New York State
Housing Trust Fund Corporation

M E M O R A N D U M

To: Members of the Board

From: Frank J. Markowski, Jr., Assistant Treasurer

Date: June 28, 2011

Subject: 2011 Audited Financial Statements

Enclosed are the following reports prepared by the Corporation's auditors, Bollam, Sheedy, Torani & Co. LLP, CPAs, for the year ended March 31, 2011:

Financial Statements and Management's Discussion and Analysis (pp 1-16)

Internal Control Compliance Report (pp 17-20)

Management Letter

Corporation Response to the Management Letter

Report to the Board in compliance with SAS 114

HOUSING TRUST FUND CORPORATION
(A Component Unit of the State of New York)

FINANCIAL REPORT

March 31, 2011 and 2010

HOUSING TRUST FUND CORPORATION
(A Component Unit of the State of New York)

FINANCIAL REPORT

March 31, 2011 and 2010

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Housing Trust Fund Corporation
Albany, New York

We have audited the accompanying balance sheets of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, as of and for the years ended March 31, 2011 and 2010, and the related statements of revenue, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of March 31, 2011 and 2010, and the changes in net assets and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2011, on our consideration of the Corporation's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bollam Sheedy Torani & Co LLP

Albany, New York
June 27, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Housing Trust Fund Corporation (the Corporation), a component unit of the State of New York, follows professional guidelines for government financial reporting by including in its annual financial report this discussion of management's views on its financial condition. No new guidelines or reporting methods have been adopted this year, so the Corporation is presenting its discussion and analysis of its financial activities for the fiscal year ended March 31, 2011, in a manner similar to last year's presentation.

The Corporation began one new program this fiscal year, which is being funded under the New York State Technology and Development Program in the amount of $3,000,000.

FINANCIAL HIGHLIGHTS

- The Corporation's net assets increased by about $26.68 million, or about 12.78% from 2010 as a result of the current year's operations. In addition, the Corporation's net assets increased $262,232, or about .01% from 2010, as a result of a prior period adjustment.

- During the year, the Corporation's revenue from State and Federal appropriations and contracts totaled just over $1.69 billion, while it expended just over $1.66 billion to provide decent and affordable housing to the citizens of New York State.

- Federal program appropriations and fees accounted for about 95.45% of the Corporation's revenue and about 93.53% of its expenditures, while New York State appropriations were responsible for about 4.31% of revenues and about 6.33% of expenditures.

- Investment income decreased by about $224,000, or about 34.38% from 2010. This was primarily due a continuing decrease in overall investment rates of return.

USING THIS ANNUAL REPORT

This annual report consists of three financial statements: balance sheet, statement of revenue, expenses, and changes in net assets, and statement of cash flows. These statements provide information about the activities of the Corporation as a whole. They tell how the Corporation's programs were financed in the short-term as well as what remains for future spending. Immediately following the financial statements are a series of notes to financial statements that provide additional information about some specific references in the financial statements. The notes also provide other important information about the Corporation.

Reporting on the Corporation

One of the most important questions asked about the Corporation's finances is, "Is the Corporation as a whole better off or worse off as a result of the year's activities?" The balance sheet, statement of revenue, expenses, and changes in net assets, and statement of cash flows report information about the Corporation in a way that helps answer this question. These financial statements include all assets and liabilities, revenues and expenses using the accrual basis of accounting, which is similar to the procedures followed by most private sector companies.

These three statements report the Corporation's net assets and changes in them, and the flow of cash into and out of the Corporation from its activities and investments. You can think of the Corporation's net assets - the difference between its assets and liabilities - as one way to measure its financial health, or financial position. Over time, increases or decreases in the Corporation's net assets are one indicator of whether its financial health is improving or getting worse. The information in these statements helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation's programs.

USING THIS ANNUAL REPORT - Continued

Reporting on the Corporation - Continued

All of the Corporation's activities are presented as an enterprise fund, which essentially means that the Corporation reports its activities as most businesses would. While the bottom line is not expressed in terms of profit, but in terms of funds available to provide services to the citizens of New York State, this reporting method presents the Corporation's activities more clearly to its audience. The Corporation's activities consist primarily of providing housing construction and rehabilitation funding, and rental and homebuyer assistance to low income individuals and families and to senior citizens, from State and Federal appropriations and fees earned from the operation of its Federal programs.

The Corporation's Overall Financial Condition

The Corporation's combined net assets increased from one year ago, increasing overall by approximately $26.94 million this year or about 12.79%. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) from the Corporation's activities.

Table 1
Net assets (in millions)

	March 31, 2011	March 31, 2010
Cash, investments and other receivables	$ 240.52	$ 215.05
Receivables from New York State	2.10	0.04
Receivable from Department of Education	0.72	-
Receivables from U.S. HUD	13.33	18.43
Notes and interest receivables, net	7.75	9.10
Total assets	264.42	242.62
Accounts and awards payable	6.65	14.07
Funds held on behalf of others	4.34	3.93
Postemployment benefits other than pensions	0.88	0.46
Other liabilities	14.97	13.52
Total liabilities	26.84	31.98
Net assets		
Restricted	135.36	129.76
Unrestricted	102.22	80.88
Net assets	$ 237.58	$ 210.64

Restricted net assets - represents program income from Federal and State programs on hand at the end of the fiscal year. This description reflects a recognition that all funds generated by federal and state appropriations and contracts are considered earmarked for the purposes of that appropriation or contract unless specifically available for discretionary use. Restricted net assets this year reflect an increase from 2010 of approximately $5.6 million, or 4.32%.

Unrestricted net assets - represents the part of net assets that can be used to finance day-to-day administrative expenditures or additional program awards beyond appropriated levels. Unrestricted net assets reflects an increase from 2010 of about $21.34 million, or 26.38%. This increase primarily resulted from the Corporation's administration of additional contracts under the Federal Section 8 Project-Based Contract Administration and Section 8 HCV Programs.

USING THIS ANNUAL REPORT - Continued

The Corporation's Overall Financial Condition - Continued

Table 2
Changes in net assets (in millions)

	Years Ended March 31, 2011	2010
Revenue:		
Program revenue:		
Federal programs	$ 1,617.53	$ 1,381.74
State programs	73.08	83.29
Other revenue:		
Investments	0.42	0.64
Other	3.69	12.29
Total revenue	1,694.72	1,477.96
Expenses:		
Federal programs	1,560.16	1,406.87
State programs	105.66	103.58
Administrative and other expenses	2.22	0.02
Total expenses	1,668.04	1,510.47
Increase (decrease) in net assets	$ 26.68	$ (32.51)

The Corporation's total revenues increased overall from last year by about 14.67%, or $216.76 million, while the total cost of all programs and administration increased by 10.43%, or $157.57 million. These figures show that the Corporation expended about 98.43% of its revenue, which is about 4% less than last year when viewed on a percentage basis, but much higher in actual dollars expended. This reflects the fact that there were accumulated funds available to expend from the previous year as well.

