New York State
Housing Trust Fund Corporation

M E M O R A N D U M

To: Member of the Board

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

Date: June 28, 2012

Subject: 2012 Audited Financial Statements

Enclosed are the following reports prepared by the Corporation's auditors, Bollam, Sheedy, Torani & Co. LLP, CPAs, for the fiscal year ended March 31, 2012:

Financial Statements and Management's Discussion & Analysis (pp 1-15)

Internal Control and Compliance Report (pp16-18)

Management Letter

Corporation's 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, 2012 and 2011

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

FINANCIAL REPORT

March 31, 2012 and 2011

C O N T E N T S

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 March 31, 2012 and 2011, 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 an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 opinion.

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, 2012 and 2011, 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, 2012, 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, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bollam Sheedy Torani & Co LLP

Albany, New York
June 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Housing Trust Fund Corporation (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, 2012, in a manner similar to last year's presentation. No new programs were initiated in this fiscal year.

FINANCIAL HIGHLIGHTS

- The Corporation's net assets decreased by approximately $19.1 million, or approximately 8% from 2011 as a result of the current year's operations.
- During the year, the Corporation's revenue from State and Federal appropriations and contracts totaled just under $1.7 billion, while it expended just over $1.7 billion to provide decent and affordable housing to the citizens of New York State.
- Federal program appropriations and fees accounted for approximately 96.5% of the Corporation's revenue and about 93.6% of its expenditures, while New York State appropriations were responsible for approximately 3.2% of revenues and approximately 5.6% of expenditures.
- Investment income decreased by about $220,000, or about 52% from 2011. This was primarily due a continuing decline 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, 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 decreased from one year ago, decreasing overall by approximately $19.11 million this year or about 8%, but this decrease was primarily attributable to routine fluctuations in the volume of receipts and disbursements of program funds. 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,	
	2012	2011
Cash, investments and other receivables	$ 240.43	$ 240.52
Receivable from New York State	0.04	2.10
Receivable from Department of Education	-	0.72
Receivable from U.S. HUD	5.97	13.33
Notes and interest receivable, net	5.37	7.75
Total assets	251.81	264.42
Accounts and awards payable	8.07	6.65
Funds held on behalf of others	5.02	4.34
Postemployment benefits other than pensions	1.30	0.88
Other liabilities	18.95	14.97
Total liabilities	33.34	26.84
Net assets		
Restricted	162.62	187.46
Unrestricted	55.85	50.12
Net assets	$ 218.47	$ 237.58

Restricted net assets - represents program funds 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 a decrease from 2011 of approximately $24.84 million, or 13.25%.

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 increased from 2011 by approximately $5.73 million, or 11.43%.

USING THIS ANNUAL REPORT - Continued

The Corporation's Overall Financial Condition - Continued

Table 2
Changes in net assets (in millions)

	Years Ended March 31, 2012	2011
Revenue		
Program revenue		
Federal programs	$ 1,634.27	$ 1,617.53
State programs	55.59	73.08
Other revenue		
Investments	0.20	0.42
Other	6.30	3.69
Total revenue	1,696.36	1,694.72
Expenses		
Federal programs	1,606.32	1,560.16
State programs	102.08	105.66
Administrative and other expenses	7.07	2.22
Total expenses	1,715.47	1,668.04
Increase (decrease) in net assets	$ (19.11)	$ 26.68

The Corporation's total revenues increased overall from last year by less than 1%, or $1.64 million, while the total cost of all programs and administration increased by 2.8%, or $47.43 million. These figures show that the Corporation expended about $19.11 million more than it received this year or approximately 1.1%. 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 $16.74 million due primarily to an increase in the number of contracts administered under the Section 8 PBCA program this year. State program revenue was down by about $17.49 million due primarily to the fact that there were less accumulated funds from previous years to expend than last year. Other revenue increased from last year by about $2.6 million, or 2.01%, but investment revenue declined approximately $220,000 due to continuing low interest rates.

The Corporation experienced an overall increase in expenditures this year by about $47.43 million, or 2.8% primarily due to the fact that the Corporation had slightly more resources to provide to the State's homeowner and tenants. Expenditures of the Corporation's Federal funded programs experienced a net increase of about $46.16 million, or 3% from the previous year, while expenditures of State funded programs decreased approximately $3.58 million, or 3.39% from the previous year. At the same time, the Corporation's expenditures for administration and other expenditures increased this year by about $4.85 million, primarily due to the implementation of a reimbursement plan for services provided by other government units.

