

SCHEDULE OF INVESTMENTS

New York State Affordable Housing Corporation
(a component unit of the State of New York)
Years Ended March 31, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP



New York State Affordable Housing Corporation
(a component unit of the State of New York)

Schedule of Investments

Years Ended March 31, 2014 and 2013

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Report of Independent Auditors

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

Report on the Schedule of Investments

We have audited the Schedule of Investments for the New York State Affordable Housing Corporation (a component unit of the State of New York) (the Corporation) as of March 31, 2014, and the related notes.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of the Schedule of Investments 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 the Schedule of Investments that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this Schedule of Investments based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 Schedule of Investments, 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 Schedule of Investments 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 Schedule of Investments.

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 Schedule of Investment referred to above presents fairly, in all material respects, the investments of the Corporation as of March 31, 2014, in conformity with U.S. generally accepted accounting principles.

Report on Financial Statements as of March 31, 2014

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of the Corporation as of and for the year ended March 31, 2014, and our report thereon dated June 12, 2014, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated June 12, 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 with respect to the Schedule of Investments. 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 with respect to the Schedule of Investments.

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June 12, 2014



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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 the 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 Schedule of Investments of the New York State Affordable Housing Corporation (a component unit of the State of New York) (the "Corporation"), as of March 31, 2014, and the related notes to the Schedule of Investments, and have issued our report thereon dated June 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule of Investments, 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 Schedule of Investments, 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 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 Schedule of Investments are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and investment policies established by the Corporation and the New York State Comptroller investment guideline requirements as presented in Section 201.3(c) of the *Accounting, Reporting and Supervision Requirements for Public Authorities*, noncompliance with which could have a direct and material effect on the determination of Schedule of Investment 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 with respect to the Schedule of Investments. 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 with respect to the Schedule of Investments. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

June 12, 2014

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

Schedule of Investments
(In Thousands of Dollars)

	March 31	
	2014	2013
Restricted Investments	<u>\$ 38,234</u>	<u>\$ 36,481</u>
Total Investments	<u>\$ 38,234</u>	<u>\$ 36,481</u>

The accompanying notes are an integral part of this schedule.

New York State Affordable Housing Corporation
(a component unit of The State of New York)

Notes to Schedule of Investments

March 31, 2014

1. Background and Organization

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. It 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 both Governmental Accounting Standards Board (GASB) Statement No. 14, (GASB No. 14) *The Financial Reporting Entity* and GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units*. Accordingly, it is not a component unit of the Agency and, therefore, has been excluded from the Agency's financial statements. In accordance with the criteria set forth in GASB Statement No. 14, 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 home ownership 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, 2014, the State has appropriated \$25 million for the Corporation's purposes.

2. Summary of Significant Accounting Policies

Investments

Investments are recorded at their fair value, which are based on quoted market prices or matrix pricing for securities that are not traded actively. 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.

Investment Premiums and Discounts

Premiums and discounts on investments held are amortized over the investment's remaining life using the straight line method.

New York State Affordable Housing Corporation
(a component unit of The State of New York)

Notes to Schedule of Investments (continued)

3. Investments

The Corporation has a formal investment policy, which provides for the investment of all Corporation 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, 2013, all Corporation funds are invested in accordance with the investment guidelines approved annually by the Corporation's board, which are in compliance with the New York State Comptroller's Investment Guidelines.

At March 31, 2014 and 2013, the value of investments, including accrued interest, which were held by depositories in the Corporation's name, was approximately \$38,408,000 and \$36,729,000, respectively.

As of March 31, 2014, the Corporation held the following investments with maturities as follows (excluding accrued interest):

Investment Type	March 31, 2014		
	Investment Maturities (In Years)		
	Fair Value	Less than 1	1 to 5
	<i>(In Thousands)</i>		
U. S. Treasury Bills	\$ 8,738	\$ 8,738	\$ –
Municipal Bonds issued by Agencies of the State of New York			
Metropolitan Transit Authority	210	210	–
Dormitory Authority of the State of New York	22,286	6,736	15,550
New York State Thruway Authority	7,000	1,913	5,087
Total	\$ 38,234	\$ 17,597	\$ 20,637

New York State Affordable Housing Corporation
(a component unit of The State of New York)

Notes to Schedule of Investments (continued)

3. Investments (continued)

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, 2014, Municipal Bonds issued by agencies of the State of New York represented 77.1% of the Corporation's total investments. U.S. Treasury Bills represent the remaining 22.9% of the Corporation's investments.

The following issuers represent 5% or more of total investments as of March 31, 2014: 58.3% with the Dormitory Authority of the State of New York (DASNY) and 18.3% with the New York State Thruway Authority (Thruway Authority).

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, 2014, all of the municipal bonds held by the Corporation issued by the Thruway Authority, together with approximately 91% of the municipal bonds issued by DASNY have maintained the minimum rating of AA. However, with regard to less than 8% of the Corporation's investments with DASNY and the Metropolitan Transportation Authority, municipal bonds which were rated AA at the time of purchase were subsequently downgraded by Standard and Poor's or Fitch to 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.

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