



**Homes and  
Community Renewal**

**2016**

**Fiscal Year  
Financial Statements**

**New York State Affordable Housing Corporation  
(A Component Unit of the State of New York)**

# NEW YORK STATE AFFORDABLE HOUSING CORPORATION

(A Component Unit of the State of New York)

## Financial Statements

Fiscal Year Ended March 31, 2016

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# **RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements of the New York State Affordable Housing Corporation (the "Corporation"), for the fiscal years ended March 31, 2016 and 2015, are the responsibility of management. The financial statements were prepared in accordance with U.S. generally accepted accounting principles.

The Corporation maintains a system of internal control. The objectives of an internal control system are to provide reasonable assurance as to the protection of, and accountability for, assets; compliance with applicable laws and regulations; proper authorization and recording of transactions; and the reliability of financial records for preparing financial statements. The system of internal control is subject to periodic review by management and the internal audit staff.

The Corporation's annual financial statements have been audited by Ernst & Young LLP, independent auditors appointed by the Members of the Corporation. Management has made available to Ernst & Young LLP all the financial records and related data of the Corporation and has provided access to all the minutes of the meetings of the Members of the Corporation. The independent auditors periodically meet with the Members of the Corporation to provide engagement related updates and communications.

The independent auditors conducted their audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that they plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. The audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, the independent auditors do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting. The audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The independent auditors' unmodified report expresses that the financial statements are presented, in all material respects, in accordance with accounting principles generally accepted in the United States.

  
James S. Rubin  
President/Chief Executive Officer

  
Sheila Robinson  
Senior Vice President/Chief Financial Officer

June 9, 2016



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## Report of Independent Auditors

The Management and Members of the Board  
New York State Affordable Housing Corporation  
New York, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the New York State Affordable Housing Corporation (the Corporation), a component unit of the State of New York, as of and for the years ended March 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity 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 of material misstatement, whether due to fraud or error.

### ***Auditor's 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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



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 the Corporation as of March 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

***Required Supplementary Information***

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, as listed in the table of contents, 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 which 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, 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 also have issued our report dated June 9, 2016 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Ernst + Young LLP*

June 9, 2016



# **NEW YORK STATE AFFORDABLE HOUSING CORPORATION**

(A Component Unit of the State of New York)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Fiscal Years ended March 31, 2016 and 2015**

**Overview of the Financial Statements**-The following is a narrative overview of the financial performance of the New York State Affordable Housing Corporation (the "Corporation") for the fiscal years ended March 31, 2016 ("fiscal 2016") and 2015 ("fiscal 2015") with selected comparative information for the fiscal year ended March 31, 2014 ("fiscal 2014"). Please read this analysis in conjunction with the financial statements.

The annual financial statements consist of three parts: (1) management's discussion and analysis (this section); (2) the financial statements; and (3) the notes to the financial statements.

### **Management's Discussion and Analysis**

- This section of the Corporation's financial statements, Management's Discussion and Analysis ("MD&A"), presents an overview of the Corporation's financial performance during fiscal 2016 compared to fiscal 2015 and fiscal 2014. The MD&A provides a discussion of financial highlights and an assessment of how the Corporation's financial position has changed from past years. It also identifies the factors that, in management's view, significantly affected the Corporation's overall financial position. It may contain opinions, assumptions or conclusions by the Corporation's management that should not be considered a replacement for, and must be read in conjunction with, the financial statements and other information described below.

### **The Financial Statements**

- The Statements of Net Position provides information about the liquidity and solvency of the Corporation by indicating the assets, liabilities and net position.
- The Statements of Revenues, Expenses and Changes in Net Position account for all of the current year's revenues and expenses in order to measure the success of the Corporation's operations over the past year. It can be used to determine how the Corporation has funded its costs. By presenting the financial performance of the Corporation, the change in net position is similar to net profit or loss for a business.
- The Statements of Cash Flows are presented on the direct method of reporting. They provide information about the Corporation's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. Cash collections and payments are presented in these statements to arrive at the net increases or decreases in cash for each year.



## **The Notes to the Financial Statements**

- The notes provide information that is essential to understanding the financial statements, such as the Corporation's accounting methods and policies providing information about the content of the financial statements.
- Details include contractual obligations, future commitments and contingencies of the Corporation.
- Information is given regarding any other events or developing situations that could materially affect the Corporation's financial position.

