Build NYC Resource Corporation

(a component unit of the City of New York)

Financial Statements

Years Ended June 30, 2017 and 2016
With Report of Independent Auditors

Build NYC Resource Corporation

Build NYC Resource Corporation
(A Component Unit of The City of New York)

Financial Statements

June 30, 2017 and 2016

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I. Financial Section

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Building a better working world

Report of Independent Auditors

The Management and the Board of Directors
Build NYC Resource Corporation

Report on the Financial Statements

We have audited the accompanying statements of net position of Build NYC Resource Corporation (Build NYC or the Corporation), a component unit of The City of New York, as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated September 29, 2017, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ernst & Young LLP

September 29, 2017

Build NYC Resource Corporation
(A Component Unit of The City of New York)

Management's Discussion and Analysis

June 30, 2017

This section of the Build NYC Resource Corporation ("Build NYC" or the "Corporation") annual financial report presents our discussion and analysis of financial performance during the years ended June 30, 2017 and 2016. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

Fiscal Year 2017 Financial Highlights

- Current assets increased by $2,003,861 (or 23%)
- Current liabilities increased by $188,507 (or 185 %)
- Net position increased by $16,633 (or 0.15%)
- Operating revenues decreased by $1,718,907 (or 33%)
- Operating expenses increased by $1,313,603 (or 63%)
- Operating income decreased by $3,032,510 (or 94%)
- Non-operating expenses increased by $55,829 (or 52%)

Overview of the Financial Statements

This annual financial report consists of two parts: *Management's discussion and analysis* (this section) and the *basic financial statements*. Build NYC is considered a component unit of The City of New York (the "City") for the City's financial reporting purposes. Build NYC is a local development corporation that was organized under the Not-For-Profit Corporation Law of the State of New York to assist entities eligible under the federal tax laws in obtaining tax-exempt and taxable bond financing.

Build NYC is a self-supporting entity and follows enterprise fund reporting. Enterprise fund statements offer short-term and long-term financial information about the Corporation's activities. The Corporation operates in a manner similar to a private business.

Financial Analysis of the Corporation

Net Position–The following table summarizes the Corporation's financial position at June 30, 2017, 2016, and 2015, and the percentage changes between June 30, 2017, 2016, and 2015:

				% Change	
	2017	**2016**	**2015**	**2017–2016**	**2016–2015**
Current assets	**$ 10,643,375**	$ 8,639,514	$ 6,245,466	**23%**	38%
Non-current assets	**1,009,423**	2,808,144	2,081,478	**(64)%**	35%
Total assets	**11,652,798**	11,447,658	8,326,944	**2%**	37%
Current liabilities	**290,502**	101,995	86,253	**185%**	18%
Total unrestricted net position	**$ 11,362,296**	$ 11,345,663	$ 8,240,691	**0.15%**	38%

In fiscal year 2017, current assets increased by $2,003,861 or 23% primarily as a result of an increase in short-term investments. Non-current assets decreased by $1,798,722 or 64% primarily due to a decrease of investments in long-term debt securities.

In fiscal year 2016, current assets increased by $2,394,048 or 38% primarily as a result of an increase in investments and fee revenue generated from 28 bond transactions. Non-current assets increased by $726,666 or 35% primarily due to an increase of investments in long-term debt securities.

As a result of fee revenue generated from a number of bond transactions and an increase in contractual obligations, the Corporation's net position increased by $16,633 or 0.15% in fiscal year 2017 and $3,104,972 or 38% in fiscal year 2016.

Operating Activities

Build NYC was organized to assist entities eligible under the federal tax laws in obtaining tax-exempt and taxable bond financing. Build NYC's primary goal is to facilitate access to private activity tax-exempt bond financing for eligible entities to acquire, construct, renovate, and/or equip their facilities as well as refinance previous financing transactions.

Operating Activities (continued)

The Corporation charges various program fees that include application fees, financing fees, and compliance fees.

The following table summarizes changes in Build NYC's net position for fiscal years 2017, 2016, and 2015 and the percentage changes between June 30, 2017, 2016, and 2015:

				% Change	
	2017	**2016**	**2015**	**2017-2016**	**2016-2015**
Operating revenues	**$ 3,565,650**	$ 5,284,557	$ 4,326,655	**(33)%**	22%
Operating expenses	**3,385,800**	2,072,197	1,702,417	**63%**	22%
Operating income	**179,850**	3,212,360	2,624,238	**(94)%**	22%
Non-operating (expenses) revenues	**(163,217)**	(107,388)	(125,429)	**52%**	(14)%
Change in net position	**$ 16,633**	$ 3,104,972	$ 2,498,809	**(99)%**	24%

Fiscal Year 2017 Activities

In fiscal year 2017, operating revenues decreased by $1,718,907 or 33%. This is a direct result of a decrease in bond transactions, partially offset by an increase in benefits of recapture.