Revenue from federal programs increased overall by about $235.79 million due primarily to an increase in the number of contracts administered under the Section 8 PBCA and Section 8 HCV programs this year. State program revenue was down by about $10.2 million due primarily to the fact that there were less accumulated funds from previous years to expend than last year. Other revenue decreased from last year by about $8.6 million, and investment revenue declined by about $224,000 due to continuing low interest rates.

The Corporation experienced an overall increase in expenditures this year by about $157.57 million, or 10.43% primarily due to the fact that the Corporation had more federal resources to provide to the state's homeowner and tenants. Expenditures of the Corporation's Federal funded programs experienced a net increase of about $153.29 million, or 10.9% from the previous year, while expenditures of State funded programs increased slightly by about $2.1 million, or 2.01% from the previous year. At the same time, the Corporation's expenditures for administration and other expenditures increased this year by about $2.2 million, primarily due to adjustments to the Corporation's mortgage receivable balances.

ECONOMIC FACTORS ON FUTURE OPERATIONS

The Corporation's ability to accomplish its mission to provide decent and affordable housing to the citizens of New York State, from an economic standpoint, depends almost exclusively on the appropriations and contracts it receives from the Federal and New York State governments. New York State's budget has provided funding to the Corporation for its fiscal year April 1, 2010 through March 31, 2011, at the same level overall as the previous year. The fact that funding was able to be maintained to this extent in this economy is viewed as a recognition by the Governor and Legislature that housing is an integral part of the State's economic development strategy. Federal funding has been provided for some time under a series of continuing resolutions, which is a mechanism the federal government uses when a final budget is not able to be agreed upon by Congress by the beginning of the federal fiscal year, October 1st. It is unclear how long that process may continue but there are some indications that appropriation levels overall can be expected to remain at about last year's levels.

Expenditures are expected to remain roughly consistent with current levels.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of New York, banks, developers, and contractors with whom we do business, and Federal and New York State legislators, regulators, and other government officials with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have any questions about the report or need additional financial information, please contact the Corporation's Assistant Treasurer at the Housing Trust Fund Corporation, 38-40 State Street, Albany, New York 12207, by phone at (518) 457-3538, or via e-mail at HTFFinanceUnit@nyshcr.org

HOUSING TRUST FUND CORPORATION
(A Component Unit of the State of New York)

BALANCE SHEETS

	March 31, 2011	March 31, 2010
ASSETS		
Cash, unrestricted	$ 941,138	$ 1,139,058
Cash, federal restricted	24,329,350	21,302,816
Cash, state restricted	1,883,159	1,453,982
Total cash	27,153,647	23,895,856
Investments, unrestricted	98,443,102	79,745,201
Investments, federal restricted	52,967,380	21,178,828
Investments, state restricted	60,127,731	89,502,963
	211,538,213	190,426,992
Assets held in escrow	1,823,493	722,447
Due from other governments		
Appropriations from the State of New York	2,107,988	42,329
U.S. Department of Education	723,660	-
U.S. Department of Housing and Urban Development	13,325,166	18,434,584
Total due from other governments	16,156,814	18,476,913
Mortgage notes receivable, net	5,652,208	7,164,573
Accrued interest receivable, net	2,095,741	1,934,965
Total assets	**$ 264,420,116**	**$ 242,621,746**
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 3,486,785	$ 6,796,764
Awards payable	3,168,077	7,268,779
Due to developers	1,733,692	637,686
Funds held on behalf of others - Family Self-Sufficiency Program	4,343,221	3,931,061
Due to other governments	13,223,527	12,885,327
Total current liabilities	25,955,302	31,519,617
Postemployment benefits other than pensions	881,592	463,473
Total liabilities	26,836,894	31,983,090
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Restricted for Federal Programs	65,572,298	31,909,053
Restricted for State Programs	69,793,532	97,845,344
Unrestricted	102,217,392	80,884,259
Total net assets	237,583,222	210,638,656
Total liabilities and net assets	**$ 264,420,116**	**$ 242,621,746**

The accompanying Notes to Financial Statements are an integral part of these statements.

HOUSING TRUST FUND CORPORATION
(A Component Unit of the State of New York)

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

	Years Ended March 31, 2011	2010
REVENUE		
Federal Section 8 Project-based Contract Administration income	$ 1,058,098,743	$ 963,907,860
Federal Section 8 Housing Choice Voucher and Related Programs income	412,034,247	323,630,442
Federal Tax Credit Assistance Program income	58,304,108	10,873,562
Federal Community Development Block Grant Program income	55,600,106	42,551,428
Federal Home Investments Partnerships Program income	30,880,969	40,780,157
Federal Foreclosure Prevention Program income	2,616,496	-
Appropriations from the State of New York	73,082,000	83,287,000
Net investment income	419,343	643,168
Provision for contingent loans, net	-	5,691,182
Other income	3,684,792	6,600,823
Total revenue	1,694,720,804	1,477,965,622
EXPENSES		
Federal Section 8 Project-based Contract Administration	1,032,659,931	940,258,322
Federal Section 8 Housing Choice Voucher and Related Programs	378,824,739	372,088,492
Federal Tax Credit Assistance Program	58,304,108	10,873,562
Federal Community Development Block Grant Program	56,019,654	43,423,372
Federal Home Investments Partnerships Program	30,880,969	40,200,182
Federal Foreclosure Prevention Program	3,322,590	-
Federal Assets for Independence Program	145,762	21,438
Appropriations from the State of New York	105,663,045	103,588,747
Provision for contingent loans, net	1,351,590	-
Administrative	866,082	16,519
Total expenses	1,668,038,470	1,510,470,634
CHANGE IN NET ASSETS	**26,682,334**	**(32,505,012)**
NET ASSETS, beginning of year	210,638,656	254,252,748
Prior period adjustment	262,232	(11,109,080)
NET ASSETS, beginning of year, as restated	210,900,888	243,143,668
NET ASSETS, end of year	**$ 237,583,222**	**$ 210,638,656**

The accompanying Notes to Financial Statements are an integral part of these statements.