## **General Introduction**

The Corporation is a public benefit Corporation of the State of New York (the "State") and is a subsidiary of the New York State Housing Finance Agency (the "Agency"). The Corporation administers the Affordable Home Ownership Development Program (the "Program"). The Program was designed to make home ownership affordable to low and moderate income families and individuals for whom there are no other reasonable and affordable home ownership alternatives in the private market. The Corporation's goal is to provide financial assistance, in conjunction with other public and private investments, for new construction, acquisition/rehabilitation, and home improvement of owner-occupied housing. The Corporation's assistance also promotes development, stabilization and preservation of neighborhoods and communities.

## **Financial Highlights**

### **State Appropriations**

On an annual basis the Governor and the State Legislature appropriate an amount which is available to the Corporation to fund housing grants. The annual State Appropriation has traditionally been set at \$25 million which was the amount approved for fiscal 2014 and fiscal 2015. The appropriation was increased to \$29 million for fiscal 2016.

### **Grant Awards**

In fiscal 2016, using the funds appropriated in the State Budget, the Corporation approved awards totaling approximately \$33.3 million to create or renovate 1,574 units of affordable housing for low- and moderate-income people. The awards were made possible by combining the Corporation's current and previous year's annual budgeted appropriation along with recaptured funds from previous grants that were not used. The fiscal 2016 awards were made in 45 counties across the State.

Grants are typically used to subsidize the purchase price of a new home, co-op or condominium, or for needed repairs. Subsidies can total up to \$40,000 per home. The grants generally help households with incomes up to 90% of the local "Area Median Income".

The Corporation offers three types of grant programs: Home Improvement, New Construction and Acquisition/Rehabilitation.

As noted above, the Corporation approved awards totaling approximately \$33.3 million in fiscal 2016 as compared to \$40.8 million in fiscal 2015, a decrease of approximately \$7.5 million, or 18%. The decrease in fiscal 2016 was the result of an extraordinarily high amount of awards that were made in fiscal 2015. The Corporation anticipates the number of units funded will return to historical norms in fiscal 2017.

Region	Fiscal Year 2016		Fiscal Year 2015	
	Units	Awards	Units	Awards
New York City	215	\$ 6,360,000	560	\$ 11,800,000
Finger Lakes	157	2,533,000	245	3,723,500
Western New York	257	4,128,000	205	3,282,500
Central New York	172	3,405,000	318	5,386,658
Long Island	234	6,505,988	245	5,787,700
Southern Tier	210	2,685,000	210	2,355,000
North Country	38	943,000	40	1,118,000
Mid-Hudson	98	3,141,000	93	1,843,000
Capital Region	140	2,895,000	123	3,445,000
Mohawk Valley	53	661,440	104	2,031,000
Total	1,574	\$ 33,257,428	2,143	\$ 40,772,358

**Condensed Financial Information**  
**New York State Affordable Housing Corporation**  
**Condensed Statements of Net Position**  
**(In thousands)**

	March 31,			% Change	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016-15</u>	<u>2015-14</u>
<b>Assets :</b>					
Cash, Investments, and Accrued Interest	\$ 21,998	\$ 33,378	\$ 39,168	(34%)	(15%)
<b>Liabilities:</b>					
Payable to the New York State Housing Finance Agency, Housing Grants Payable, and Accrued Expenses	2,366	6,065	4,881	(61%)	24%
<b>Total Restricted Net Position</b>	<u>\$ 19,632</u>	<u>\$ 27,313</u>	<u>\$ 34,287</u>	(28%)	(20%)

**Assets**

**Cash, Investments & Accrued Interest**

The Corporation's funds are invested in accordance with the investment guidelines approved annually by the Corporation's Board Members. The investment guidelines are in compliance with the New York State Comptroller's Investment Guidelines. The Corporation's investment objective is to obtain competitive, favorable rates for optimal time periods to ensure maximum returns within the constraints of the Corporation's investment guidelines and projected cash flow needs.

