare cost exceeds limits as defined in the legislation. The 2018 limits are $10,200 for active employees with single coverage and $11,850 for retirees with single coverage. The limits for family coverage are $27,500 and $30,950 for active employees and retirees, respectively. The limits are scheduled to increase with the Consumer Price Index (CPI) plus 1% in 2019 and with CPI for all years thereafter. Based on a comparison of projected premiums to these thresholds, DASNY expects to pay an excise tax in 2020.

(b) Funding

DASNY has not funded a qualified trust or its equivalent as required by GASB Statement No. 45. DASNY's operating expenses are paid from fees collected from clients. As of March 31, 2014, the portion of the OPEB liability allocable to certain public clients was 88% and will be paid from future fees to be collected. A receivable in the amount of $74 million is included in Other Receivables noncurrent in the Statements of Net Position at March 31, 2014. A reserve for the portion of the OPEB liability allocable to nonprofit health care institutions, independent colleges, universities, and other nonprofit institutions, and certain New York State agencies was funded with $4 million as of March 31, 2014, and $7 million was due to the reserve from client program operating funds for the related change in the OPEB liability.

(c) *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.56% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25% (net of administrative expenses) including inflation, declining each year to an ultimate trend rate of 5%. Both rates include a 3% inflation assumption. DASNY's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. DASNY elected to use an amortization period of thirty years.

(d) *Annual OPEB Cost and Net OPEB Obligation*

DASNY's annual OPEB cost and net OPEB obligation of the plan as of March 31, 2014, 2013 and 2012 are as follows (in thousands):

		2014	2013	2012
Annual Required Contribution:				
Normal cost	$	9,414	9,118	8,206
Amortization of unfunded AAL		8,194	7,713	7,258
Interest on net OPEB obligation		3,096	1,959	1,519
Adjustment to annual required contribution		(2,499)	(1,384)	(1,485)
Annual OPEB cost		18,205	17,406	15,498
Contributions made		(3,332)	(3,078)	(3,107)
Increase in net OPEB obligation		14,873	14,328	12,391
Net OPEB obligation, beginning of year		69,359	55,031	42,640
Net OPEB obligation, end of year	$	84,232	69,359	55,031
Percentage of Annual OPEB Cost contributed		18.30%	17.68%	20.05%

(e) Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation, April 1, 2012, was as follows (in thousands):

Actuarial Accrued Liability (AAL)	$	221,628
Funded OPEB plan assets		—
Unfunded Actuarial Accrued Liability (UAAL)	$	221,628
Funded ratio		—%
Covered payroll	$	45,270
UAAL as percentage of covered payroll		489.57%

(13) Unrestricted Net Position

Unrestricted Net Position includes amounts that are not appropriable for operating expenses and are Board designated for a specific future use. Designations at March 31, 2014 and 2013 are as follows (in thousands):

		2014	2013
Designated:			
Health care institution assistance	$	25,553	25,532
Advance funding new projects		5,000	5,000
Coverage for financial risks associated with directors and officers liability insurance policies		2,000	2,000
Women/Minority Business Enterprises capital access, training and development		3,615	3,537
Reserve for replacement of corporate facilities		6,035	5,414
Total designated		42,203	41,483
Undesignated		26,004	25,136
Total net position unrestricted	$	68,207	66,619

(14) Subsequent Events

On December 2, 2012, Interfaith Medical Center (IMC) filed a voluntary petition for relief under the United States Bankruptcy Code. As a result of IMC's default under its loan agreements and mortgages with DASNY, Atlantic Avenue Healthcare Property Holding Corporation (Atlantic Avenue) was established on November 20, 2013 in the form of a separate public benefit corporation as a subsidiary of DASNY. Subsequent to Atlantic Avenue's 2014 annual meeting on April 9, 2014, the Bankruptcy Court issued an order confirming the Plan of Reorganization which became effective on June 19, 2014.

In accordance with the Plan of Reorganization, IMC's hospital campus and certain other parcels of real property were conveyed, together with cash, to Atlantic Avenue as DASNY's designee. Atlantic Avenue and IMC entered into a lease agreement pursuant to which Atlantic Avenue leased such real property to IMC for its continued use to deliver hospital and other health care services.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
(A Component Unit of the State of New York)

Required Supplementary Information

Schedule of Funding Progress for the Retiree Health Plan (Unaudited)

(In millions)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age normal cost method (b)	Unfunded AAL (UAAL) (b – a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b – a)/c)
April 1, 2012	$ —	222	222	—%	$ 45	489%
April 1, 2010	—	208	208	—	50	416
April 1, 2008	—	148	148	—	43	348

See accompanying independent auditors' report.