HOUSING TRUST FUND CORPORATION
(A Component Unit of the State of New York)

STATEMENTS OF CASH FLOWS

	Years Ended March 31, 2011	2010
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Sources of cash		
Federal programs	$ 1,621,206,357	$ 1,364,130,073
New York State programs	73,082,000	83,287,000
Other programs	3,684,792	12,292,005
Total sources of cash	1,697,973,149	1,459,709,078
Uses of cash		
Federal programs	(1,566,549,883)	(1,397,265,954)
New York State programs	(104,567,039)	(103,608,276)
Other programs	(2,217,672)	140,111
Total uses of cash	(1,673,334,594)	(1,500,734,119)
	24,638,555	**(41,025,041)**
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Investments, net	(20,691,878)	58,181,168
(Increase) decrease in escrow accounts	(1,101,046)	101,284
Increase (decrease) in funds held on behalf of others - Family Self-Sufficiency Program	412,160	(67,528)
	(21,380,764)	**58,214,924**
Net increase in cash	**3,257,791**	**17,189,883**
CASH, beginning of year	23,895,856	6,705,973
CASH, end of year	**$ 27,153,647**	**$ 23,895,856**
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	$ 26,682,334	$ (32,505,012)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net investment income	(419,343)	(643,168)
Changes in		
Due from other governments	2,320,099	(8,577,997)
Mortgage notes and accrued interest receivables	1,351,589	(9,035,379)
Accounts payable and accrued liabilities	(3,309,979)	3,244,121
Awards payable	(4,100,702)	4,841,278
Due to developers	1,096,006	(19,529)
Due to other governments	600,432	1,514,015
Other postemployment benefits	418,119	156,630
	$ 24,638,555	**$ (41,025,041)**

The accompanying Notes to Financial Statements are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The Housing Trust Fund Corporation (Corporation) was established on February 13, 1985, by the Legislature of the State of New York. The Corporation is a component unit of the State of New York and is included in the State's financial statements. The Corporation was created to administer low income housing. The Corporation's Board of Directors is comprised of the Commissioner of the Division of Housing and Community Renewal (DHCR), the Chairman of the Housing Finance Agency, and one additional person appointed by the Commissioner. The Board is chaired by the Commissioner of DHCR. The Corporation administers the following significant programs:

<u>Federal</u>

- Section 8 Project-based Contract Administration Program - to provide low income housing rental subsidy to qualified landlords (previously identified as the Housing Assistance Payment Program).

- Section 8 Housing Choice Voucher and Related Programs - to provide low income housing rental subsidy to qualified individuals. Related programs are the five-year mainstream program and the moderate rehabilitation program.

- Tax Credit Assistance Program - to provide funds for capital investments in low-income housing tax credit projects, pursuant to a federal formula-based allocation.

- Community Development Block Grant Program - to provide various housing and economic development activities to municipalities in New York State.

- Home Investments Partnerships Program (HOME) - to provide funds for the construction and rehabilitation of low income housing.

<u>State</u>

- Low Income Trust Fund Housing Program - to provide funds for the construction and rehabilitation of low income housing.

- Public Housing Modernization and Drug Elimination Programs - to provide funds to rehabilitate state run public housing authorities and reduce drug and crime activities.

- Homes for Working Families Program - to provide funds to finance affordable housing for low income families and senior citizens by accessing tax exempt bond financing and low income housing credits.

- Greater Catskills Flood Relief Program - to provide funding to eligible counties in flood-stricken areas of the Catskills and Southern-Tier regions of the State to permit them to assist certain qualifying homeowners to relocate out of flood-prone areas.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Significant Accounting Policies

i. Basis of Presentation

The financial statements have been prepared in conformity 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. A summary of the significant accounting policies consistently applied in the preparation of the financial statements follows:

ii. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Accordingly, actual results could differ from those estimates.

iii. Mortgage Notes and Accrued Interest Receivables

The Corporation considers that the collection of the majority of its mortgage notes and accrued interest receivable are contingent upon certain economic and compliance matters at the mortgagor level, and therefore, collection is not reasonably assured. Accordingly, the Corporation has fully reserved nearly all the balances, with the exception of certain loans that have specific repayment requirements not contingent upon economic and compliance matters, subsequent payments, and a review of prior payment history. Repayments of the notes and interest fully reserved for are considered revenue when received.

iv. Investments

The investment policy of the Corporation follows the guidance of New York State Law and stipulates that the Corporation may invest in obligations of the State of New York, 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.

v. Revenue Recognition

The Corporation recognizes appropriations from the State of New York as revenue at the time a certificate of approval of availability of funds is issued by the Division of the Budget of the State of New York and when the funds are drawn down by the Corporation. Federal awards are recognized as revenue at the time the approval of availability of funds is issued by the U.S. Department of Housing and Urban Development (HUD) or other departments and when applicable expenses are incurred. Interest and other income are recognized as revenue when earned.

All revenue earned by the Corporation is considered operating revenue in support of the programs administered by the Corporation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. Significant Accounting Policies - Continued

vi. Appropriations from the State of New York

Appropriations from the State of New York consist of awards primarily to fund the construction of new properties, or the rehabilitation of vacant or under-utilized property and technical assistance expenses. Some special-purpose appropriations have also been received to fund flood relief efforts and to provide for foreclosure prevention education. Disbursements are made upon approval of certified vouchers. Awards which have approved certified vouchers and are not paid as of March 31 are recorded as awards payable. Technical assistance expenses are primarily construction monitoring, planning, designing, and engineering consulting fees associated with the award contracts, as well as consulting fees for training award applicants.

Appropriations from the State of New York are recognized as revenue at the time the funds are drawn down by the Corporation. Drawdowns cannot occur until a certificate of approval of availability of funds is issued by the Division of the Budget of New York State. Appropriations receivable represents the remaining balance of the amount made available by the Division of the Budget of New York State which has not been drawn down by the Corporation.

vii. Federal Grants

In the normal course of operations, the Corporation receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material, and will be recognized in the year it is determined.

viii. Tax Status

The Corporation is exempt from all Federal and State income taxes under the provisions of the enabling legislation.

ix. Subsequent Events

In preparing the financial statements and notes thereto, the Corporation has considered subsequent events through June 27, 2011, the date the financial statements were available to be issued.

NOTE 2 - CASH, RESTRICTED AND UNRESTRICTED

At March 31, 2011 and 2010, the Corporation's bank balances were fully insured by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name.

Restrictions on cash exist because each of the programs the Corporation administers is required to use the funding received for the purposes of each program.

NOTE 3 - INVESTMENTS, RESTRICTED AND UNRESTRICTED

The Corporation's investments are comprised of United States Treasury bills and United States Treasury strips. These investments are carried at fair value as determined by quoted market prices. All investments and related collateral are held by the Corporation's agent in the Corporation's name.

Restrictions on investments exist because each of the programs the Corporation administers is required to use the funding received for the purposes of each program.

NOTE 4 - ASSETS HELD IN ESCROW

The Corporation requires that operating and replacement reserves be established for construction projects. These reserves are used to fund annual operating expenses as needed and replacement of equipment and fixtures. In construction financing projects, private developers are required to contribute an equity investment in the form of cash or an irrevocable letter of credit at the beginning of the project. The cash and investments are held by the Corporation until the project is completed, at which time it is used to establish the required reserves, or, if the reserves have been funded, returned to the developer.