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, 2012 through March 31, 2013, at the same level overall as the previous year. Federal appropriation levels are expected to remain at about the last year's levels for most programs; however, we have been advised that the federal HOME Program will receive new funding at only 44% of the previous appropriation level due to programmatic changes implemented by the federal government. In addition, the funds the Corporation received for several programs under the federal stimulus plan known as the American Recovery and Reinvestment Act of 2009 (ARRA) have been fully expended and no replacement of this initiative is contemplated.

Expenditures are expected to remain roughly consistent with current levels, except for the decreases associated with ARRA-funded programs and the HOME program.

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, 2012	March 31, 2011
ASSETS		
Cash, unrestricted	$ 1,403,932	$ 941,138
Cash, federal restricted	14,398,605	24,329,350
Cash, state restricted	7,328,177	1,883,159
Total cash	23,130,714	27,153,647
Investments, unrestricted	51,387,783	98,443,102
Investments, federal restricted	62,392,971	52,967,380
Investments, state restricted	88,675,929	60,127,731
Total investments	202,456,683	211,538,213
Assets held in escrow	14,847,686	1,823,493
Due from other governments		
Appropriations from the State of New York	42,329	2,107,988
U.S. Department of Education	-	723,660
U.S. Department of Housing and Urban Development	5,966,263	13,325,166
Total due from other governments	6,008,592	16,156,814
Total current assets	246,443,675	256,672,167
Mortgage notes receivable, net	3,213,476	5,652,208
Accrued interest receivable, net	2,156,078	2,095,741
Total long-term assets	5,369,554	7,747,949
Total assets	**$ 251,813,229**	**$ 264,420,116**
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 2,312,315	$ 3,486,785
Awards payable	5,757,647	3,168,077
Due to developers	5,110,385	1,733,692
Funds held on behalf of others - Family Self-Sufficiency Program	5,017,022	4,343,221
Due to other governments	13,842,982	13,223,527
Total current liabilities	32,040,351	25,955,302
Postemployment benefits other than pensions	1,298,207	881,592
Total liabilities	33,338,558	26,836,894
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Restricted for Federal Programs	65,718,652	65,572,298
Restricted for State Programs	96,902,559	121,893,501
Unrestricted	55,853,460	50,117,423
Total net assets	218,474,671	237,583,222
Total liabilities and net assets	**$ 251,813,229**	**$ 264,420,116**

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,	
	2012	**2011**
REVENUE		
Federal Section 8 Project - based contract administration income	$1,098,047,187	$1,058,098,743
Federal Section 8 Housing Choice Voucher and related programs income	394,965,737	412,034,247
Federal Tax Credit Assistance Program income	34,973,630	58,304,108
Federal Community Development Block Grant Program income	46,210,998	55,600,106
Federal Home Investments Partnerships Program income	40,791,659	30,880,969
Federal Foreclosure Prevention Program income	19,258,504	2,616,496
Appropriations from the State of New York	55,588,000	73,082,000
Net investment income	200,895	419,343
Other income	6,327,001	3,684,792
Total revenue	1,696,363,611	1,694,720,804
EXPENSES		
Federal Section 8 Project - based contract administration	1,077,271,004	1,032,659,931
Federal Section 8 Housing Choice Voucher and related programs	388,570,635	378,824,739
Federal Tax Credit Assistance Program	34,973,630	58,304,108
Federal Community Development Block Grant Program	46,885,301	56,019,654
Federal Home Investments Partnerships Program	40,791,659	30,880,969
Federal Foreclosure Prevention Program	17,704,375	3,322,590
Federal Assets for Independence Program	129,533	145,762
State of New York programs	102,080,052	105,663,045
Provision for contingent loans, net	2,378,394	1,351,590
Administrative	4,687,579	866,082
Total expenses	1,715,472,162	1,668,038,470
CHANGE IN NET ASSETS	**(19,108,551)**	**26,682,334**
NET ASSETS, beginning of year	237,583,222	210,900,888
NET ASSETS, end of year	**$ 218,474,671**	**$ 237,583,222**

