

HOMELESS HOUSING AND ASSISTANCE  
CORPORATION

Financial Statements and  
Management's Discussion and Analysis

March 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

# HOMELESS HOUSING AND ASSISTANCE CORPORATION

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Homeless Housing and Assistance Corporation:

### Report on the Financial Statements

We have audited the accompanying financial statements of Homeless Housing and Assistance Corporation (the Corporation), a New York State public benefit corporation, which comprise the statements of net position as of March 31, 2013 and 2012, and the related statements of revenue, expenses and changes in net position and cash flows for 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation'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 Corporation'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 net position of Homeless Housing and Assistance Corporation as of March 31, 2013 and 2012, and the changes in its net position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 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 13, 2013, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2013, on the Corporation's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. The purpose of that report is to provide an opinion as to the Corporation's compliance with investment guidelines contained therein. 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.

Toski & Co., CPAs, P.C.

Williamsville, New York  
June 13, 2013

## HOMELESS HOUSING AND ASSISTANCE CORPORATION

### Management's Discussion and Analysis

March 31, 2013

The Homeless Housing and Assistance Corporation (the Corporation) is a component unit of the State of New York and reports its activities as an enterprise fund following generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB). As an enterprise fund, the Corporation reports under the accrual basis of accounting. The government wide financial statements required by GASB Statement No. 34 are the only statements required for this entity.

Chapter 215 of the laws of 1990 established the New York State Homeless Housing and Assistance Corporation as codified under Section 45-c of the Private Housing Finance Law. Pursuant to this, the Corporation is authorized to administer the Homeless Housing and Assistance Program (HHAP). The Corporation is a New York State public benefit corporation and a subsidiary of the New York State Housing Finance Agency (HFA). HFA issues bonds, which are the source of capital funds utilized by the Corporation.

The Corporation is operated by staff from the New York State Office of Temporary and Disability Assistance. The Corporation received a \$30,000,000 appropriation in the state fiscal year 2012 - 2013. Appropriated funds are drawn down as required during the year.

#### Financial Highlights

- The Corporation's total assets amounted to \$23,356,485 as of March 31, 2013. Total assets increased 274% from March 31, 2012. The cash account increased from \$5,590,950 as of March 31, 2012 to \$22,653,559 as of March 31, 2013, an increase of 305%. Also, worthy of note, in fiscal year 2012-2013 was the Corporation's continued practice of leaving funds on deposit in the main checking account rather than investing the funds. This is due to a decrease in investment rates of return. The Corporation actually earns more interest by leaving the funds in the main account.
- There was no significant capital asset or long-term debt activity during the year. As of March 31, 2013, all fixed assets are fully depreciated and no fixed assets were purchased during the year.
- New notes were recorded during fiscal year 2012 - 2013 amounting to \$36,018,822 and interest of \$2,078,633 was accrued on notes receivable. All notes and interest accrued on the notes were written off as uncollectible, with the exception of a note being tracked separately on the books for African American Planning Commission, Inc.
- Capital projects expenditures were \$32,904,023 and mandated expenditures were \$1,303,318 for the 2012 - 2013 fiscal year. This represents a 17% decrease from the 2011 - 2012 capital projects and a 12% decrease for mandated expenditures.

HOMELESS HOUSING AND ASSISTANCE CORPORATION  
Management's Discussion and Analysis, Continued

- The HFA has agreed to make up to \$500,000 in Infrastructure Development Demonstration Program (IDDP) funds available to the Corporation to support the development of eligible HHAP-funded projects. At least 75% of the funds must be made available for projects located in cities, towns or villages having a population of 30,000 or less. Of the \$500,000, a total of \$332,380 has been received by the Corporation at the end of state fiscal year 2012 - 2013. \$249,861 of this had been expended leaving \$82,519 of deferred revenue at March 31, 2013.

Financial Reporting

This report contains several financial statements that provide more detailed information regarding the financial activities and the financial state of the Corporation. There are no decisions, conditions, or other factors that are expected to significantly effect the financial position or results of the Corporation presented herein.

Request for Information

This financial report is designed to provide a general overview for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the President, Homeless Housing and Assistance Corporation, 40 North Pearl Street, Albany, New York 12243-0001.

