



**Homes and
Community Renewal**

2017

**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, 2017

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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, 2017 and 2016, 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 U.S. generally accepted auditing standards 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 U.S. generally accepted accounting principles.



RuthAnne Visnauskas
President/Chief Executive Officer



Sheila Robinson
Senior Vice President/Chief Financial Officer

June 15, 2017



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Report of Independent Auditors

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, 2017 and 2016, 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

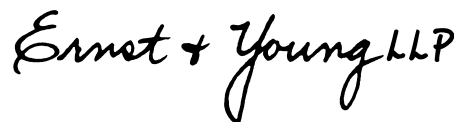
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of March 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted 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 15, 2017 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.



June 15, 2017

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, 2017 and 2016

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, 2017 ("fiscal 2017") and 2016 ("fiscal 2016") with selected comparative information for the fiscal year ended March 31, 2015 ("fiscal 2015"). Please read 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 2017 compared to the fiscal 2016 and fiscal 2015. 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 Statement of Net Position provides information about the liquidity and solvency of the Corporation by indicating the assets, liabilities and net position.
- The Statement of Revenues, Expenses and Changes in Net Position accounts 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 Statement of Cash Flows is presented on the direct method of reporting. It provides 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 this statement 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 was approved in the amount of \$26 million in fiscal 2017 as compared with \$29 million in 2016 and \$25 million in fiscal 2015.

Grant Awards

In fiscal 2017, using the funds appropriated in the State Budget, the Corporation approved awards totaling approximately \$44 million to create or renovate 1,936 units of affordable housing for low- and moderate-income households. The awards were made possible by combining the Corporation's current and previous year's annual budgeted appropriation along with available recaptured funds from previous grants that were not used. The fiscal 2017 awards were made in 47 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 provide up to a maximum of \$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 \$44.0 million in fiscal 2017 as compared to \$33.3 million in fiscal 2016, an increase of approximately \$10.7 million, or 32%.

Region	<u>Fiscal Year 2017</u>		<u>Fiscal Year 2016</u>	
	Units	Awards	Units	Awards
New York City	535	\$ 14,102,500	215	\$ 6,360,000
Finger Lakes	245	5,210,500	157	2,533,000
Western New York	286	6,146,500	257	4,128,000
Central New York	296	4,859,000	172	3,405,000
Long Island	112	3,300,000	234	6,505,988
Southern Tier	138	2,355,500	210	2,685,000
North Country	70	1,838,000	38	943,000
Mid-Hudson	91	3,011,000	98	3,141,000
Capital Region	57	1,456,000	140	2,895,000
Mohawk Valley	106	1,754,095	53	661,440
Total	1,936	\$ 44,033,095	1,574	\$ 33,257,428

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

	March 31,			% Change	
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017-16</u>	<u>2016-15</u>
Assets :					
Cash, Investments &					
Accrued Interest	\$ 8,779	\$ 21,998	\$ 33,378	(60%)	(34%)
Liabilities:					
Payable to the New York State Housing					
Finance Agency, Housing Grants					
Payable, and Accrued Expense:	<u>2,176</u>	<u>2,366</u>	<u>6,065</u>	(8%)	(61%)
Total Restricted Net Position	<u>\$ 6,603</u>	<u>\$ 19,632</u>	<u>\$ 27,313</u>	(66%)	(28%)

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.

As of March 31, 2017, and 2016, cash, investments and accrued interest held amounted to approximately \$8.8 million and \$22.0 million, respectively, representing a decline of approximately \$13.2 million, or 60%. This compares with a decrease from approximately \$33.4 million as of March 31, 2015 to approximately \$22 million as of March 31, 2016, a decrease of approximately \$11.4 million, or 34%. 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 of \$1.2 million in fiscal 2017 was primarily unchanged from fiscal 2016, as compared with a decline from \$5.4 million in fiscal 2015 to \$1.3 million in fiscal 2016, a decline of approximately \$4.1 million, or 76%. Pursuant to the service agreement with the Agency, 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 payroll. The Corporation does not have sufficient funds to reimburse the Agency. Since the Corporation is a subsidiary of the Agency, the Agency transferred the amounts of \$1.3 million and \$6.7 million, respectively, during fiscal 2017 and fiscal 2016, to the Corporation to cover a portion of the accumulated payable.

Housing Grants Payable

Due to the timing of the disbursement of approved housing grants, housing grants payable decreased from \$1.1 million in 2016 to \$900 thousand in 2017, a decrease of approximately \$200 thousand or 18% as compared with an increase from \$600 thousand in 2015 to \$1.1 million in 2016, an increase of approximately \$500 thousand or 83%. 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	
	2017	2016	2015	2017-16	2016-15
Operating Revenues:					
State Appropriation funds received for Housing Grants and Administrative Fees	\$ 18,986	\$13,505	\$12,050	41%	12%
Repayment and Recaptured Funds Received from Homeowners and Grantees	2,263	2,302	3,500	(2%)	(34%)
Transfer from the New York State Housing Finance Agency	1,284	6,653	-	(81%)	N/A
Investment Income and Net Change in the Fair Value of Investments	66	743	(417)	(91%)	278%
Operating Expenses:					
Housing Grants Salaries and Other Operating Expenses	(32,976)	(28,311)	(19,758)	16%	43%
	(2,652)	(2,573)	(2,349)	3%	10%
Decrease in Restricted Net Position	\$(13,029)	\$ (7,681)	\$ (6,974)	(70%)	(10%)

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 \$13.5 million in fiscal 2016 to \$19.0 million in fiscal 2017, an increase of approximately \$5.5 million or 41%. 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%.