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,	
	2012	**2011**
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Sources of cash		
Federal programs	$1,644,999,332	$1,621,206,357
New York State programs	57,363,000	73,082,000
Other programs	6,327,001	3,684,792
Total sources of cash	1,708,689,333	1,697,973,149
Uses of cash		
Federal programs	(1,603,874,967)	(1,566,549,883)
New York State programs	(98,703,359)	(104,567,039)
Other programs	(7,065,973)	(2,217,672)
Total uses of cash	(1,709,644,299)	(1,673,334,594)
	(954,966)	**24,638,555**
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Investments, net	9,282,425	(20,691,878)
Increase in escrow accounts	(13,024,193)	(1,101,046)
Increase in funds held on behalf of others -		
Family Self-Sufficiency Program	673,801	412,160
	(3,067,967)	**(21,380,764)**
Net increase (decrease) in cash	**(4,022,933)**	**3,257,791**
CASH, beginning of year	27,153,647	23,895,856
CASH, end of year	**$ 23,130,714**	**$ 27,153,647**
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	$ (19,108,551)	$ 26,682,334
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net investment income	(200,895)	(419,343)
Changes in		
Due from other governments	10,148,222	2,320,099
Mortgage notes and accrued interest receivables	2,378,395	1,351,589
Accounts payable and accrued liabilities	(1,174,470)	(3,309,979)
Awards payable	2,589,570	(4,100,702)
Due to developers	3,376,693	1,096,006
Due to other governments	619,455	600,432
Other postemployment benefits	416,615	418,119
	$ (954,966)	**$ 24,638,555**

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

NOTE 1 - ORGANIZATION AND 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:

Federal

- 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 (HCV) 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.
- Foreclosure Prevention Programs - to provide funds for outreach/education, counseling, legal representation and Court-based services to New York homeowners facing default or foreclosure, as well as funds for training of foreclosure counselors and attorneys who agree to provide their services at no cost.

State

- 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.

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.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. *Significant Accounting Policies* - Continued

ii. Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses 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 generally fully reserves all balances, with the exception of certain loans that have specific repayment requirements not contingent upon economic and compliance matters or, balances which based on a review of current and prior payments, indicate that a full allowance is not necessary. 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. Restricted Net Assets

Restricted net assets of the Corporation at March 31, 2012 and 2011, 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. 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.

vi. Revenue Recognition

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. 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. 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. Interest and other income are recognized as revenue when earned.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. *Significant Accounting Policies* - Continued

vi. Revenue Recognition - Continued

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

vii. State of New York Programs

State of New York programs consist of awards primarily to fund the construction of new properties, or the rehabilitation of vacant or under-utilized property, technical assistance expenses, and 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.

viii. 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 receivable or liability 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.

ix. Tax Status

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

x. Reclassification

Certain amounts in 2011 have been reclassified to conform with 2012 presentation.

xi. Subsequent Events

The Corporation has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through June 27, 2012, the date the financial statements were available to be issued.

NOTE 2 - CASH, RESTRICTED AND UNRESTRICTED

At March 31, 2012 and 2011, 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.

Assets held in escrow also includes approximately $9,600,000 held by the Corporation for the benefit of the New York State Division of Housing and Community Renewal (DHCR) which DHCR accumulated in connection with the administration of the Section 8 HCV Program prior to the Corporation's assumption of those responsibilities (Note 9).

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, 2012					
Program	Mortgage Notes Receivable	Allowance for Contingent Loans	Net Mortgage Notes Receivable	Accrued Interest Receivable	Allowance for Contingent Loans	Net Accrued Interest Receivable
HOME	$ 157,011,514	$ (156,354,013)	$ 657,501	$ 3,989,980	$ (3,403,745)	$ 586,235
Housing Assistance Fund	2,000,000	(2,000,000)	-	13,575	(13,575)	
Housing Trust Fund	526,972,816	(525,355,241)	1,617,575	25,198,787	(23,803,125)	1,395,662
Homes for Working Families	101,975,930	(101,072,952)	902,978	2,417,257	(2,373,118)	44,139
Subsidy	27,474,472	(27,474,472)	-	2,064,519	(2,030,148)	34,371
Tax Credit Assistance	103,011,335	(103,011,335)	-	139,845	(139,845)	-
Turnkey	95,405,049	(95,369,627)	35,422	812,395	(716,724)	95,671
	$ 1,013,851,116	$(1,010,637,640)	$ 3,213,476	$ 34,636,358	$(32,480,280)	$ 2,156,078

	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)	-	4,534	(4,534)	-
Turnkey	95,567,234	(95,516,595)	50,639	582,491	(579,598)	2,893
	$ 918,562,979	$ (912,910,771)	$ 5,652,208	$ 31,224,157	$(29,128,416)	$ 2,095,741

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

The Corporation administers Federal Section 8 Housing Choice Voucher and Related Programs. The Corporation holds Family Self-Sufficiency (FSS) funds 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 $5,017,022 and $4,343,221 at March 31, 2012 and 2011, 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.