NOTE 5 - MORTGAGE NOTES AND ACCRUED INTEREST RECEIVABLE

The Corporation administers numerous loan programs as described below to account for its mortgage notes receivable. The collections of these mortgages are based upon payment terms contingent with the related underlying debt and regulatory agreements with the Corporation's mortgagors. These agreements call for repayments based upon available cash flows, noncompliance with the regulatory agreement with the Corporation, and other contingent events, such as upon the sale of the underlying real property. The underlying agreements require that each mortgagor have an annual audit of its financial statements, including a review of compliance with the regulatory agreement. The Corporation's loans and related allowances for contingent collections are as follows:

	March 31, 2011					
Program	Mortgage Notes Receivable	Allowance for Contingent Loans	Net Mortgage Notes Receivable	Accrued Interest Receivable	Allowance for Contingent Loans	Net Accrued Interest Receivable
HOME	$ 139,498,299	$ (138,859,239)	$ 639,060	$ 3,720,109	$ (2,985,411)	$ 734,698
Housing Trust Fund	503,150,433	(499,309,758)	3,840,675	23,001,106	(21,726,334)	1,274,772
Homes for Working Families	83,694,874	(82,573,040)	1,121,834	2,000,653	(1,951,687)	48,966
Subsidy	27,474,472	(27,474,472)	-	1,915,264	(1,880,852)	34,412
Tax Credit Assistance	69,177,667	(69,177,667)	-	-	-	-
Turnkey	95,567,234	(95,516,595)	50,639	582,491	(579,598)	2,893
	$ 918,562,979	$ (912,910,771)	$ 5,652,208	$ 31,219,623	$ (29,123,882)	$ 2,095,741

	March 31, 2010					
Program	Mortgage Notes Receivable	Allowance for Contingent Loans	Net Mortgage Notes Receivable	Accrued Interest Receivable	Allowance for Contingent Loans	Net Accrued Interest Receivable
HOME	$ 131,085,403	$ (130,483,223)	$ 602,180	$ 3,164,515	$ (2,564,538)	$ 599,977
Housing Trust Fund	460,922,865	(456,293,614)	4,629,251	20,636,033	(19,599,467)	1,036,566
Homes for Working Families	69,207,289	(67,355,277)	1,852,012	1,594,189	(1,410,495)	183,694
Subsidy	27,554,279	(27,554,279)	-	1,827,558	(1,730,830)	96,728
Tax Credit Assistance	8,670,403	(8,670,403)	-	-	-	-
Turnkey	95,736,102	(95,654,972)	81,130	584,941	(566,941)	18,000
	$ 793,176,341	$ (786,011,768)	$ 7,164,573	$ 27,807,236	$ (25,872,271)	$ 1,934,965

NOTE 6 - FUNDS HELD ON BEHALF OF OTHERS - FAMILY SELF-SUFFICIENCY PROGRAM

The Corporation administers Federal Section 8 Housing Choice Voucher and Related Programs. Section 8 funds were effectively transferred from the Housing Finance Agency (HFA) after March 31, 2008. Included in the amounts transferred are Family Self-Sufficiency (FSS) funds that the Corporation now holds on behalf of Section 8 participants. The Corporation is required to disburse the funds to the participants upon completion of certain goals approved by the Corporation, or if the participant fails to complete the program, funds are recognized as additional revenue subject to the restrictions of these programs.

The amount of FSS escrow funds held by the Corporation amounted to $4,343,221 and $3,931,061 at March 31, 2011 and 2010, respectively, and is included in restricted cash and restricted investments and funds held on behalf of others - FSS program.

NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. *Plan Description* - The Corporation provides continuation of medical coverage for employees who retire with at least five years of credited service with the Corporation. The Corporation will also provide coverage in the event of early retirement if the employee qualifies for a State disability pension. The Corporation contributes 90% of the costs for employees and 75% of the cost of an employee's spouse. Surviving spouses of retired employees with at least ten years' service are also eligible for continued health insurance coverage subject to a 25% co-pay.

The Corporation provides certain health care benefits for retired employees. Substantially all of the Corporation's employees may become eligible for these benefits if they reach the normal retirement age of the respective tier of the New York State Employees' Retirement System, while working for the Corporation. The Corporation, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees. Total expenditures charged to operations totaled $418,119 and $156,630 for the years ended March 31, 2011 and 2010, respectively. The liability for postemployment benefits other than pension was $881,592 and $463,473 at March 31, 2011 and 2010, respectively.

The number of participants was as follows:

	March 31,	
	2011	2010
Active	47	23
Retirees and dependents	2	1
Total	49	24

b. *Funding Policy* - The Corporation currently pays for postemployment health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue.

c. *Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation* - The Corporation's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC).* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Corporation's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Corporation's net obligation to the plan:

NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

	March 31, 2011	March 31, 2010
Annual required contribution	$ 438,678	$ 163,624
Interest on net OPEB obligation	19,257	6,904
Amortization of net OPEB obligation	(27,309)	-
Annual OPEB cost/expense	430,626	170,528
Contribution made on a pay-as-you-go basis	(12,507)	(13,898)
Increase in net OPEB obligation	418,119	156,630
Net OPEB obligation, beginning of year	463,473	306,843
Net OPEB obligation, end of year	$ 881,592	$ 463,473

The Corporation's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

	March 31, 2011	March 31, 2010
Annual OPEB cost	$ 430,626	$ 170,528
Contribution for year ended March 31	12,507	13,898
Contribution as a percentage of required contribution	2.90%	8.15%

d. *Funded Status and Funding Progress* - The actuarial accrued liability for benefits was $3,358,042 and $1,221,176, as of March 31, 2011 and 2010, respectively, all of which is unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial methods and assumptions:

Funding interest rate	4.155%
2009/2010 trend rate (Medical/Drugs)	8%/10%
2010/2011 trend rate (Medical/Drugs)	7%/9%
Ultimate trend rate (Medical/Drugs)	5%/5%
Year ultimate trend rate rendered	2013/2015
Annual payroll growth rate	2.5%
Actuarial cost method	Projected Unit Cost Method
The remaining amortization period at March 31, 2011	30 years

NOTE 8 - PRIOR PERIOD ADJUSTMENT

The prior period adjustment of $262,232 was required to remove amounts that management has determined are no longer due to the New York State Division of Housing and Community Renewal.

NOTE 9 - COMMITMENTS

Since its inception in 1985, the Corporation has provided funding under various Federal and State programs.

