

HOMELESS HOUSING AND ASSISTANCE
CORPORATION

Financial Statements and
Management's Discussion and Analysis

March 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 4
Financial Statements:	
Statements of Net Position	5
Statements of Revenue, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 16
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 <u>Government Auditing Standards</u>	17 - 18
Independent Auditors' Report on Investment Compliance	19 - 20

* * * * *

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, 2014 and 2013, and the related statements of revenue, expenses, and changes in net position and cash flows for years then ended, and the related notes to 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 from 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, 2014 and 2013, and the changes in its net position and cash flows for the years then ended, in accordance 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 4, 2014, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

In accordance with Government Auditing Standards, we have also issued our report dated June 4, 2014, 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 4, 2014

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Management's Discussion and Analysis

March 31, 2014

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 2013 - 2014. Appropriated funds are drawn down as required during the year.

Financial Highlights

- The Corporation's total assets amounted to \$16,950,585 as of March 31, 2014. Total assets decreased 27% from March 31, 2013. The cash account decreased from \$22,653,559 as of March 31, 2013 to \$16,577,869 as of March 31, 2014, a decrease of 27%. Also, worthy of note, in fiscal year 2013 - 2014 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, 2014, all fixed assets are fully depreciated and no fixed assets were purchased during the year.
- New notes were recorded during fiscal year 2013 - 2014 amounting to \$37,335,597 and interest of \$2,332,324 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 \$40,261,966 and mandated expenditures were \$1,374,949 for the 2013 - 2014 fiscal year. This represents a 22% increase from the 2012 - 2013 capital projects and a 5% increase 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 2013 - 2014. \$249,861 of this had been expended leaving \$82,519 of unearned revenue at March 31, 2014.

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, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash:		
Operating	\$ 16,577,869	22,653,559
Special revenue account - administrative expenses	<u>215</u>	<u>215</u>
Total cash	16,578,084	22,653,774
Mortgage notes receivable, less allowance of \$307,500,247 in 2014 and \$271,758,460 in 2013	-	-
Accrued interest receivable, less allowance of \$20,618,931 in 2014 and \$18,286,607 in 2013	<u>-</u>	<u>-</u>
Total current assets	16,578,084	22,653,774
Note receivable	316,900	396,125
Other assets - advances receivable, less allowance of \$150,000 in 2014 and 2013	<u>55,601</u>	<u>306,586</u>
Total assets	<u>16,950,585</u>	<u>23,356,485</u>
 <u>Liabilities and Net Position</u> 		
Liabilities:		
Current liabilities - warrants and accounts payable	8,487	8,487
Noncurrent liabilities - unearned revenue	<u>15,971,311</u>	<u>22,347,133</u>
Total liabilities	<u>15,979,798</u>	<u>22,355,620</u>
Contingencies (note 8)	<u> </u>	<u> </u>
Net position	<u>\$ 970,787</u>	<u>1,000,865</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenue:		
New York State appropriations	\$ 39,108,242	32,025,281
Medicaid Redesign Team	2,588,355	288,296
Interest income	18,716	15,041
Returned grant funds	<u>2,528,673</u>	<u>2,182,060</u>
Total operating revenue	<u>44,243,986</u>	<u>34,510,678</u>
Operating expenses:		
Capital projects	40,261,966	32,904,023
Medicaid Redesign Team	2,588,355	288,296
Mandated expenditures	1,374,949	1,303,318
Administrative expenses	<u>48,794</u>	<u>47,232</u>
Total operating expenses	<u>44,274,064</u>	<u>34,542,869</u>
Decrease in net position	(30,078)	(32,191)
Net position at beginning of year	<u>1,000,865</u>	<u>1,033,056</u>
Net position at end of year	<u>\$ 970,787</u>	<u>1,000,865</u>

See accompanying notes to financial statements.

HOMELESS HOUSING AND ASSISTANCE CORPORATION
Statements of Cash Flows
Years ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
New York State appropriations	\$ 33,400,000	40,000,000
Medicaid Design Team	2,000,000	9,456,800
Infrastructure Development Demonstration Program	-	90,000
Interest income	18,716	15,041
Returned grant funds	<u>2,528,673</u>	<u>2,182,060</u>
	<u>37,947,389</u>	<u>51,743,901</u>
Capital projects	40,010,981	33,042,445
Medicaid Redesign Team	2,588,355	288,296
Mandated expenditures	1,374,949	1,303,318
Administrative expenses	<u>48,794</u>	<u>47,232</u>
	<u>44,023,079</u>	<u>34,681,291</u>
Net increase (decrease) in cash	(6,075,690)	17,062,610
Cash at beginning of year	<u>22,653,774</u>	<u>5,591,164</u>
Cash at end of year	<u>\$ 16,578,084</u>	<u>22,653,774</u>
Cash flows from operating activities:		
Decrease in net position	(30,078)	(32,191)
Adjustments to reconcile decrease in net position to net cash provided by (used in) operating activities:		
Changes in:		
Due from related party	-	7,481
Note receivable	79,225	79,225
Advances receivable	250,985	(137,612)
Warrants and accounts payable	-	(810)
Unearned revenue	<u>(6,375,822)</u>	<u>17,146,517</u>
Net cash provided by (used in) operating activities	<u>\$ (6,075,690)</u>	<u>17,062,610</u>

See accompanying notes to financial statements.