HOMELESS HOUSING AND ASSISTANCE CORPORATION  
 Statements of Net Position  
 March 31, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash:		
Operating	\$ 22,653,559	5,590,950
Special revenue account - administrative expenses	<u>215</u>	<u>214</u>
Total cash	22,653,774	5,591,164
Mortgage notes receivable, less allowance of \$271,758,460 in 2013 and \$235,739,638 in 2012	-	-
Accrued interest receivable, less allowance of \$18,286,607 in 2013 and \$16,207,974 in 2012	-	-
Due from related party	<u>-</u>	<u>7,481</u>
Total current assets	22,653,774	5,598,645
Note receivable	396,125	475,350
Other assets - advances receivable, less allowance of \$150,000 in 2013 and 2012	<u>306,586</u>	<u>168,974</u>
Total assets	<u>\$ 23,356,485</u>	<u>6,242,969</u>
<u>Liabilities and Net Position</u>		
Liabilities:		
Current liabilities - warrants and accounts payable	8,487	9,297
Noncurrent liabilities - deferred revenue	<u>22,347,133</u>	<u>5,200,616</u>
Total liabilities	22,355,620	5,209,913
Net position	<u>1,000,865</u>	<u>1,033,056</u>
Total liabilities and net position	<u>\$ 23,356,485</u>	<u>6,242,969</u>

See accompanying notes to financial statements.

HOMELESS HOUSING AND ASSISTANCE CORPORATION  
 Statements of Revenue, Expenses and Changes in Net Position  
 Years ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenue:		
New York State appropriations	\$ 32,025,281	40,915,718
Medicaid Redesign Team	288,296	-
Infrastructure Development Demonstration Program	-	15,850
Interest income	15,041	7,374
Returned grant funds	<u>2,182,060</u>	<u>79,225</u>
Total operating revenue	<u>34,510,678</u>	<u>41,018,167</u>
Operating expenses:		
Capital projects	32,904,023	39,520,076
Medicaid Redesign Team	288,296	-
Infrastructure Development Demonstration Program	-	15,850
Mandated expenditures	1,303,318	1,474,867
Administrative expenses	<u>47,232</u>	<u>197,332</u>
Total operating expenses	<u>34,542,869</u>	<u>41,208,125</u>
Decrease in net position	(32,191)	(189,958)
Net position at beginning of year	<u>1,033,056</u>	<u>1,223,014</u>
Net position at end of year	<u>\$ 1,000,865</u>	<u>1,033,056</u>

See accompanying notes to financial statements.

HOMELESS HOUSING AND ASSISTANCE CORPORATION  
Statements of Cash Flows  
Years ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
New York State appropriations	\$ 40,000,000	45,000,000
Medicaid Design Team	9,456,800	-
Infrastructure Development Demonstration Program	90,000	-
Interest income	15,041	7,374
Returned grant funds	2,182,060	79,225
	<u>51,743,901</u>	<u>45,086,599</u>
Capital projects	33,042,445	39,653,401
Medicaid Redesign Team	288,296	-
Infrastructure Development Demonstration Program	-	15,850
Mandated expenditures	1,303,318	1,474,867
Administrative expenses	47,232	47,332
	<u>34,681,291</u>	<u>41,191,450</u>
Net increase in cash	17,062,610	3,895,149
Cash at beginning of year	<u>5,591,164</u>	<u>1,696,015</u>
Cash at end of year	<u>\$ 22,653,774</u>	<u>5,591,164</u>
Cash flows from operating activities:		
Decrease in net position	(32,191)	(189,958)
Adjustments to reconcile decrease in net position to net cash provided by operating activities:		
Allowance for doubtful accounts	-	150,000
Changes in:		
Due from related party	7,481	(7,481)
Note receivable	79,225	79,225
Advances receivable	(137,612)	(134,135)
Warrants and accounts payable	(810)	810
Deferred revenue	17,146,517	3,996,688
Net cash provided by operating activities	<u>\$ 17,062,610</u>	<u>3,895,149</u>

See accompanying notes to financial statements.