	March 31, 2011	March 31, 2010
Obligated agreements	$ 10,356,446,246	$ 8,736,415,636
Expended	10,082,822,335	8,437,903,453
Remaining unexpended commitments	$ 273,623,911	$ 298,512,183

NOTE 10 - RELATED PARTY TRANSACTIONS

The Corporation generally reimburses the New York State Division of Housing and Community Renewal (DHCR) for administrative expenditures (principally payroll) incurred in the various Federal and State programs to the extent permitted by the Division of the Budget of New York State. The State required the Corporation to reimburse DHCR for administrative expenses of $10,725,061 and $11,930,718 for the years ended March 31, 2011 and 2010, respectively. The Corporation owed DHCR $12,877,884 and $17,229,335 for administrative expenses at March 31, 2011 and 2010, respectively.

NOTE 11 - RESTRICTED NET ASSETS

Restricted net assets of the Corporation at March 31, 2011 and 2010, consist of the following:

(a) Restricted Net Assets - Federal

Restricted net assets - Results from funds that accumulate over time from all of the Corporation's federal programs primarily from mortgage collections, interest on restricted cash accounts, and surplus rental assistance payments accumulated during the current fiscal year and those remaining from the transfer of the Section 8 Housing Choice Voucher Program to the Corporation on January 1, 2008. These funds are restricted for allowable program expenses.

(b) Restricted Net Assets - State

Restricted net assets - Results from funds that accumulate over time from all of the Corporation's state programs primarily from mortgage collections, interest on restricted cash accounts, and as yet unexpended but committed program funds. These funds are restricted for allowable program expenses.

NOTE 12 - CONTINGENCIES

Litigation

Prior to March 31, 2010, the Corporation was a defendant in a lawsuit with Housing Help, alleging discriminatory denial of financial assistance for an affordable housing project by the Town of Huntington, the Commissioner of DHCR as administrator of the Low-Income Housing Tax Credit Program, and the Housing Trust Fund Corporation. The Corporation has settled this lawsuit with a maximum liability of $4,000,000. However, the Town has not submitted the necessary request for funds and documentation for the project, and the Corporation has not accrued the liability as of March 31, 2011, because the actual liability to the Corporation at this time is not measurable.

The Corporation is also involved in certain suits and claims arising from a variety of sources. In the opinion of counsel and management, any liabilities that may arise from such actions would be covered by the Corporation's insurance carrier and would not result in losses that would materially affect the financial position of the Corporation or the results of its operations.

NOTE 13 - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

In December 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. The Corporation has not yet adopted this statement.

BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S 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*

Board of Directors
Housing Trust Fund Corporation
Albany, New York

We have audited the financial statements of Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, as of and for the year ended March 31, 2011, and have issued our report thereon dated June 27, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider the deficiencies described in the accompanying schedule of findings and responses as items 11-01 and 11-02 to be significant deficiencies in internal control over financial reporting. 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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 11-03 and 11-04.

We noted certain matters that we reported to management of the Corporation in a separate letter dated June 27, 2011.

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

Bollam Sheedy Torani & Co LLP

Albany, New York
June 27, 2011

HOUSING TRUST FUND CORPORATION
(A Component Unit of the State of New York)

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2011

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	________Yes	___X___ No
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	___X___Yes	________ None Reported
Noncompliance material to financial statements noted?	________Yes	___X___ No

Section II - Financial Statement Audit Findings

11-01 Journal Entries and Reconciliations

Criteria: Throughout the fiscal year the Corporation should be performing reviews, analysis, and reconciliations of the financial information maintained in the accounting software.

Condition: Journal entries were not prepared and posted and various account reconciliations were not performed in a timely manner during the fiscal year ended March 31, 2011.

Cause: The Corporation did not begin recording journal entries and performing various account reconciliations during the fiscal year ended March 31, 2011, until May 2011.

Effect: Certain financial information was not available in the Corporation's accounting software for review and analysis during the entire fiscal year ended March 31, 2011.

Recommendation: The Corporation should establish procedures that require timely posting of all journal entries, review of the support for each entry, and the support and entry approvals should be filed in an orderly manner for quick reference. In addition, each account in the general ledger should be reconciled timely (best practice is on a monthly basis).

View of Responsible Official: The Corporation's Financial Management concedes the existence of the majority of the condition described in this finding. The inability to record journal entries during the year was due to the death of the Unit's Supervising Accountant in July 2010 and the retirement of the Unit's Associate Accountant in January 2011, resulting in the loss of the Unit's two most senior accounting personnel out of a total of only four accountants. In addition, the retirement of the Corporation's Treasurer in December 2010 placed additional managerial burdens on the Assistant Treasurer. Two accountants were obtained in January 2011 to replenish the Unit's staff, but they were inexperienced in the Corporation's accounting procedures, and it took several months of training before they were able to significantly contribute to the Unit's mission. The Unit is in a much better condition at this time, and Management expects that the auditors will note vastly improved recordkeeping during their next engagement.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2011

Section II - Financial Statement Audit Findings - Continued

11-02 Revenue Recognition

Criteria: Checks or ACH transactions returned for various reasons should be added back to cash and not recognized as revenue, but as a reduction of the original expense. In addition, the replacement checks and/or ACH transactions should not be recognized as additional expenses.

Condition: The Corporation improperly records stopped, cancelled, or returned checks and ACH transactions as revenue, and the reissued checks and ACH transactions were recognized as expenses again.

Cause: This is primarily occurring in the HCV program, and it is caused as a result of the complexities and volume of the transactions and the limited number of staff assigned to this program.

Effect: Revenues and expenditures are overstated respectively as a result of the Corporation's current practice.

Recommendation: The Corporation should record all of the stopped, cancelled, or returned checks and ACH transactions back into cash and then reissue checks and ACH transactions instead of recording them as revenue and then an additional expenses.

View of Responsible Official: We agree with this finding and will implement this recommendation immediately. We now recognize that we misinterpreted what we thought to be a HUD requirement.

11-03 HUD FASS Submissions

Criteria: The Corporation is required to adhere to the reporting requirements of its funding agencies by the required filing deadlines imposed by those agencies.

Condition: The Corporation has not completed and submitted the unaudited and audited HUD FASS submissions for the fiscal year ended March 31, 2010, or the unaudited HUD FASS submission for the fiscal year ended March 31, 2011. Unaudited FASS submissions are due sixty days after the fiscal year end.

Cause: The Corporation assumed the responsibilities for administering the Section 8 program during 2008. This program has over $1 billion of activity annually and was previously administered by an agency that had several individuals dedicated to the daily activities and reporting requirements. Due to retirements and budget constraints, the Corporation was only able to hire one individual, in addition to the senior accountant, dedicated to the daily activities and related reporting requirements of this program. In addition, there were additional reporting requirements instituted by the funding agency during the year that required additional attention by this individual.

Effect: The Corporation is not in compliance with one of its funding agency's reporting requirements.