Cash, investments and accrued interest are recorded at fair value and are comprised primarily of invested funds. Invested funds vary throughout the year as funding levels are reviewed to correspond as closely as possible to anticipated disbursement dates. Funds repaid by grantees and homeowners are restricted and whenever possible are invested in long term tax-exempt government securities.

As of March 31, 2016, and 2015, cash, investment and accrued interest held amounted to approximately \$22 million and \$33.4 million, respectively, representing a decline of \$11.4 million, or 34%. This compares with a decrease from approximately \$39.2 million as of March 31, 2014 to approximately \$33.4 million as of March 31, 2015, a decrease of \$5.8 million, or 15%. In each year, the decline was a result of using invested funds on hand to fund grant expenses.

## **Liabilities**

### **Payable to the New York State Housing Finance Agency**

The payable to the Agency decreased from \$5.4 million in fiscal 2015 to \$1.3 million in fiscal 2016, a decrease of approximately \$4.1 million, or 76%, as compared with an increase from \$3.2 million in fiscal 2014 to \$5.4 million in fiscal 2015, an increase of approximately \$2.2 million, or 69%. Pursuant to the service agreement with the Agency, administrative expenses of the Corporation are paid by the Agency and a corresponding payable is established on the Corporation's books. In addition, funds are advanced by the Agency to fund the Corporation's salaries and other operating expenses. Since the Corporation is a subsidiary of the Agency and does not generate sufficient funds to reimburse the Agency, during fiscal 2016, the Agency forgave a portion of the payable in the amount of \$6.7 million.

### **Housing Grants Payable**

Due to the timing of the disbursement of approved housing grants, housing grants payable increased from \$641 thousand in 2015 to \$1.1 million in 2016, an increase of approximately \$400 thousand or 66%, as compared with a decrease from \$1.7 million in 2014 to \$641 thousand in 2015, a decrease of approximately 1.1 million or 62%. This amount represents approved payments due to grantees at the end of the fiscal year and paid within the first two weeks of the following fiscal year.

**New York State Affordable Housing Corporation**  
**Condensed Statements of Revenues, Expenses and Changes in Net Position**  
(In thousands)

	Fiscal Year Ended March 31,			% Change	
	2016	2015	2014	2016-15	2015-14
<b>Operating Revenues:</b>					
State Appropriation funds received for Housing Grants and Administrative Fees	\$ 13,505	\$12,050	\$25,000	12%	(52%)
Repayment Funds Received from Homeowners	1,868	1,674	1,551	12%	8%
Recaptured Funds Returned by Grantees	434	1,826	433	(76%)	322%
Investment Income and Net Change in the Fair Value of Investments	743	(417)	242	278%	(272%)
<b>Operating Expenses:</b>					
Housing Grants Salaries and Other Operating Expenses	(28,311)	(19,758)	(25,922)	43%	(24%)
	(2,573)	(2,349)	(1,971)	10%	19%
<b>Non-Operating Revenues:</b>					
Transfer from New York State Housing Finance Agency	6,653	-	-	N/A	N/A
<b>Decrease in Restricted Net Position</b>	<b>\$ (7,681)</b>	<b>\$ (6,974)</b>	<b>\$ (667)</b>	<b>(10%)</b>	<b>(946%)</b>

In fiscal 2016, the Corporation incurred a decrease in restricted net position in the amount of \$7.7 million. This was a result of the Corporation relying on the use of accumulated Repayment Funds Received from Homeowners to fund housing grants. This caused a large discrepancy between State Appropriation Funds Received in the amount of \$13.5 million and Housing Grants in the amount of \$28.3 million causing the deficit.

**Operating Revenues**

**State Appropriation funds received for Housing Grants and Administrative Fees**

The Corporation draws down State Appropriation funds at the time such funds are required to be disbursed to grantees. Appropriation funds drawn down from the State increased from \$12.1 million in fiscal 2015 to \$13.5 million in fiscal 2016, an increase of approximately \$1.4 million or 12%. State Appropriation funds drawn down from the State decreased from \$25 million in fiscal 2014 to \$12.1 million in fiscal 2015, a decrease of approximately \$12.9 million or 52%. The decline from fiscal 2014 to fiscal 2015 was a result of delayed funding availability in fiscal 2014 resulted in fewer grantee requests for funding.