# HOMELESS HOUSING AND ASSISTANCE CORPORATION

## Notes to Financial Statements

March 31, 2013 and 2012

### (1) Organization

The Homeless Housing and Assistance Corporation (the Corporation), a New York State public benefit corporation, was established on June 8, 1990, by the Legislature of the State of New York (the State). The Corporation is a component unit of the State and is included in the State's financial statements. The Corporation was created to administer the Homeless Housing and Assistance Program that was formerly administered by the Department of Social Services (DSS), now known as the New York State Office of Temporary and Disability Assistance (OTDA). Funding received by the Corporation is used for the purpose of expanding the availability of housing for homeless persons by preserving and creating affordable housing. The monies may be used to construct new properties, rehabilitate underutilized property, or convert vacant nonresidential property to residential use for occupancy by persons of low income who are homeless. The Corporation's Board of Directors is comprised of the Commissioner of OTDA, the Commissioner of the Housing Finance Agency (HFA), and a member appointed by the Commissioner of OTDA. In addition, the Board of Directors includes a non-voting advisory member consisting of the Commissioner of New York State Office of Alcoholism and Substance Abuse Services (OASAS). The Board is chaired by the Commissioner of OTDA.

### (2) Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

#### (a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Corporation has adopted the provisions of GASB Statement No. 33 - "Accounting and Financial Reporting for Nonexchange Transactions," GASB Statement No. 34 - "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" as amended by GASB Statement No. 37 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus," and GASB Statement No. 38 - "Certain Financial Statement Note Disclosures."

HOMELESS HOUSING AND ASSISTANCE CORPORATION  
Notes to Financial Statements, Continued

(2) Significant Accounting Policies, Continued

(a) Basis of Accounting, Continued

Beginning in the year ended March 31, 2013, the Corporation adopted the provisions of GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements." This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

For the year ended March 31, 2013, the Corporation implemented GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement amends the net asset reporting requirements in GASB Statement No. 34 - "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net positions, rather than net assets.

The implementation of these standards did not require restatement of the Corporation's net position at the beginning of the year ended March 31, 2012.

The Corporation has also adopted the provisions of GASB Statement No. 40 - "Deposits and Investment Risk Disclosures." This statement establishes and modifies disclosure requirements related to the following investment and deposit risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.
- Custodial credit risk:
  - Deposits - risk that the Corporation will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party in the event of failure of a depository financial institution.
  - Investments - risk that the Corporation will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party in the event of failure of the counterparty (the party that pledges collateral or that sells investments to or buys investments from the entity) of a transaction.
- Concentration of credit risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single institution or issuer.
- Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair market value of the investment or deposit.
- Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of the investment or deposit.

HOMELESS HOUSING AND ASSISTANCE CORPORATION  
Notes to Financial Statements, Continued

(2) Significant Accounting Policies, Continued

(b) Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles for government entities as prescribed by the GASB for enterprise funds. The Corporation reports its financial activity in one enterprise fund.

(c) Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Cash

For purposes of reporting cash flows, cash includes money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

(e) Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(f) Mortgage Notes and Accrued Interest Receivable

The Corporation considers that collection of its mortgage notes and accrued interest receivable are not reasonably assured and, accordingly, has fully reserved the balances. Repayments of the notes are considered revenue when received.

(g) Investments

The investment policy of the Corporation stipulates that the Corporation may invest in obligations of the State, the United States government, repurchase agreements, or money market deposit accounts. Repurchase agreements must be collateralized by obligations guaranteed by the United States government, which are equal in value to the repurchase agreement. The agreements shall not exceed sixty days and payment shall be made only upon delivery of collateral to the Corporation's agent. All investments and related collateral are held by the Corporation's agent in the Corporation's name.

(h) Capitalization and Depreciation

Equipment is recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of revenue, expenses and changes in net position.

## HOMELESS HOUSING AND ASSISTANCE CORPORATION

### Notes to Financial Statements, Continued

#### (2) Significant Accounting Policies, Continued

##### (i) Deferred Revenue and Revenue Recognition

The Corporation recognizes appropriations from the State at the time capital projects or mandated expenditures are recognized. Investment income is recognized as revenue when earned. Other revenues are recognized as cash is received.

##### (j) Capital Projects Expenditures

Capital projects expenditures consist of awards to fund the projects of eligible homeless housing facilities. Project costs include the costs of any or all undertakings necessary for planning, financing, land acquisition, demolition, construction, rehabilitation, equipment and site development, per Social Services Law Section 42(3), other than project costs which the commissioner finds to be necessary in accordance with Social Services Law 43(9); and technical assistance expenditures. Disbursements are made upon approval of certified vouchers. Claims which have approved certified vouchers and are not paid at March 31 are shown as "warrants payable."