Recommendation: The Corporation should focus its efforts on submitting these required filings as soon as possible and develop a process to ensure filing deadlines for its future reporting requirements can be met. This process should include the staffing level required to administer the daily activities and achieve all required reporting deadlines for all programs administered by the Corporation.

View of Responsible Official: The Corporation's Finance staff is focused on submitting this report as soon as possible.

Section II - Financial Statement Audit Findings - Continued

11-04 Website Information

<u>Criteria</u>: The New York State Authorities Budget Office (ABO) issued Policy Guidance on April 12, 2010, in response to the Public Authorities Reform Act (PARA) of 2009. This guidance states that effective immediately, public authorities are required to make specific information available to the public through the internet.

<u>Condition</u>: The Corporation is not in compliance with PARA requirements.

<u>Cause</u>: The Corporation's website does not include a report on operations and accomplishments, a performance measures report, a listing of the Corporation's Board members, and executive management team making more than $100,000 in annual salary or the budget report for the fiscal year ended March 31, 2010.

<u>Effect</u>: Required Corporation reports are currently not available to the public through the internet.

<u>Recommendation</u>: Using the available ABO guidance, the Corporation should update its website and schedule periodic maintenance and review to ensure required information is available to the public in a timely manner.

<u>View of Responsible Official</u>: We agree with this finding and will correct all website deficiencies upon the adoption of various resolutions by the Members at the Meeting of June 28, 2011.

BST
BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants

June 27, 2011

Board of Directors
Housing Trust Fund Corporation
38-40 State Street
Hampton Plaza
Albany, New York 12207

Dear Members of the Board:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York for the year ended March 31, 2011. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Corporation's practices and procedures.

Current Year Finding

1. Outstanding Check Policy

Observation: During our cash analysis, we noted that one of the bank reconciliations had a significant amount of old outstanding checks (over 3,600 checks that totaled approximately $1,057,000). All of these checks are over a year old and some date back to May 2008. The Corporation does not have a policy regarding follow-up procedures on outstanding checks that are over a certain period of time.

Suggestion: The Corporation should establish a policy regarding review, follow-up, and voiding old outstanding checks for all bank accounts.

Prior Year Findings

2. Due from New York State

Observation: The Corporation has had a receivable on its books for approximately $42,000 since 1989.

Suggestion: We suggest the Corporation follow-up with the recipient to determine if they plan to submit the closing paperwork, so the receivable can be collected and paid out or written off.

3. Mortgages and Accrued Interest Receivable

a. *Observation:* During our testing of the mortgage interest receivable, we noted loans that the Corporation was owed money based on the recipient's excess income from rental operations, per agreements. For those loans where no payment has been received, the Corporation has not been following up for payment.

Suggestion: We suggest that the Corporation have a process that will require timely follow-up for payment that is owed.

b. *Observation:* During our testing of the mortgages receivable, we noted twenty Turnkey Tax Credit Program loans that have matured (ranging from 2006 through 2010) prior to March 31, 2011. A portion of these loans require prepaid interest and additional renewals every 15 years up to 99 years. As of the date of our reports, the Corporation has not renewed any of these loans that have matured. Management has informed us that these loans were turned over to the Corporation's legal department.

3. Mortgages and Accrued Interest Receivable - Continued

Suggestion: The Corporation should establish a procedure for renewing these loans on a timely basis. In addition, the Corporation should address the prepaid interest at the time of the renewal.

c. *Observation:* Per management, there is no expectation of collection of the majority of the Corporation's outstanding mortgage loans and accrued interest, most of which require no current principal payments, despite the fact that the Corporation has a lien against each property. This concept relates to the fact that it is the Corporation's primary mission to provide decent, safe, and affordable housing to the State's low income citizens, so the lien is used as an enforcement mechanism, not a collection tool. The Corporation does not have a policy in place that addresses the collection of the loan upon maturity.

Suggestion: The Corporation should establish a policy that addresses the collection of the loan and any accrued interest upon maturity.

4. Due to Developers

Observation: The Corporation has approximately $1,734,000 of developer money. Two developers are currently requesting money from the account while five others have remained inactive for many years. The inactive accounts total approximately $293,000.

Suggestion: The Corporation should follow up with those developers that have money with the Corporation to see if they are going to forfeit the deposits or submit the required paperwork for reimbursement.

This letter is solely for the information and use of management and others within the Corporation and is not intended to be and should not be used by anyone other than the specified parties. We appreciate serving the Housing Trust Fund Corporation and would be happy to assist you in addressing and implementing any of the observations and suggestions in this letter.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

Paul M. Petell

Paul M. Petell, Partner

PMP/dmc

New York State
Housing Trust Fund Corporation

M E M O R A N D U M

To: Members of the Board

From: Frank J. Markowski, Jr., Assistant Treasurer

Date: June 28, 2011

Subject: Comments on Audit Management Letter

We welcome and appreciate the comments in this year's management letter and, to the extent discussed below, we will address them and implement the recommendations this year.

<u>Outstanding Check Policy</u>

- The observation concerning the Corporation's outstanding checks with respect to the volume and length of time outstanding is accurate. However, we believe that the comment indicating that the Corporation does not have a policy to follow-up on those checks is not reflective of our operations, and does not credit the efforts that we have made to mitigate this issue. The majority of outstanding checks are for minimal amounts; in hundreds of instances these are tenant utility payments of less than $5.00; in hundreds of others, less than $10.00. To follow-up on each of these checks would be extremely cost prohibitive, especially in terms of staff time. Further, because these tenants meet the qualifications to receive these payments, however minimal, HUD regulations do not permit us to discontinue them. In recognition of this problem, the Corporation has established a process that should ultimately eliminate it by changing to an electronic payment system involving both direct deposits (a/k/a ACH transfers) and a Debit Card system which is re-loaded each month and has no minimum load requirement. Thus, tenants who receive as little as $1.00 in utilities assistance each month can now use their cards to buy groceries, for example, upon each re-load, or accumulate multiple payments for use at a later date. Approximately 90% of checks previously issued have been eliminated, and our goal of 100% electronic payments is in sight. This has had the major added benefit of reducing the Corporation's cost of bank fees due to check processing. When we close out the bank accounts this summer on which the outstanding checks were drawn, all of these checks will be eliminated. While that will not eliminate the Corporation's liability associated with these checks, it will transfer the responsibility for follow-up to the program constituents.

<u>Due From New York State</u>

- The Corporation's Finance Management has followed-up on this matter every year since this issue arose. We will continue to do so this year.