Total operating expenses increased by $1,313,603 in fiscal year 2017 or 63%. This is a direct result of a board approved increase in management expenses.

The non-operating expense/revenue category had a net deficit of $163,217 in fiscal year 2017, a 52% increase year over year, primarily due to an increase in a combination of current year and prior year board approved special projects costs.

Fiscal Year 2016 Activities

In fiscal year 2016, operating revenues increased by $957,902 or 22%. This is a result of an increase in compliance and project finance fees.

Fiscal Year 2016 Activities (continued)

Total operating expenses increased by $369,780 in fiscal year 2016 or 22%. This is a direct result of a board approved increase in management expenses responding to a shift of bond transactions to Build NYC from the New York City Industrial Development Agency ("IDA"). IDA, a component unit of the City and public benefit corporation of the State of New York was established to encourage and develop an economically sound commerce and industry base in the City.

The non-operating expense/revenue category had a net deficit of $107,388 in fiscal year 2016, a 14% decrease year over year, primarily due to an increase in investment income.

Contacting the Corporation's Financial Management

This financial report is designed to provide our customers, clients and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer, New York City Economic Development Corporation, 110 William Street, New York, NY 10038.

Build NYC Resource Corporation
(A Component Unit of The City of New York)

Statements of Net Position

	June 30	
	2017	**2016**
Assets		
Current assets:		
Cash and cash equivalents *(Note 3)*	**$ 2,545,818**	$ 3,485,390
Investments *(Note 3)*	**8,084,587**	5,150,604
Fees receivable	**12,970**	3,520
Total current assets	**10,643,375**	8,639,514
Non-current assets:		
Investments *(Note 3)*	**1,009,423**	2,808,144
Total non-current assets	**1,009,423**	2,808,144
Total assets	**11,652,798**	11,447,658
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**41,509**	33,824
Due to New York City Economic Development Corporation	**180,393**	9,311
Unearned revenue and other liabilities	**68,600**	58,860
Total current liabilities	**290,502**	101,995
Net position – unrestricted	**$11,362,296**	$ 11,345,663

See accompanying notes.

Build NYC Resource Corporation
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Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2017	**2016**
Operating revenues		
Fee income *(Note 2)*	**$ 2,753,763**	$ 5,284,557
Recapture income *(Note 2)*	**811,887**	-
Total operating revenues	**3,565,650**	5,284,557
Operating expenses		
Management fees *(Note 4)*	**3,300,000**	2,000,000
Public hearing expenses	**50,016**	30,784
Auditing expenses	**31,656**	37,085
Marketing expenses	**2,162**	3,789
Other expenses	**1,966**	539
Total operating expenses	**3,385,800**	2,072,197
Operating income	**179,850**	3,212,360
Non-operating revenues (expenses)		
Investment income	**58,875**	39,240
Special projects costs *(Note 5)*	**(222,093)**	(146,628)
Total non-operating (expenses) revenues	**(163,217)**	(107,388)
Change in net position	**16,633**	3,104,972
Unrestricted net position, beginning of year	**11,345,663**	8,240,691
Unrestricted net position, end of year	**$11,362,296**	$ 11,345,663

See accompanying notes.

Build NYC Resource Corporation
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Statements of Cash Flows

	Year Ended June 30 2017	Year Ended June 30 2016
Operating activities		
Financing and other fees	**$ 2,764,053**	$ 5,319,097
Recapture benefits received	**811,887**	-
Management fees paid	**(3,300,000)**	(2,000,000)
Audit expenses paid	**(27,932)**	(30,426)
Marketing expenses paid	**(1,194)**	(3,789)
Public hearing expenses paid	**(40,163)**	(35,711)
Miscellaneous expenses paid	**(16,037)**	(539)
Net cash provided by operating activities	**190,614**	3,248,632
Investing activities		
Interest income	**8,400**	5,394
Sale of investments	**5,660,069**	3,126,936
Purchase of investments	**(6,744,855)**	(7,017,660)
Net cash used in investing activities	**(1,076,387)**	(3,885,330)
Non-capital financing activities		
Special projects	**(53,800)**	(167,378)
Net cash used in non-capital financing activities	**(53,800)**	(167,378)
Net decrease in cash and cash equivalents	**(939,573)**	(804,076)
Cash and cash equivalents at beginning of year	**3,485,390**	4,289,466
Cash and cash equivalents at end of year	**$ 2,545,818**	$ 3,485,390
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 179,850**	$ 3,212,360
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Fees receivable	**(9,450)**	(220)
Account payable and accrued expenses	**7,685**	(13,329)
Due to NYC Economic Development Corp.	**2,789**	15,061
Unearned revenue and other liabilities	**9,740**	34,760
Net cash provided by operating activities	**$ 190,614**	$ 3,248,632