## **Repayment Funds Received from Homeowners**

Homeowners receiving a grant from the Corporation to assist in the purchase of their home are required to occupy the home as their principal place of residence for the period specified under the terms and conditions of the Corporation's Note and Mortgage. If the home is not occupied for the specified period, the grant funds received by the homeowner towards the purchase of their home are required to be repaid. The repayment amount due is based on a formula established by the Corporation. The amount of the repayment due to the Corporation declines during the term of the Note and Mortgage. Once the homeowner occupies the home as their principal place of residence for the period specified, a repayment is no longer required.

In addition, when homeowners borrow funds against the equity in their home, a repayment may be required.

Repayment funds received from homeowners increased from \$1.7 million in fiscal 2015 to \$1.9 million in fiscal 2016, an increase of approximately \$200 thousand, or 12%, as compared with an increase from \$1.6 million in fiscal 2014 to \$1.7 million in fiscal 2015, an increase of approximately \$100 thousand, or 8%. The variances are a result of annual fluctuations in the number of homeowners required to submit repayments and the amounts required to be repaid.

## **Recaptured Funds Returned by Grantees**

Grant funds awarded and distributed to grantees are recaptured when such grant funds disbursed to a grantee are not used for the purpose specified by the Grant Agreement. Once recaptured funds are returned to the Corporation, the funds can be awarded to other grantees. Recaptured funds returned by grantees decreased from \$1.8 million in fiscal 2015 to \$434 thousand in fiscal 2016, a decrease of approximately \$1.4 million, or approximately 76%, as compared with an increase from \$433 thousand in fiscal 2014 to \$1.8 million in fiscal 2015, an increase of \$1.4 million, or 322%. The variances are results of fluctuations in the number of grantees required to repay grant funds and the amount of funds recaptured in each fiscal year.

## **Operating Expenses**

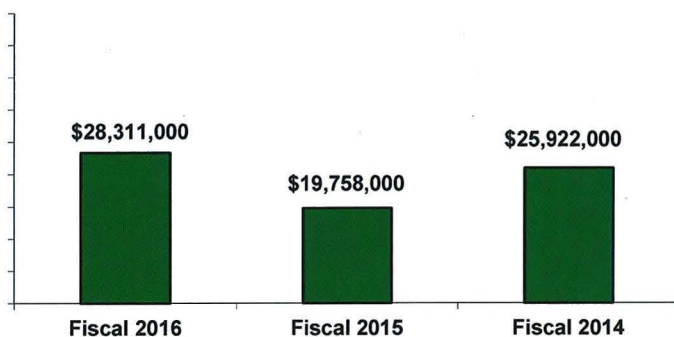
### **Housing Grant Expense**

Housing Grant Expense represents the amount of previously awarded funds approved for payment during any fiscal year. The awarded funds are not approved for payment until such funds are required by the individual grantees. Since the disbursement of individual awarded funds can overlap fiscal years, there are timing differences between grants awarded and housing grant expenses.

Housing grant expense fluctuates from year to year resulting from the timing of the payment of awarded funds to grantees. The amount shown as housing grant expense increased from \$19.8 million in fiscal 2015 to \$28.3 million in fiscal 2016, an increase in approximately \$8.5 million, or 43%. This compares with a decrease from \$25.9 million in fiscal 2014 to \$19.8 million in fiscal 2015, a decrease of approximately \$6.1 million, or 24%.

See the charts below for details:

### Total Housing Grant Expense



### Salaries and Other Operating Expenses

Administrative salaries and other expenses allocated to the Corporation increased from \$2.3 million to \$2.6 million, an increase of approximately \$300 thousand, or 10%. This compares with increase from \$2 million in fiscal 2014 to 2.3 million in fiscal 2015, an increase of approximately \$300 thousand or 19%. In each year, the increase was a result of the filling of vacant positions.

### Transfer from the New York State Housing Finance Agency

As discussed previously, a payable has accumulated from the Corporation to the Agency representing the funds the Agency has advanced over the years to cover the Corporation's expenses. The Corporation does not generate sufficient funds to repay the accumulated amount due to the Agency. Since the Corporation is a subsidiary of the Agency, during fiscal 2016 the Agency forgave a portion of the accumulated payable in the amount of \$6.7 million.