In fiscal 2017 and 2016 there was a large discrepancy between State Appropriation Funds Received in the amounts of \$19 million and \$13.5 million, respectively, and Housing Grants in the amounts of \$33.0 million and \$28.3 million, respectively, as a result of the use of accumulated repayment funds to fund housing grants.

Repayment and Recaptured Funds Received from Homeowners and Grantees

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 and recaptured funds received from homeowners and grantees remained unchanged with approximately \$2.3 million in both 2017 and 2016, as compared with a decrease from \$3.5 million in 2015 to \$2.3 million in 2016, a decrease of approximately \$1.2 million or 34%.

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 have sufficient funds to repay the accumulated amount due to the Agency. Since the Corporation is a subsidiary of the Agency, during fiscal 2017 and 2016 the Agency transferred the amounts of \$1.3 million and \$6.7 million, respectively, to cover the accumulated payable as of the end of the Agency's most recent fiscal year ends, October 31, 2017 and 2016.

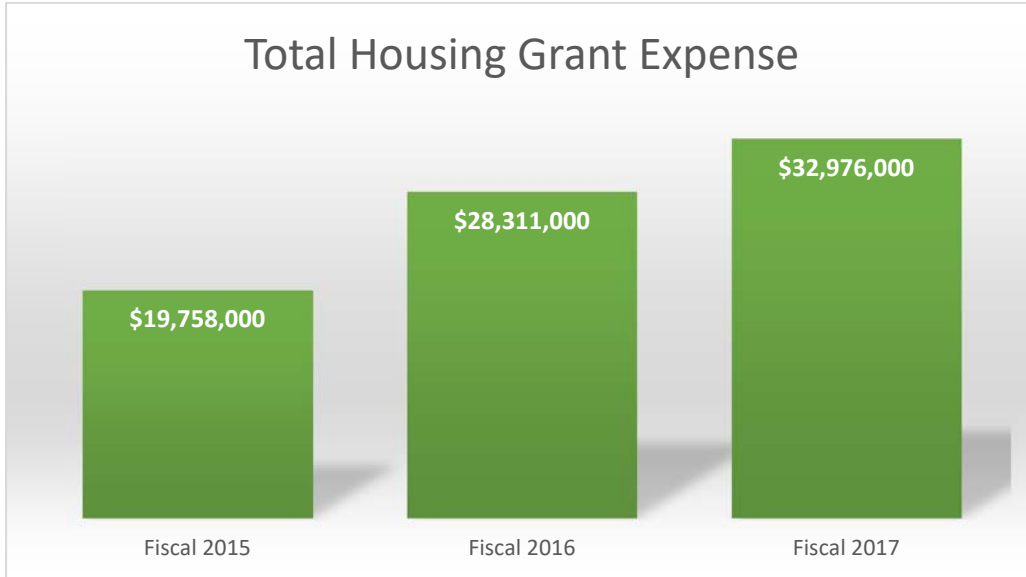
Operating Expenses

Housing Grants Expense

Housing Grants Expense represent the amount of awarded funds paid 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. Housing Grants increased from \$28.3 million in 2016 to \$33.0 million in 2017, an increase of approximately \$4.7 million, or 16%. This compares to an increase from \$19.8 million in fiscal 2015 to \$28.3 million in fiscal 2016, an increase of approximately \$8.5 million, or 43%.

See the charts below for details:



Salaries and Other Operating Expenses

Salaries and other expenses allocated to the Corporation increased from \$2.6 million in fiscal 2016 to \$2.7 million in fiscal 2017, an increase of approximately \$100 thousand or 3%. This compares with an increase from \$2.3 million in fiscal 2015 to 2.6 million in fiscal 2016, an increase of approximately \$300 thousand or 10%, which was primarily a result of filling vacant staff positions.