1. Background and Organization

Build NYC Resource Corporation ("Build NYC" or the "Corporation"), a component unit of The City of New York ("the City"), is a local development corporation, organized under section 1411 of the Not-For-Profit Corporation Law of the State of New York that commenced operation in 2011. Build NYC was organized to assist entities eligible under the federal tax laws in obtaining tax-exempt and taxable bond financing. Build NYC's primary goal is to facilitate access to private activity tax-exempt bond financing for eligible entities to acquire, construct, renovate, and/or equip their facilities and to refinance previous financing transactions.

The Corporation is governed by a Board of Directors, which establishes official policies and reviews and approves requests for financial assistance. Its membership is prescribed by the Corporation's Certificate of Incorporation and By-Laws which include a public official and appointees of the Mayor.

Bonds issued by Build NYC are special nonrecourse conduit debt obligations of the Corporation which are payable solely from the payments and revenues provided for in the loan agreements with participating organizations ("beneficiaries"). The bonds are secured by collateral interests in the loan agreements and other security provided by the beneficiaries. Both the bonds and certain provisions of the loan agreements are administered by independent bond trustees appointed by the Corporation.

The total conduit debt obligations outstanding totaled $2,933,692,586 and $2,612,281,101 for the years ended June 30, 2017 and 2016, respectively.

Due to the fact that (1) the bonds are nonrecourse conduit debt obligations of the Corporation, (2) the Corporation assigns its interests in the loan agreements as collateral, and (3) the Corporation has no substantive obligations under the loan agreements, the Corporation has, in effect, none of the risks and rewards of the loan agreements and related bond financing. Accordingly, with the exception of certain fees derived from financing transactions, these financing transactions are given no accounting recognition in the accompanying financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

Build NYC has been classified as an "enterprise fund" as defined by the Governmental Accounting Standards Board ("GASB") and, as such, the financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. In its accounting and financial reporting, Build NYC follows the pronouncements of the GASB.

Updated Pronouncements

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, postemployment benefits (pensions and other postemployment) benefits, fair value measurement and application, and goodwill. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The Corporation is evaluating the impact this standard will have on the Corporation's financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The Corporation will evaluate the impact this standard will have on its financial statements.

Cash Equivalents

The Corporation considers all highly liquid investments purchased with original maturities of 90 days or less to be cash equivalents.

Investments

Investments held by Build NYC are recorded at fair value.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Operating revenues consist of income from application fees, financing fees, benefits of recapture, compliance monitoring fees and late fees. Application and financing fees are recognized as earned. Compliance monitoring fees are received annually, in advance, and deferred and amortized into income as earned.

Build NYC's benefits of recapture are solely based upon the mortgage recording tax waiver; this benefit eliminates the mortgage recording taxes correlated with any mortgages taken for the project. Recapture of this benefit is collected as a result of a violation of the agreement. Build NYC's operating expenses include management fees and related administration expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

3. Deposits and Investments

At year-end, Build NYC's cash balance was $2,545,818. Of this amount, $250,000 was insured by the Federal Depository Insurance Corporation, of the remaining uncollateralized balance, $1,545,818 was held in U.S. government backed securities.

In February 2015 the GASB issued Statement No.72, *Fair Value Measurement and Application*. This Statement requires that investments by categorized Based on the methodology used in determining fair value. The hierarchy is as follows:

Level 1- value based on quoted prices in active markets for identical assets.

Level 2- value based on significant other observable inputs such as a matrix pricing technique. Matric pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Level 3- value based on inputs that are unobservable and significant to the fair value measurement such as discounted cash flows.

3. Deposits and Investments (continued)

As of June 30, 2017 and 2016, the Corporation had the following investments (in thousands). Investments maturities are shown only for June 30, 2017.

	Fair Value		2017 Investment Maturities (In Years)	
	2017	**2016**	**Less Than 1**	**1 to 2**
Money Market Funds	**$ 4**	$ 1,088	**$ 4**	**$ –**
Federal Farm Credit Bank	**997**	–	**997**	**–**
Federal Home Loan Mort. Corp. Notes	**2,802**	3,811	**2,802**	**–**
Federal Home Loan Bank Notes	**2,009**	2,096	**999**	**1,010**
Federal National Mortgage Association	**1,300**	2,052	**1,300**	**–**
Commercial Paper	**1,986**	–	**1,986**	**–**
Subtotal Investments	**9,098**	9,047		
Less investments classified as cash equivalents	**$ (4)**	$ (1,088)		
Total Investments	**$ 9,094**	$ 7,959		

Interest Rate Risk: The Corporation has a formal investment policy, which limits investment maturities up to a maximum of two years from the date of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates. Currently, all of the Corporation's investments have maturities of two year or less.