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**NEW YORK STATE AFFORDABLE HOUSING CORPORATION**  
(A Component Unit of the State of New York)

**STATEMENTS OF NET POSITION**

	March 31,	
	<u>2016</u>	<u>2015</u>
	(In thousands)	
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 5,084	\$ 5,944
Investments	10,589	9,898
Accrued interest receivable	187	137
<b>Total current assets</b>	<u>15,860</u>	<u>15,979</u>
<b>Non-current assets</b>		
Investments	<u>6,138</u>	<u>17,399</u>
<b>Total assets</b>	<u>21,998</u>	<u>33,378</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payable to the New York State Housing Finance Agency	1,272	5,387
Housing grants payable	1,065	641
Accrued expenses	29	37
<b>Total liabilities</b>	<u>2,366</u>	<u>6,065</u>
<b>Net position</b>		
Restricted for program grants	<u>\$ 19,632</u>	<u>\$ 27,313</u>

*See notes to financial statements.*



**NEW YORK STATE AFFORDABLE HOUSING CORPORATION**  
(A Component Unit of the State of New York)

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	Fiscal Year Ended March 31,	
	<u>2016</u>	<u>2015</u>
	(In thousands)	
<b>Operating revenues</b>		
State Appropriation funds received for:		
Housing grants	\$ 12,755	\$ 11,775
Administrative fees	750	275
Repayment funds received from homeowners	1,868	1,674
Recaptured funds returned by grantees	434	1,826
Investment income	158	208
Net change in fair value of investments	585	(625)
<b>Total operating revenues</b>	<u>16,550</u>	<u>15,133</u>
<b>Operating expenses</b>		
Housing grants	28,311	19,758
Administrative salaries	2,550	2,314
Other administrative expenses	23	35
<b>Total operating expenses</b>	<u>30,884</u>	<u>22,107</u>
<b>Operating Loss</b>	<u>(14,334)</u>	<u>(6,974)</u>
<b>Non-Operating Revenues</b>		
Transfer from New York State Housing Finance Agency	6,653	-
<b>Change in net position</b>	<u>(7,681)</u>	<u>(6,974)</u>
Total net position - beginning of fiscal year	<u>27,313</u>	<u>34,287</u>
<b>Total net position - end of fiscal year</b>	<u>\$ 19,632</u>	<u>\$ 27,313</u>

*See notes to financial statements.*

**NEW YORK STATE AFFORDABLE HOUSING CORPORATION**  
(A Component Unit of the State of New York)

**STATEMENTS OF CASH FLOWS**

	Fiscal Year Ended March 31,	
	<u>2016</u>	<u>2015</u>
	(In thousands)	
<b>Cash flows from operating activities</b>		
State Appropriation funds received for		
Housing grants and administrative fees	\$ 13,505	\$ 12,050
Housing grants	(27,887)	(20,791)
Repayment funds received from homeowners	1,868	1,674
Recaptured funds returned by grantees	434	1,826
Net administrative expenses paid	(43)	(131)
<b>Net cash used in operating activities</b>	<u>(12,123)</u>	<u>(5,372)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale or maturities of investments	10,140	35,473
Purchase of investments	-	(26,198)
Investment income	1,123	1,281
<b>Net cash provided by investing activities</b>	<u>11,263</u>	<u>10,556</u>
<b>Net (decrease) increase in cash</b>	<u>(860)</u>	<u>5,184</u>
<b>Cash at beginning of fiscal year</b>	5,944	760
<b>Cash at end of fiscal year</b>	<u>\$ 5,084</u>	<u>\$ 5,944</u>
<b>Reconciliation of operating</b>		
<b>loss to net cash used in operating activities</b>		
Operating loss	\$ (14,334)	\$ (6,974)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Transfer from The New York State Housing Finance Agency	6,653	-
Net change in fair value of investments	(585)	625
Investment income	(158)	(208)
<b>Changes in Assets and Liabilities:</b>		
Payable to the New York State Housing Finance Agency	(4,115)	2,207
Housing grants payable	424	(1,032)
Accrued expenses	(8)	10
<b>Net cash used in operating activities</b>	<u>\$ (12,123)</u>	<u>\$ (5,372)</u>
<b>Non-cash investing activities</b>		
Net change in fair value of investments	<u>\$ (585)</u>	<u>\$ 625</u>