##### (k) Income Tax

The revenues of the Corporation are exempt from all federal and state income taxes under the provisions of the enabling legislation.

#### (3) Special Revenue Account - Administrative Expenses

OTDA provides administrative services to the Corporation. Services provided include, but are not limited to drafting policies and procedures, preparation and issuance of requests for proposals, evaluation of applications, recommendation of allocations of available funds, and technical assistance. Funds used to pay these services are held by the New York State Office of the State Comptroller. There were no costs charged to the Corporation for the years ended March 31, 2013 and 2012.

#### (4) Mortgage Notes Receivable

On June 8, 1990, the DSS held mortgage notes receivable totaling \$10,031,340, that were made to project sponsors. These loans were made in accordance with Section 43 of the Social Services Law regarding homeless housing and assistance contracts. The mortgages were assumed by the Corporation at its inception.

At March 31, 2013 and 2012, the Corporation had recorded notes receivable of \$271,758,460 and \$235,739,638, respectively, and accrued interest totaling \$18,286,607 and \$16,207,974, respectively. Management of the Corporation considers that collection of these mortgage notes and related accrued interest receivable are not reasonably assured and, accordingly, has fully reserved the balances. Revenue (note payments) is recognized when received by the Corporation. A summary of mortgage notes receivable at March 31, 2013 is as follows:

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements, Continued

(4) Mortgage Notes Receivable, Continued

					March 31, 2013	
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>		<u>Principal</u>	<u>Accrued Interest</u>	
06/01/90	06/01/19	1.00%	\$	2,282,000	521,359	
06/01/90	06/01/19	1.00%		1,200,000	289,940	
06/01/90	06/01/19	0.00%		67,612	-	
03/01/91	03/01/15	1.00%		2,509,374	578,984	
09/13/91	09/13/16	0.00%		2,156,853	-	
05/12/92	05/12/22	0.25%		1,317,824	288,027	
07/17/92	03/01/16	1.00%		4,007,662	313,805	
04/02/93	04/02/23	0.00%		2,760,000	-	
08/01/93	04/01/14	1.00%		344,980	67,259	
12/27/94	12/27/14	1.00%		1,000,000	188,471	
04/04/95	04/04/15	1.00%		300,000	54,141	
08/07/95	08/07/25	1.00%		4,693,235	834,511	
08/08/95	08/08/25	1.00%		1,150,000	201,947	
09/11/95	09/11/15	1.00%		2,088,216	360,194	
10/16/95	10/16/25	1.00%		400,000	69,473	
12/19/95	12/19/25	1.00%		4,500,000	758,323	
04/01/96	04/12/26	1.00%		160,000	26,621	
07/03/96	07/03/26	1.00%		852,616	158,641	
08/29/96	03/31/26	1.00%		2,500,000	449,938	
11/26/96	11/26/26	1.00%		350,000	55,817	
12/20/96	12/20/26	1.00%		4,000,000	653,177	
06/25/97	06/25/27	1.00%		2,936,835	491,866	
06/26/97	06/26/27	1.00%		1,175,240	180,286	
08/19/97	08/19/27	1.00%		817,029	158,915	
08/19/97	08/19/27	1.00%		756,250	137,405	
08/19/97	08/19/27	1.00%		712,150	118,125	
10/22/97	10/22/27	1.00%		2,000,000	293,504	
10/31/97	10/31/27	1.00%		695,170	106,063	
12/04/97	12/04/27	1.00%		2,075,000	309,336	
01/14/98	01/14/28	1.00%		561,840	83,246	
03/06/98	03/06/28	1.00%		4,000,000	603,616	
03/25/98	03/25/28	1.00%		2,100,000	322,985	
07/28/98	07/28/28	1.00%		1,109,871	174,731	

(Continued)