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. Amounts charged to operations totaled $416,615 and $418,119 for the years ended March 31, 2012 and 2011, respectively. The liability for postemployment benefits, other than pension, was $1,298,207 and $881,592 at March 31, 2012 and 2011, respectively.

The number of participants was as follows:

	March 31,	
	2012	2011
Active	46	47
Retirees and dependents	1	2
Total	47	49

b. *Funding Policy* - The Corporation currently pays for postemployment health care benefits to satisfy current obligations 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

c. *Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation* - Continued

	March 31, 2012	March 31, 2011
Annual required contribution	$ 438,678	$ 438,678
Interest on net OPEB obligation	36,630	19,257
Amortization of net OPEB obligation	(51,946)	(27,309)
Annual OPEB cost/expense	423,362	430,626
Contribution made on a pay-as-you-go basis	(6,747)	(12,507)
Increase in net OPEB obligation	416,615	418,119
Net OPEB obligation, beginning of year	881,592	463,473
Net OPEB obligation, end of year	$ 1,298,207	$ 881,592

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, 2012	March 31, 2011
Annual OPEB cost	$ 423,362	$ 430,626
Contribution for year ended March 31	6,747	12,507
Contribution as a percentage of required contribution	1.59%	2.90%

d. *Funded Status and Funding Progress* - The actuarial accrued liability for benefits was $3,358,042 as of March 31, 2011, 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.

e. *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, 2012	27 years

NOTE 8 - COMMITMENTS

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

	March 31, 2012	March 31, 2011
Obligated agreements	$ 11,978,552,947	$ 10,356,446,246
Expended	11,769,459,810	10,082,822,335
Remaining unexpended commitments	$ 209,093,137	$ 273,623,911

NOTE 9 - 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 $10,142,328 and $10,725,061 for the years ended March 31, 2012 and 2011, respectively. The Corporation's liability to DHCR for administrative expenses at March 31, 2012 and 2011, was $12,802,550 and $12,877,884, respectively.

NOTE 10 - CONTINGENCIES

Litigation

The Corporation is 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 11 - NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides guidance for reporting deferred outflows of resources, deferred inflow of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term *deferred* in the financial statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections.* This statement establishes clarification on two recently issued statements; No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement resolves conflicting guidance created as a result of the issuance of these two statements. This statement is effective for periods beginning after December 15, 2012, with earlier application encouraged.

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 the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, as of and for the year ended March 31, 2012, and have issued our report thereon dated June 27, 2012. 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.

<u>Internal Control over Financial Reporting</u>

Management of the Corporation is responsible for establishing and maintaining effective 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 Corporation'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 identified one deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency 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.

<u>Compliance and Other Matters</u>

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*.

We noted certain matters that we reported to management of the Corporation in a separate letter dated June 27, 2012.

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, 2012

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

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2012

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 Finding

12-01. Timely Reconciliations

Criteria: Throughout the fiscal year, the Corporation should be performing reviews, analyses, and reconciliations of the financial information maintained in the general ledger.

Condition: For the HUD Section 8 Housing Choice Voucher (HCV) Program, various journal entries and account reconciliations were not performed during the year ended March 31, 2012. These journal entries and account reconciliations were not completed until June 2012.

Cause: Although the Corporation implemented various processes during the year to be timelier with posting journal entries and performing reconciliations, due to the volume of transactions that are processed for this program, not all of the activity was reconciled and posted in the general ledger by year-end.

Effect: Without performing timely account reconciliations, the Corporation could be submitting inaccurate financial information through the Department of Housing and Urban Development's (HUD) various required reporting mechanisms or could be reviewing internal financial statements with inaccurate financial information.

Recommendation: The Corporation should establish procedures specifically for the HCV program that require timely posting of all journal entries, review of the support for each entry, and the timely reconciliation of the monthly financial information in the general ledger to supporting documentation to allow for the timely and accurate reporting.

View of Responsible Officials and Planned Corrective Actions: The Corporation appreciates that its auditors have noted the progress the Corporation's financial management staff has made in implementing several processes during the fiscal year which were designed to permit the more timely recording of journal entries and performance of reconciliations. We have endeavored to manage all financial processes on a more contemporaneous basis than in the past. However, the Corporation also acknowledges, especially with respect to the Section 8 Housing Choice Voucher Program, that some of the reconciliations that are necessary between various reports and transactions were not completed in a timely manner. We are anticipating the implementation of additional measures, including the creation of a revised Chart of Accounts, that we believe will bring additional efficiencies to bear, and eliminate any findings in this area from future audit reports.