*See notes to financial statements.*

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015

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1. THE CORPORATION

The New York State Affordable Housing Corporation (the "Corporation") was established under the provisions of the New York State (the "State") Private Housing Finance Law, as amended in 1985, and began operations on April 1, 1985. The Corporation is a public benefit Corporation of the State of New York and a subsidiary of the New York State Housing Finance Agency (the "Agency"). The Corporation does not have financial accountability to the Agency under the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus*. Accordingly, it is not a component unit of the Agency and therefore, the financial activities of the Corporation are not included in the Agency's financial statements. In accordance with the criteria set forth in GASB No. 61, the Corporation is included in the State's financial statements as a component unit for reporting purposes.

The purpose of the Corporation is to promote homeownership by providing financial assistance, leveraged by other public and private investments, for the acquisition, construction, rehabilitation and improvement of owner-occupied housing. Funding is provided through appropriations received from the State. From inception through March 31, 2016, the State has appropriated in excess of \$861 million for the Corporation's purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The Corporation utilizes the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

**Investments** - Investments are recorded at their fair value, which are based on quoted market prices. For the purpose of financial statement presentation, the Corporation does not consider any of its investments to be cash equivalents.

**Investment Income** - Investment income is accrued and recognized as revenue when earned.

**Revenue and Expense Classification** - Operating revenue consists primarily of funds appropriated by the State and drawn down during the fiscal year to fund approved housing grants. Additionally, it represents repayment funds received from homeowners, recaptured funds returned by grantees, the administrative fee received from the State and investment income. Revenue is accrued and recognized when earned. Operating expenses include housing grant expenses, administrative salaries and other administrative expenses.

## Recent Accounting Pronouncements –

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurements of Elements of Financial Statements*, and other relevant literature. The provisions of this Statement are effective for fiscal reporting periods beginning after June 15, 2015. The Corporation is currently evaluating the impact that the implementation of this standard will have on the Corporation's financial statements.

In June 2015, GASB issued Statement No. 73 ("GASB 73"), *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The implementation of this standard will not have an impact on the Corporation's financial statements.

In June 2015, GASB issued Statement No. 74 ("GASB 74"), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The implementation of this standard will not have an impact on the Corporation's financial statements.

In June 2015, GASB issued Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The implementation of this standard will not have an impact on the Corporation's financial statements.

In June 2015, GASB issued Statement No. 76 ("GASB 76"), *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The provisions of this Statement are

effective for fiscal years beginning after June 15, 2015. The implementation of this standard will not have a significant impact on the Corporation's financial statements.

In August 2015, GASB issued Statement No. 77 ("GASB 77"), *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The provisions of this statement are effective for fiscal years beginning after December 15, 2015. The implementation of this standard will not have an impact on the Corporation's financial statements.

In December 2015, GASB issued Statement No. 78 ("GASB 78"), *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of this statement are effective for fiscal years beginning after December 15, 2015. The implementation of this standard will not have an impact on the Corporation's financial statements.

In December 2015, GASB issued Statement No. 79 ("GASB 79"), *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. The provisions of this statement are effective for fiscal years beginning after December 15, 2015. The Corporation is currently evaluating the impact this standard will have on its financial statements.

In January 2016, GASB issued Statement No. 80 ("GASB 80"), *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Corporation is currently evaluating the impact that the implementation of this standard will have on the Corporation's financial statements.

In March 2016, GASB issued Statement No. 81 ("GASB 81"), *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of the Statement are effective for financial statements for periods beginning after

December 15, 2016. The Corporation is currently evaluating the impact that the implementation of this standard will have on the Corporation's financial statements.

In March 2016, GASB issued Statement No. 82 ("GASB 82"), *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statements 67 and 68*. The implementation of this standard will not have an impact on the Corporation's financial statements.

### 3. SERVICE AGREEMENT

The Corporation has an agreement with the Agency whereby the Agency provides managerial, administrative and financial services to the Corporation. Pursuant to this agreement, the Corporation was charged approximately \$2,573,000 and \$2,349,000 for various expenses, including salaries, in fiscal years 2016 and 2015, respectively.