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements, Continued

(4) Mortgage Notes Receivable, Continued

					March 31, 2013	
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>		<u>Principal</u>	<u>Accrued Interest</u>	
07/28/98	07/28/28	1.00%	\$	950,000	136,628	
07/30/98	07/30/28	1.00%		378,768	65,658	
02/08/99	02/08/29	1.00%		399,716	69,590	
09/16/99	09/16/29	1.00%		1,554,077	224,742	
11/24/99	11/24/29	1.00%		1,421,000	182,122	
07/25/00	07/25/30	1.00%		5,070,000	607,971	
07/31/00	07/31/30	1.00%		227,464	29,483	
02/02/01	02/02/31	1.00%		5,048,046	561,231	
06/25/01	06/25/31	0.00%		3,005,100	-	
09/28/01	09/28/31	1.00%		1,280,100	120,969	
03/11/02	03/11/32	1.00%		725,600	78,333	
10/01/02	10/01/32	1.00%		2,106,200	191,085	
10/01/02	10/01/32	1.00%		2,200,000	223,660	
12/03/02	12/03/32	1.00%		1,218,652	126,578	
01/16/03	01/16/33	1.00%		5,469,414	497,020	
06/10/03	06/10/33	1.00%		2,471,700	207,489	
09/26/03	09/26/33	1.00%		1,295,070	114,131	
09/29/03	09/29/33	1.00%		2,903,100	219,220	
11/25/03	11/25/33	0.25%		3,647,000	77,199	
12/30/03	12/30/33	1.00%		3,675,000	290,452	
06/28/04	06/28/34	1.00%		3,100,000	256,635	
06/29/04	06/29/34	1.00%		2,529,000	204,306	
08/03/04	08/03/34	0.00%		1,140,000	-	
12/20/04	12/20/34	1.00%		6,046,981	459,923	
06/30/05	06/30/35	0.25%		6,200,387	179,919	
08/08/05	08/08/35	1.00%		3,698,400	257,974	
09/06/05	09/06/35	1.00%		2,890,000	253,724	
09/19/05	09/19/35	1.00%		2,000,000	128,741	
12/23/05	12/23/35	1.00%		6,749,800	428,061	
02/23/06	02/23/36	1.00%		2,480,224	138,133	
03/07/06	03/07/36	1.00%		3,446,877	225,241	
03/10/06	03/10/36	1.00%		15,000	1,064	
05/17/06	05/17/36	1.00%		3,140,000	193,609	
06/20/06	06/20/47	0.25%		1,950,000	29,624	
10/27/06	10/27/36	1.00%		4,500,000	241,095	

(Continued)

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements, Continued

(4) Mortgage Notes Receivable, Continued

March 31, 2013

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Accrued Interest</u>
07/11/06	07/01/37	1.00%	\$ 1,150,000	71,763
12/27/06	12/27/56	1.00%	3,600,000	202,240
12/28/06	12/28/36	1.00%	6,521,157	306,446
12/28/06	12/28/56	1.00%	3,732,450	207,317
04/16/07	04/16/37	1.00%	720,700	41,189
05/03/07	05/03/37	1.00%	2,340,000	175,505
06/26/07	06/26/37	0.00%	2,000,000	-
11/02/07	11/02/42	1.00%	3,266,298	145,613
11/08/07	11/08/37	1.00%	3,150,000	84,483
12/19/07	12/19/37	1.00%	3,500,000	161,148
07/30/08	07/30/38	1.00%	1,007,400	40,366
08/04/08	08/04/38	1.00%	1,300,000	56,888
12/23/08	12/23/38	1.00%	5,500,000	205,792
06/08/09	06/08/39	1.00%	1,803,600	64,922
09/30/09	09/30/39	1.00%	4,623,300	114,104
10/14/09	10/14/44	1.00%	2,750,000	47,039
11/04/09	11/04/39	0.00%	4,432,620	-
12/18/09	12/18/59	0.00%	5,000,000	-
06/09/10	06/09/40	1.00%	5,580,554	133,777
07/08/10	07/08/40	0.00%	4,869,485	-
07/20/10	07/20/60	0.00%	4,572,614	-
08/02/10	08/02/60	1.00%	4,800,000	76,081
09/01/10	09/01/40	1.00%	3,000,000	46,353
12/21/10	12/21/40	1.00%	2,938,078	66,096
06/17/11	04/14/42	1.00%	5,958,000	74,203
06/29/11	TBD	1.00%	5,200,000	43,019
09/08/11	11/22/42	0.00%	1,000,000	-
10/18/11	TBD	1.00%	3,575,390	29,201
06/15/12	TBD	1.00%	4,000,000	16,707
06/21/12	TBD	6.25%	2,402,490	-
07/16/12	TBD	0.00%	3,500,000	-
09/26/12	TBD	1.00%	2,340,519	3,996
10/11/12	TBD	0.00%	4,481,622	-
12/10/12	TBD	1.00%	4,629,750	43
			<u>\$ 271,758,460</u>	<u>18,286,607</u>

HOMELESS HOUSING AND ASSISTANCE CORPORATION  
Notes to Financial Statements, Continued

(5) Note Receivable

The Corporation has a non-interest bearing note receivable from the African American Planning Commission, Inc. in the original amount of \$792,250. Terms of repayment include quarterly payments of \$19,806 through 2018. The balance of the note receivable amounted to \$396,125 and \$475,350 at March 31, 2013 and 2012, respectively.