Mortgages and Accrued Interest Receivable

- Part a – We repeat our comment of last year in reply to this observation:
  We have had a staff member dedicated to the processing and follow-up of mortgage receivables for more than five years. That process, which often involves multiple follow-ups with mortgagors as well as the DHCR Asset Management Unit, is routinely followed nearly scrupulously. However, the increasing volume of mortgages to be serviced coupled with volume increases in other areas and staff attrition we have experienced occasionally causes a gap in the process to occur. Moreover, in situations involving multiple follow-ups, the process is frequently contentious despite the mortgagors' audited documentation of excess income, and the success rate for obtaining payments in these instances is minimal at best. Finally, in virtually all instances of non-payment whether contentious or not, the required payment is subject to deferral, not forgiveness, so the Corporation's Financial Management reviews each instance of non-compliance from a cost-benefit perspective to determine if the expenditure of additional staff effort is warranted based on the prospective return.

- Part b – As indicated in the auditors' observation, the Corporation's legal staff is actively reviewing the individual loan contracts. However, the comment regarding prepaid interest indicates a misunderstanding of the terms of the notes subject to renewal. The prepaid interest requirement related only to the initial 15-year term; no such requirement exists with respect to any subsequent renewal period. If additional interest were to be required, it would be negotiated at the time of a renewal period. All required prepaid interest from each initial loan period has been received.

- Part c – Except in a small handful of cases, the collection of the principal balances on nearly all Corporation mortgages will not be an issue until the loans reach maturity. The Corporation's long-standing policy in this regard is that it would be premature to establish a policy that requires a course of action without the ability to be certain of the conditions of the market as to real estate values and interest rates three decades into the future. In addition, previous Corporate administrations have also determined that it would be inappropriate to deprive subsequent administrations of the ability to make decisions regarding the course of actins that they deem to be in the best interests of the State or the program's low income constituents.

Due To Developers

- We repeat our comment of last year in reply to this observation:
  The Corporation will again review the auditors' recommendation to determine whether a change to its current policy is warranted and take any actions that may be appropriate.

June 27, 2011

Board of Directors
Housing Trust Fund Corporation
Hampton Plaza
38-40 State Street
Albany, New York 12207

Dear Members of the Board:

We are pleased to present this report related to our audit of the financial statements of the Housing Trust Fund Corporation (Corporation) for the year ended March 31, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Corporation's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the Corporation.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

Paul M. Petell

Paul M. Petell, Partner

PMP/dmc

BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

HOUSING TRUST FUND CORPORATION

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended March 31, 2011

The American Institute of Certified Public Accountants issued Statement on Auditing Standards No. 114 titled, *The Auditor's Communication to Those Charged With Governance*, which requires that we communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Auditor's Responsibility Under Professional Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated April 5, 2011, which is attached to the service contract dated April 15, 2011, with the Corporation.

Accounting Practices

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Corporation. The Corporation did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

Significant or Unusual Transactions

We identified various significant transactions that occurred that relate to the HUD Section 8 program and various large state programs. In addition, there were a significant number of journal entries posted in May 2011 to reconcile various accounts. In June 2011, after we were provided the trial balance, additional entries were posted and are displayed on Exhibit B. Summary of Recorded Audit Adjustments.

We did not identify unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates is in the attached Exhibit A, Summary of Accounting Estimates.

Financial Statement Disclosures

In our meetings with management, we discussed the following items as they relate to the neutrality, consistency, and clarity of the disclosures in the financial statements:

- Significant federal and state programs;
- The restriction of cash and investments;
- The allowance related to the mortgage and accrued interest receivables;
- Restricted and unrestricted net assets;
- Prior period adjustments;
- Other postretirement benefits (OPEB) liability;
- Commitments;
- Related party transactions, and
- Contingencies (litigation).

Audit Adjustments

Audit adjustments recorded by Corporation are shown on the attached Exhibit B, Summary of Recorded Audit Adjustments.

Unposted Adjustment

Unposted adjustments are summarized in the attached Exhibit C, Summary of Unposted Adjustments.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

Management used Toski, Schaefer & Co. P.C. to submit the March 31, 2009, HUD REAC financial statement submission. In addition, the Corporation worked with the New York State auditors to complete the Corporation's Single Audit requirements.

Other than the two items noted above, we are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not receive the information requested to complete the audit in a timely manner, as outlined in our planning letter and as discussed in our meetings with management, where timelines were established. Based on our discussions with management, the lack of timeliness was caused by staff turnover, bank conversion, and current workload demand on existing staff.

Certain Written Communications Between Management and Our Firm

Copies of certain written communications between our firm and the management of the Corporation are attached as Exhibit D.

Significant Deficiencies and Material Weaknesses

Significant deficiencies and material weaknesses are communicated in Schedule of Findings and Responses of the Independent Auditor's 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*.

We will be pleased to respond to any questions you have about these matters. We appreciate the opportunity to be of service to you.

HOUSING TRUST FUND CORPORATION

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended March 31, 2011

This letter is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

Paul M. Petell

Paul M. Petell, Partner

PMP/dmc

HOUSING TRUST FUND CORPORATION

SUMMARY OF ACCOUNTING ESTIMATES
Year Ended March 31, 2011

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Corporation's March 31, 2011, financial statements:

Area	Accounting Policy	Estimation Process
Allowance on Mortgages and Interest Receivable	Allowance is based on a review of outstanding amounts on a monthly basis.	Management determines the allowance by identifying the mortgages and related interest that have specific repayment requirements not contingent upon economic and compliance matters, subsequent payments, and a review of prior payment history.
Other Postemployment Benefits (OPEB) Liability	The Corporation recognizes a net OPEB obligation in long-term liabilities.	The estimate is developed by a third party using assumptions applied to census and plan information provided to them by the Corporation.

Exhibit B

HOUSING TRUST FUND CORPORATION

SUMMARY OF RECORDED AUDIT ADJUSTMENTS
Year Ended March 31, 2011

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Revenue	Expense
Adjust reserve for mortgage and interest receivable	$ (1,351,590)	$ -	$ -	$ -	$ 1,351,590
Adjust OPEB liability to actual as of March 31, 2011	-	418,119	-	-	418,119
To write of DHCR payables from 2003 and 2006**	-	(262,232)	262,232	-	-
To reclassify and adjust various accounts**	(2,810,623)	1,117,911	-	(1,828,940)	2,099,594
To adjust TCAP revenues and expenses**	-	(25,000)	-	(25,000)	(50,000)
To correct HCV program account balances**	3,036,959	(24,646,182)	-	28,155,884	472,743
To adjust accounts payable balance**	-	(45,447)	-	-	(45,447)
			22,055,345	$ 26,301,944	$ 4,246,599
Total Statement of Net Assets Effect	$ (1,125,254)	$ (23,442,831)	$ 22,317,577		

HOUSING TRUST FUND CORPORATION

SUMMARY OF UNPOSTED ADJUSTMENTS
Year Ended March 31, 2011

During the course of our audit, we accumulated unposted adjustments that were determined by management to be immaterial, both individually and in the aggregate, to the statements of financial position, results of operations and cash flows and to the related financial statement disclosures. Following is a summary of those differences.