Credit Risk: It is the Corporation's policy to limit its investments in debt securities to those rated in the highest rating category by at least two nationally recognized bond rating agencies or other securities guaranteed by the U.S. government. As of June 30, 2017, the Corporation's investments in Federal Farm Credit Bank ("FFCB"), Federal Home Loan Bank Notes ("FHLB"), Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation Notes ("FHLMC") AA+ by Standard & Poor's ("S&P"), Aaa by Moody's and AAA by Fitch Ratings. Money market funds share the same credit ratings as the Corporation's federally held securities with the exception of S&P in which no rating was issued. Investments in commercial paper ("CP") were rated in the highest short-term category by at least two major rating agencies (A-1+ by Standard & Poor's, P-1 by Moody's, and F1+ by Fitch Ratings).

3. Deposits and Investments (continued)

Custodial Credit Risk: For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of the counterparty. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Corporation. The Corporation manages this credit risk by limiting its custodial exposure to highly rated institutions and/or requiring high quality collateral be held by the counterparty in the name of the Corporation.

Concentration of Credit Risk: The Corporation places no limit on the amount it may invest in any U.S. government backed securities. The following table shows investments that represent 5% or more of total investments as of June 30, 2017 and 2016 (dollars in thousands):

	Dollar Amount and Percentage of Total Investments					
Issuer		**June 30, 2017**			**June 30, 2016**	
Federal Home Loan Bank	**$**	**2,009**	**22.09%**	$	2,096	26.33%
Federal Home Loan Mortgage Corp.		**2,802**	**30.82**		3,811	47.88
Federal National Mortgage Assoc.		**1,300**	**14.29**		2,052	25.78
Federal Farm Credit Bank		**997**	**10.96**		–	–
CP-Coca-Cola Co.		**993**	**10.92**		–	–
CP-MetLife Short Term Fund		**993**	**10.92**		–	–

4. Management Fee

To support the activities of Build NYC, the Corporation annually enters into a contract with the New York City Economic Development Corporation (“NYCEDC”), a not-for-profit corporation and a component unit of the City organized to administer economic development programs which foster business expansion in the City. Under the terms set forth in the contract, NYCEDC provides Build NYC with all the professional, administrative and technical assistance it needs to accomplish its objectives. These services include comprehensive financial management, processing and presentation of projects to the Board of Directors, and project compliance monitoring. The fixed annual fee for these services under the agreement between NYCEDC and the Corporation increased to $3,300,000 from $2,000,000 for the years ended June 30, 2017 and 2016, respectively, due to a shift of bond financing activity and related administrative costs from the New York City Industrial Development Agency to Build NYC.

5. Commitments

Pursuant to approved agreements between Build NYC and NYCEDC, Build NYC was committed to fund four projects being performed by NYCEDC related to the City's community and economic development initiatives. Total special project commitments under these agreements amounted to approximately $525,000 with an outstanding obligation at June 30, 2017, of approximately $77,907. The special project commitments related approval dates, original and outstanding commitment balances are as follows:

Project	Approval Date	Total Commitment	Life to Date	Current Total De-Obligate	Outstanding Commitment
Citywide Industrial Fund	4/14/2015	$ 75,000	$ 15,000	$ 60,000	–
Advanced Manufacturing Technology Grant Program	5/12/2015	300,000	240,000	–	60,000
Capacity Building Workshop Consultant Agreement	10/13/2015	75,000	71,628	3,372	–
Nonprofit Real Estate Lecture Series	12/13/2016	75,000	57,093	–	17,907
		$ 525,000	$ 383,721	$ 63,372	$ 77,907

For the year ended June 30, 2017, $222,093 has been incurred by the Corporation related to the above projects and included in special project costs on the accompanying statements of revenue, expenses and changes in net position.

6. Risk Management

Although there should not be any liability for personal injuries as a result of its lending activities, Build NYC could be named a party to such litigation. Therefore, Build NYC requires all project companies to purchase and maintain commercial insurance coverage for these risks and to name Build NYC as additional insured. Build NYC is also named as an additional insured on NYCEDC's general liability policy. Build NYC has no threatened material litigations, claims or assessments as of June 30, 2017.

II. Government Auditing Standards Section

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

The Management and the Board of Directors
Build NYC Resource Corporation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Build NYC Resource Corporation (the Corporation), a component unit of The City of New York, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Ernst + Young LLP

September 29, 2017