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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>2017</u>	<u>2016</u>
	(in thousands)	
Assets		
Current assets		
Cash	\$ 6,287	\$ 5,084
Investments	2,472	10,589
Accrued interest receivable	20	187
Total current assets	<u>8,779</u>	<u>15,860</u>
Non-current assets		
Investments	<u>-</u>	<u>6,138</u>
Total assets	<u>8,779</u>	<u>21,998</u>
Liabilities		
Current liabilities		
Payable to the New York State Housing Finance Agency	1,242	1,272
Housing grants payable	869	1,065
Accrued expenses	65	29
Total liabilities	<u>2,176</u>	<u>2,366</u>
Net position		
Restricted for program grants	<u>\$ 6,603</u>	<u>\$ 19,632</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>2017</u>	<u>2016</u>
	(In thousands)	
Operating revenues		
State Appropriation funds received for:		
Housing grants	\$ 18,236	\$ 12,755
Administrative fees	750	750
Repayment funds received from homeowners	2,083	1,868
Recaptured funds returned by grantees	180	434
Investment income	82	158
Net change in fair value of investments	(16)	585
	<u>21,315</u>	<u>16,550</u>
Total operating revenues		
Operating expenses		
Housing grants	32,976	28,311
Administrative salaries	2,580	2,550
Other administrative expenses	72	23
	<u>35,628</u>	<u>30,884</u>
Total operating expenses		
Operating loss	<u>(14,313)</u>	<u>(14,334)</u>
Transfer from the New York State Housing Finance Agency	1,284	6,653
	<u>1,284</u>	<u>6,653</u>
Change in net position	(13,029)	(7,681)
Total net position - beginning of fiscal year	19,632	27,313
	<u>19,632</u>	<u>27,313</u>
Total net position - end of fiscal year	\$ 6,603	\$ 19,632
	<u>\$ 6,603</u>	<u>\$ 19,632</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>2017</u>	<u>2016</u>
	(in thousands)	
Cash flows from operating activities		
State Appropriation funds received for		
Housing grants and administrative fees	\$ 18,986	\$ 13,505
Housing grants	(33,173)	(27,887)
Repayment and Recaptured funds received		
by homeowners and returned by grantees	2,263	2,302
Net administrative expenses paid	(1,361)	(43)
Net cash used in operating activities	<u>(13,285)</u>	<u>(12,123)</u>
Cash flows from investing activities		
Proceeds from sale or maturities of investments	23,763	10,140
Purchase of investments	(9,524)	-
Investment income	249	1,123
Net cash provided by investing activities	<u>14,488</u>	<u>11,263</u>
Net increase (decrease) in cash	1,203	(860)
Cash at beginning of fiscal year	5,084	5,944
Cash at end of fiscal year	<u>\$ 6,287</u>	<u>\$ 5,084</u>
Reconciliation of operating		
loss to net cash used in operating activities		
Operating loss	\$ (14,313)	\$ (14,334)
Adjustments to reconcile operating loss to net cash		
used in operating activities:		
Transfer from The New York State Housing Finance Agency	1,284	6,653
Net change in fair value of investments	16	(585)
Investment income	(82)	(158)
Changes in Assets and Liabilities:		
Payable to the New York State Housing Finance		
Agency	(30)	(4,115)
Housing grants payable	(196)	424
Accrued expenses	36	(8)
Net cash used in operating activities	<u>\$ (13,285)</u>	<u>\$ (12,123)</u>
Non-cash investing activities		
Net change in fair value of investments	<u>\$ 16</u>	<u>\$ (585)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

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* ("GASB No. 61"). 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, 2017, the State has appropriated in excess of \$890 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 for housing grants, 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*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The provisions of this statement are effective for financial statements periods beginning after June 30, 2015. The adoption of this statement had an impact on the Corporation's disclosures only (see note 4).

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 \$2.7 million and \$2.6 million for various expenses, including salaries, in fiscal years 2017 and 2016, 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, 2017, 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, 2017 and 2016, the value of investments, including accrued interest, which were held by depositories in the Corporation's name, was approximately \$2.5 million and \$16.7 million, respectively, and the collateralized deposits amounted to \$6.3 million and \$5.1 million, respectively. All of the Corporation's investments are insured or registered, and held by depositories in the Corporation's name. The Agency categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the evaluation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Agency had the following recurring fair value measurements as of March 31, 2017:

Investments Measured at Fair Value	Amount	Level
	(in thousands)	
Investments (debt securities)		
U.S. Treasury Bills	\$ 999	2
Government Agencies- The Dormitory Authority of the State of New York	1,473	2
Total	\$ 2,472	

The Corporation's debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

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, 2017, U.S. Treasury Bills and Government Agencies issued by the State of New York and its agencies represented all of the Corporation's total investments, and maturities within one year.

The following issuers represent 5% or more of total investments as of March 31, 2017: 60% are municipal bonds issued with the Dormitory Authority of the State of New York ("DASNY").

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, 2017 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 ("OPEB") - 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, 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, 2017 and 2016, the Corporation was committed to fund approximately \$52.1 million and \$56.1 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, 2017.

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*

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, 2017, 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 15, 2017.

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.

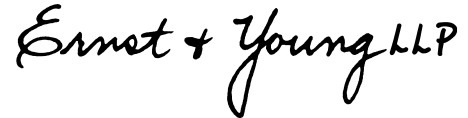
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



June 15, 2017



Homes and Community Renewal

Andrew M. Cuomo, Governor

RuthAnne Visnauskas, Commissioner/CEO

New York State Affordable Housing Corporation

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