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements

March 31, 2014 and 2013

(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's reports are based on all applicable GASB pronouncements.

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.

(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.

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements, Continued

(2) Significant Accounting Policies, Continued

(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.

(i) Unearned 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.

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements, Continued

(2) Significant Accounting Policies, Continued

(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.

(l) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(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, 2014 and 2013.

(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, 2014 and 2013, the Corporation had recorded notes receivable of \$307,500,247 and \$271,758,460, respectively, and accrued interest totaling \$20,618,931 and \$18,286,607, 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, 2014 is as follows:

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements, Continued

(4) Mortgage Notes Receivable, Continued

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>March 31, 2014</u>	
			<u>Principal</u>	<u>Accrued Interest</u>
06/01/90	06/01/19	1.00%	\$ 2,282,000	544,179
01/11/89	06/01/19	1.00%	1,200,000	301,940
01/11/89	06/01/19	0.00%	67,612	-
03/01/91	03/01/15	1.00%	2,509,374	604,078
09/13/91	09/13/16	0.00%	2,156,853	-
05/12/92	05/12/22	0.25%	1,317,824	301,205
07/17/92	03/01/16	1.00%	4,007,662	353,882
04/02/93	04/02/23	0.00%	2,900,000	-
08/01/93	04/01/14	1.00%	344,980	70,709
12/27/94	12/27/14	1.00%	1,000,000	198,471
04/04/95	04/04/15	1.00%	300,000	57,141
08/07/95	08/07/25	1.00%	4,693,235	881,443
08/08/95	08/08/25	1.00%	1,150,000	213,447
09/11/95	09/11/15	1.00%	2,113,216	381,076
10/16/95	10/16/25	1.00%	400,000	73,473
12/19/95	12/19/25	1.00%	4,500,000	803,322
04/01/96	04/12/26	1.00%	160,000	28,221
07/03/96	07/03/26	1.00%	852,616	167,288
08/29/96	03/31/26	1.00%	2,500,000	474,938
11/26/96	11/26/26	1.00%	350,000	59,259
12/20/96	12/20/26	1.00%	4,000,000	693,177
06/25/97	06/25/27	1.00%	2,936,835	521,234
06/26/97	06/26/27	1.00%	1,175,240	192,038
08/19/97	08/19/27	1.00%	817,029	167,085
08/19/97	08/19/27	1.00%	756,250	144,967
08/19/97	08/19/27	1.00%	712,150	125,247
10/22/97	05/01/28	1.00%	2,000,000	313,504
10/31/97	10/31/27	1.00%	695,170	113,015
12/04/97	12/04/27	1.00%	2,075,000	330,086

(Continued)

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements, Continued

(4) Mortgage Notes Receivable, Continued

			March 31, 2014	
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Accrued Interest</u>
01/14/98	01/14/28	1.00%	\$ 561,840	88,864
03/06/98	03/06/28	1.00%	4,000,000	643,616
03/25/98	03/25/28	1.00%	2,100,000	343,936
07/28/98	07/28/28	1.00%	1,443,032	185,830
07/28/98	07/28/28	1.00%	950,000	146,128
07/30/98	07/30/28	1.00%	378,768	69,446
02/08/99	02/08/29	1.00%	399,716	73,587
09/16/99	09/16/29	1.00%	1,554,077	239,822
11/24/99	11/24/29	1.00%	1,421,000	196,332
07/25/00	07/25/30	1.00%	5,070,000	658,671
07/31/00	07/31/30	1.00%	227,464	31,758
02/02/01	02/02/31	1.00%	5,048,046	611,711
06/25/01	06/25/31	0.00%	3,005,100	-
09/28/01	09/28/31	1.00%	1,280,100	133,656
03/11/02	03/11/32	1.00%	725,600	85,589
10/01/02	10/01/32	1.00%	2,106,200	212,147
10/01/02	10/01/32	1.00%	2,200,000	245,660
12/03/02	12/03/32	1.00%	1,218,652	138,764
01/16/03	01/16/33	1.00%	5,469,414	551,714
06/10/03	06/10/33	1.00%	2,471,700	232,032
09/26/03	09/26/33	1.00%	1,295,070	127,081
09/29/03	09/29/33	1.00%	2,903,100	248,251
11/25/03	11/25/33	0.25%	3,647,000	86,149
12/30/03	12/30/33	1.00%	3,675,000	326,094
06/28/04	06/28/34	1.00%	3,100,000	287,635
06/29/04	06/29/34	1.00%	2,529,000	229,596
08/03/04	08/03/34	0.00%	1,140,000	-
12/20/04	12/20/34	1.00%	6,046,981	520,392
06/30/05	04/09/38	0.25%	6,200,387	212,916
08/08/05	08/08/35	1.00%	3,698,400	294,958

(Continued)