(6) Deferred Revenue

Deferred revenue amounted to \$22,347,133 and \$5,200,616 at March 31, 2013 and 2012, respectively. This amount primarily represents appropriations from the State to the Corporation in advance of the period to be benefited.

(7) Related Party Transactions

Related party transactions for the years ended March 31, 2013 and 2012 are as follows:

(a) Fiscal Intermediary Fees

The Corporation pays quarterly fees to the New York State Department of Taxation and Finance (the Department) who acts as a fiscal intermediary for the Corporation. For each of the years ended March 31, 2013 and 2012, total fees incurred for Department services amounted to \$33,949. The amount due to the Department at March 31, 2013 and 2012 totaled \$8,487.

(b) Due From Related Party

The HFA agreed to make up to \$500,000 in Infrastructure Development Demonstration Program (IDDP) funds available to the Corporation. HHAC is a subsidiary of HFA. Amounts expended under the IDDP amounted to \$15,850 for the year ended March 31, 2012. No amounts were expended for the year ended March 31, 2013. Deferred revenue totaled \$82,519 at March 31, 2013.

(8) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 61 - "The Financial Reporting Entity: Omnibus" is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14 "The Financial Reporting Entity" and No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." This statement amends the criteria for including component units by only including those component units for which the elected officials are financially accountable or that the government determines would be misleading to exclude. This statement also amends the criteria for blending of component units to include only those component units that are so intertwined with the primary government that they are essentially the same as the primary government. The requirements of the statements are effective for periods beginning after June 15, 2012, which is the fiscal year beginning April 1, 2013 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

## HOMELESS HOUSING AND ASSISTANCE CORPORATION

### Notes to Financial Statements, Continued

#### (8) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities" establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources such as changes in the determination of the major fund calculations and limiting the use of the term deferred in the financial statement presentations. This requirement of this statement are effective for periods beginning after December 15, 2012, which is the fiscal year beginning April 1, 2013 for the Corporation. This statement will require the Corporation to reclassify its deferred revenue from liabilities to deferred inflows.

GASB Statement No. 66 - "Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62" improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. Statements No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" and No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this statement are effective for periods beginning after December 15, 2012, which is the fiscal year beginning April 1, 2013 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 67 - "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25" replaces existing standards for financial reporting and note disclosure for most pension plans that are administered through trusts or equivalent arrangements. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the year beginning April 1, 2014 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The requirements of this statement are effective for periods beginning after June 15, 2014, which is the year beginning April 1, 2015 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

## HOMELESS HOUSING AND ASSISTANCE CORPORATION

### Notes to Financial Statements, Continued

#### (8) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 69 - "Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards for government mergers, acquisitions and disposals. The statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning April 1, 2014 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 70 - "Accounting and Financial Reporting for Nonexchange Financial Guarantees" improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning April 1, 2014 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

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

The Board of Directors  
Homeless Housing and Assistance Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Homeless Housing and Assistance Corporation (the Corporation), a New York State public benefit corporation, which comprise the statement of net position as of March 31, 2013, and the related statements of revenue, 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 13, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation'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 results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York  
June 13, 2013

## INDEPENDENT AUDITORS' REPORT ON INVESTMENT PROGRAM COMPLIANCE

The Board of Directors  
Homeless Housing and Assistance Corporation:

### Report on Investment Program Compliance

We have audited the Homeless Housing and Assistance Corporation's (the Corporation), a New York State public benefit corporation, compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended March 31, 2013.

### Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

### Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of the Corporation's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the investment program. However, our audit does not provide a legal determination of the Corporation's compliance.

### Opinion on Investment Program

In our opinion, the Homeless Housing and Assistance Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended March 31, 2013.

## Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirement that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York  
June 13, 2013