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Revenue	Expense
Cumulative Carryover Impact From Previous Years					
Vacation time	$ -	$ -	$ (139,667)	$ -	$ (139,667)
Current Year Unposted Adjustments					
Vacation time	-	306,783	-	-	306,783
Mortgage balance errors in prior year	-	-	(820,214)	820,214	-
Foreclosure Prevention-ARRA program receivable	706,094	-	-	706,094	-
HCV receivable	(179,923)	-	-	(179,923)	-
Net HCV revenue and expenses for stop payments and returned checks	-	-	-	(2,404,333)	(2,404,333)
			1,179,269	$ (1,057,948)	$ (2,237,217)
Total Statement of Net Assets Effect	$ 526,171	$ 306,783	$ 219,388		

Exhibit D

HOUSING TRUST FUND CORPORATION

CERTAIN WRITTEN COMMUNICATIONS BETWEEN MANAGEMENT AND OUR FIRM
Year Ended March 31, 2011

Representation Letter

Andrew M. Cuomo
Governor

Darryl C. Towns
Chairperson

New York State Housing Trust Fund Corporation
Hampton Plaza
38-40 State St.
Albany, NY 12207

June 27, 2011

Bollam, Sheedy, Torani & Co. LLP
26 Computer Drive West
Albany, New York 12205

In connection with your audits of the financial statements of the Housing Trust Fund Corporation (Corporation) as of and for the years ended March 31, 2011 and 2010, we confirm, that we are responsible for the fair presentation in the financial statements of the balance sheets, statements of revenue, expenses, and changes in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP). We acknowledge that we have provided you the required supplemental information (Management Discussion and Analysis) attached to the financial statements, which agrees to our records. We understand that the required supplemental information is not audited and is not a required part of the financial statements, and such information has been subjected to the auditing procedures applied in relation to the financial statements taken as a whole.

We confirm to the best of our knowledge and belief, as of the date of your independent auditor's report, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with GAAP. The Corporation's accounting principles and the practices and methods followed in applying them, are as disclosed in the financial statements, and there have been no changes during the years ended March 31, 2011 and 2010, in the Corporation's accounting principles and practices.

2. We are a component unit of the State of New York as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.

3. We are another organization for which the nature and significance of our relationship with the State of New York are such that exclusion of our financial information would cause that primary government's reporting entity's financial statements to be misleading or incomplete, as these terms are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.

4. We are responsible for compliance with laws and regulations applicable to the Corporation, including adopting, approving, and amending budgets.

5. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

6. We have made available to you:

   a. All financial records and related data.

   b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.

7. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation received in communications from employees, former employees, analysts, regulators, short sellers, or others.

9. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Corporation's ability to record, process, summarize, and report financial data.

10. There has been no:

    a. Fraud involving management or employees who have significant roles in internal control.

    b. Fraud involving other employees that could have a material effect on the financial statements.

    c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.

11. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

12. The following have been properly reflected and/or disclosed in the financial statements:

    a. Related party transactions, including those the primary government having accountability for Corporation, component units for which Corporation is accountable, other organizations for which the nature and significance of their relationship with Corporation are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as defined in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transactions.

    b. The effect on the financial statements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989,* and FASB and AICPA Pronouncements, which have been issued, but which we have not yet adopted.

    c. The fair value of investments.

    d. Concentration of credit risk.

    e. Restrictions on cash and investments.

    f. Significant federal and state programs.

    g. Restricted and unrestricted net assets.

    h. Assets held in escrow and on behalf of others.

    i. Commitments.

    j. Awards payable.

13. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

    a. To reduce receivables to their estimated net collectible amounts.

    b. To reduce mortgage and accrued interest receivable to their net collectible amounts.

    c. For pension obligations and post-retirement benefits, attributable to employee services rendered through March 31, 2011 and 2010.

14. There are no:

    a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.

    b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 10.

    c. Arrangements with financial institutions involving compensating balances or line-of-credit or similar arrangements.

    d. Agreements to repurchase assets previously sold.

    e. Security agreements in effect under the Uniform Commercial Code.

    f. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.

    g. Contractual obligations for plant construction or purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.

    h. Liabilities which are subordinated in any way to any other actual or possible liabilities.

    i. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.

    j. Debt issue provisions.

    k. Leases or material amounts of rental obligations under long-term leases.

    l. Authorized but unissued bonds or notes.

    m. Risk financing activities.

    n. Derivative financial instruments.

    o. Risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through March 31, 2011 and 2010, or for expected retroactive insurance premium adjustments applicable to periods through March 31, 2011 and 2010.

p. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.

q. Material losses to be sustained as a result of purchase commitments.

r. Environmental clean-up obligations.

s. Deferred compensation agreements.

t. Component units or other organizations for which the nature and significance of their relationship with the Corporation are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

u. Jointly governed organizations in which we participated.

v. Guarantees, whether written and/or oral, which the Corporation is contingently liable.

w. Investments or other assets which have permanently declined in value that need to be reduced to their realizable values.

15. We are not aware of any pending or threatened litigation, claims, or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 10, other than what is disclosed, and we have not consulted a lawyer concerning litigation, claims, or assessments.

16. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private, or to special assessment bond holders, that is not disclosed in the financial statements.

17. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

18. We have satisfactory title to all owned assets.

19. We are responsible for and agree to the proposed adjustments to the trial balances identified during the audits and will post all adjustments accordingly.

20. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through June 27, 2011, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the balance sheet date and through June 27, 2011, that would require recognition or disclosure in the financial statements.

21. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the following are required:

    a. Concentration of credit risk;
    b. Litigation, and
    c. Use of estimates.

22. We are responsible for establishing and maintaining effective internal control over financial reporting and compliance. We are not aware of any material internal control weaknesses or significant deficiencies, other than those communicated in the Schedule of Findings and Responses of the Independent Auditor's 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*, that should be reported.

23. We have responded fully to all inquiries made to us by you during your audits.

24. During the course of your audits, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

25. The undersigned have overseen the services provided by BST Advisors, LLC, as listed below, and have established and maintained internal controls, including the monitoring of ongoing activities related to the non-attest services as follows:

    a. Adjusting journal entries;
    b. Restricted and unrestricted net asset reconciliation, and
    c. Drafting of financial statements and footnotes.

26. As of and for the year ended March 31, 2011, we believe that the effects of the unposted adjustments aggregated by you and summarized below are immaterial, both individually and in the aggregate to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

	Effect - Increase (Decrease)				
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Very truly yours,

HOUSING TRUST FUND CORPORATION

Frank J. Markowski, Jr.,
Assistant Treasurer