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements, Continued

(4) Mortgage Notes Receivable, Continued

					March 31, 2014	
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>		<u>Principal</u>	<u>Accrued Interest</u>	
09/08/05	09/08/35	1.00%	\$	2,890,000	282,624	
09/19/05	09/19/35	1.00%		2,000,000	147,178	
12/23/05	12/23/35	1.00%		6,749,800	495,559	
02/23/06	02/23/36	1.00%		2,480,224	162,935	
03/07/06	03/07/36	1.00%		3,282,777	257,980	
03/10/06	03/10/36	1.00%		15,000	1,214	
05/17/06	05/17/36	1.00%		3,140,000	223,709	
06/20/06	06/20/47	0.25%		1,950,000	34,499	
10/27/06	10/27/36	1.00%		4,500,000	285,454	
07/11/06	07/01/37	1.00%		1,150,000	83,263	
12/27/06	12/27/56	1.00%		3,600,000	237,966	
12/28/06	12/28/36	1.00%		6,521,157	371,657	
12/28/06	12/28/56	1.00%		3,732,450	244,593	
04/16/07	04/16/37	1.00%		720,700	48,396	
05/03/07	05/03/37	1.00%		2,340,000	198,905	
06/26/07	06/26/37	0.00%		2,000,000	-	
11/02/07	11/02/42	1.00%		3,327,170	178,368	
11/08/07	11/08/37	1.00%		3,150,000	115,983	
12/19/07	12/19/37	1.00%		3,500,000	196,148	
07/30/08	07/30/38	1.00%		1,007,400	50,440	
08/04/08	08/04/38	1.00%		1,300,000	69,888	
12/23/08	12/23/38	1.00%		5,500,000	260,792	
06/08/09	06/08/39	1.00%		1,803,600	82,955	
09/24/09	09/30/39	1.00%		4,623,300	156,485	
10/14/09	10/14/44	1.00%		2,750,000	74,539	
11/04/09	11/04/39	0.00%		4,432,620	-	
12/18/09	12/18/59	0.00%		5,000,000	-	
06/10/10	04/15/42	1.00%		5,580,554	189,582	
07/08/10	12/05/42	0.00%		4,869,485	-	
07/20/10	08/01/62	0.00%		4,572,614	-	
08/02/10	12/31/62	1.00%		4,800,000	121,695	

(Continued)

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements, Continued

(4) Mortgage Notes Receivable, Continued

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>March 31, 2014</u>	
			<u>Principal</u>	<u>Accrued Interest</u>
09/01/10	08/31/42	1.00%	\$ 3,000,000	76,336
08/13/10	03/29/41	1.00%	721,385	94,339
06/17/11	04/14/42	1.00%	3,185,950	129,685
06/29/11	12/31/43	1.00%	5,200,000	94,173
09/08/11	11/22/42	0.00%	1,000,000	-
10/18/11	12/09/43	1.00%	3,575,390	62,826
02/15/12	TBD	0.00%	3,000,000	-
06/15/12	TBD	1.00%	4,000,000	52,631
06/21/12	12/31/63	6.25%	2,402,490	31,555
07/16/12	01/31/44	0.00%	3,500,000	-
09/26/12	01/19/44	1.00%	2,340,519	23,388
10/11/12	TBD	0.00%	4,481,622	-
12/10/12	TBD	1.00%	4,629,750	9,347
04/26/13	TBD	4.85%	7,000,000	56,129
06/26/13	TBD	6.25%	3,500,000	-
06/28/13	TBD	4.50%	3,250,000	7,499
06/25/13	TBD	1.00%	5,500,000	18,565
06/27/13	TBD	1.00%	3,720,000	11,755
06/27/13	TBD	1.00%	1,677,469	-
11/19/13	TBD	4.50%	5,684,000	-
12/19/13	TBD	0.00%	3,825,000	-
12/31/13	TBD	6.00%	3,179,128	41,136
			<u>\$ 307,500,247</u>	<u>20,618,931</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 \$316,900 and \$396,125 at March 31, 2014 and 2013, respectively.

(6) Unearned Revenue

Unearned revenue amounted to \$15,971,311 and \$22,347,133 at March 31, 2014 and 2013, 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, 2014 and 2013 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, 2014 and 2013, total fees incurred for Department services amounted to \$33,949. The amount due to the Department at March 31, 2014 and 2013 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. No amounts were expended for the years ended March 31, 2014 and 2013. Unearned revenue totaled \$82,519 at March 31, 2014 and 2013.

(8) Contingencies

The Corporation is involved in two claims and lawsuits against the Corporation arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the Corporation's financial position.

(9) Accounting Standards Issued But Not Yet Implemented

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.

HOMELESS HOUSING AND ASSISTANCE CORPORATION

Notes to Financial Statements, Continued

(9) Accounting Standards Issued But Not Yet Implemented, Continued

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.

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.

GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" addresses an issue regarding application of the transition provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions." This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this statement are effective for the same period that the entity implements GASB Statement No. 68. 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 the 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, 2014, 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 financial statements, and have issued our report thereon dated June 4, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 4, 2014

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, 2014.

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, 2014.

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.

Williamsville, New York
June 4, 2014