### 4. DEPOSITS AND INVESTMENTS

**Investment Policy** - The Corporation has a formal investment policy, which provides for the investment of all of the Corporation's funds. The policy allows for investments in obligations of the United States of America, obligations the principal and interest of which are guaranteed by the United States of America, obligations of the State of New York, obligations of which the principal and interest are guaranteed by the State of New York and Repurchase Agreements with Primary Dealers meeting specific capitalization and rating agency criteria. As of and for the year ended March 31, 2016, all of the Corporation's funds are invested in accordance with the investment guidelines approved by the Corporation's board, which are in compliance with the New York State Comptroller's Investment Guidelines.

At March 31, 2016 and 2015, the value of investments, including accrued interest, which were held by depositories in the Corporation's name, was approximately \$16.9 million and \$27.4 million, respectively, and the collateralized deposits amounted to \$5.1 million and \$6.0 million respectively. All of the Corporation's investments are insured or registered, and held by depositories in the Corporation's name.

As of March 31, 2016, the Corporation held the following investments with maturities as follows:

Amounts below are at fair value excluding accrued interest:

Investment Type	Fair Value	Less than 1	1 to 5
	(\$ In thousands)		
<b>Municipal Bonds issued by Agencies of the State of New York:</b>			
NYS General Obligation Refunding Bonds	\$4,605	-	4,605
State Personal Income Tax Revenue Bonds issued by:			
The Dormitory Authority of the State of New York	9,894	8,361	1,533
The New York State Thruway Authority	2,228	2,228	-
<b>Total</b>	<b>\$16,727</b>	<b>10,589</b>	<b>6,138</b>

**Credit Risk** - Investment guidelines and policies are designed to protect principal by limiting credit risk. Therefore, the Corporation has a formal investment policy which governs the investment of all Corporation monies.

As of March 31, 2016, Municipal Bonds issued by the State of New York and its agencies represented all of the Corporation's total investments.

The following issuers represent 5% or more of total investments as of March 31, 2016: 59% with the Dormitory Authority of the State of New York ("DASNY") and 13% with the New York State Thruway Authority ("Thruway Authority"), and 28% in NYS General Obligation Refunding bonds.

In accordance with the Corporation's investment policy, at the time of purchase, each municipal bond is required to be rated a minimum of AA by Moody's, Standard & Poor's or Fitch. As of March 31, 2016 municipal bonds held by the Corporation have maintained the minimum rating of AA.

**Interest Rate Risk** - Is the risk that occurs with changes in interest rates. Such changes may or may not adversely affect the fair value of investment holdings. The Corporation invests funds as closely as practical to the anticipated usage dates, thereby minimizing the effect of interest rate risk.

5. **RETIREMENT BENEFITS**

**Retirement Benefits and Other Postemployment Benefits** - The Corporation's State employees' retirement system costs and health care costs are billed directly to the Agency. As a result, the Agency's actuarial valuations include the Corporation's obligation for these benefits. The Agency's annual pension expense, pension liability, other postemployment benefits ("OPEB") cost and Net OPEB obligation includes the portion relating to the Corporation. The service agreement between the Agency and the Corporation provides for an allocation of these costs to the Corporation, representing its share of the billed amount.

6. **COMMITMENTS**

As of March 31, 2016 and 2015, the Corporation was committed to fund approximately \$56.1 million and \$41.4 million respectively, under approved grant agreements. The grants will be funded over the next several years through appropriations approved by the State but not yet drawn down by the Corporation together with funds on deposit as of March 31, 2016.

7. **CONTINGENCIES**

In the ordinary course of business, the Corporation is party to various administrative and legal proceedings. While the ultimate outcome of these matters cannot presently be determined, it is the Corporation's opinion that the resolution of these matters will not have a material effect on its financial condition.

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## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

The Management and Members of the Board  
New York State Affordable Housing Corporation  
New York, New York

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New York State Affordable Housing Corporation (the Corporation), a component unit of the State of New York, which comprise the statement of net position as of March 31, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2016.

### **Internal Control Over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

*Ernst + Young LLP*

June 9, 2016



# Homes and Community Renewal

**Andrew M. Cuomo, Governor**

**James S. Rubin, Commissioner/CEO**

## **New York State Affordable Housing Corporation**

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