Section III - Compliance Finding

None reported.

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

June 27, 2012

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, 2012. 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.

Prior Year Findings

1. 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.

2. 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 thirty-four loans that have matured (ranging from 2005 through 2011) prior to March 31, 2012. A portion of these loans requires prepaid interest and additional renewals every 15 years up to 99 years. As of the date of our report, 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.

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.

26 Computer Drive West, Albany, NY 12205
Tel: 518-459-6700 / 800-724-6700
Fax: 518-459-8492

28 West 44th Street, New York, NY 10036
Tel: 212-661-8640
Fax: 212-972-7495

1520 Northern Boulevard, Manhasset, NY 11030
Tel: 516-365-7745
Fax: 516-869-8070

www.bstco.com

3. Due to Developers

Observation: The Corporation has $5,110,045 of developer money. Three developers requested money from the account while five others have remained inactive for many years. The inactive accounts total $502,389.

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, 2012

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.

Due From New York State

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

Mortgages and Accrued Interest Receivable

- Part a – We substantially repeat our reply of last year:
  We have had one staff member dedicated to the processing and follow-up of mortgage receivables for more than five years, and have not been able to assign any additional staff to that function due to the substantial workload the Office of Corporate Finance continues to manage. In that time, the Corporation's mortgage portfolio has grown substantially, but other areas of the Office's responsibilities have grown even more substantially, especially with respect to certain federal programs, and the only staff acquired has been essentially to replace other staff lost during that same period. Mortgage servicing involves many functions including the follow-up recommended by the auditors. The experience we have acquired from the follow-up recommended by the auditors has not shown any significant increase in revenue relative to the efforts required to pursue such follow-up. Moreover, in situations involving multiple follow-ups, the process is frequently contentious despite the mortgagors' audited documentation of their ability to make payments in accordance with their mortgage documents, so the Corporation's Financial Management has decided to pursue these cases, which are infrequent to begin with, with a reduced priority. Finally, in virtually all instances of non-payment, whether contentious or not, the required payments are deferred but not forgiven, and the Corporation will have a chance to recover these amounts at the time the loans mature.

- Part b – We substantially repeat our reply of last year:
  The Corporation's legal staff is actively reviewing the individual loan contracts in question, and has been doing so for more than a year. The pre-paid interest requirement only applies to the initial 15-year period and all required prepaid interest from each initial loan has been received. A number of the loans have been renewed after the initial period, and the majority of those renewals have required interest to continue for the balance of the 99 year loan terms at the rate of 1% annually, similar to the majority of existing Corporation loans in other programs.

- Part c - We repeat our reply of last year in its entirety:
  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 actions that they deem to be in the best interests of the State or the programs' low income constituents.

Due to Developers

- We repeat our reply of last year in its entirety:
  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.

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

June 27, 2012

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, 2012. 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 continue to be of service to the Corporation.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

Paul M. Petell

Paul M Petell, Partner

PMP/dmc

26 Computer Drive West, Albany, NY 12205
Tel: 518-459-6700 / 800-724-6700
Fax: 518-459-8492

28 West 44th Street, New York, NY 10036
Tel: 212-661-8640
Fax: 212-972-7495

1520 Northern Boulevard, Manhasset, NY 11030
Tel: 516-365-7745
Fax: 516-869-8070

www.bstco.com

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

HOUSING TRUST FUND CORPORATION

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2012

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 March 27, 2012, which is attached to the service contract dated April 23, 2012, 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 to existing accounting policies during the current period.

Significant or Unusual Transactions

We identified various significant transactions that occurred that related to the HUD Section 8 Housing Choice Voucher (HCV) program and various large state programs. In May and June 2012, 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 you, we discussed with you 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 receivable;
- Restricted and unrestricted net assets;
- Commitments;
- Related party transactions, and
- Contingencies (litigation).

Audit Adjustments

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

Unposted Adjustments

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 worked with the New York State auditors to complete the Corporation's Single Audit requirements.

Other than the item 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 encounter any difficulties in dealing with management during the audit.

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, if any, are 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.*

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

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, 2012

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, 2012, 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.

HOUSING TRUST FUND CORPORATION

SUMMARY OF RECORDED AUDIT ADJUSTMENTS
Year Ended March 31, 2012

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Assets	Revenue	Expense
To properly record the receipt of a March 31, 2011, account receivable**	$ (1,775,000)	$ -	$ -	$ (1,775,000)	$ -
To correct the net asset opening balance**	-	-	(6,580)	6,580	-
To correct HCV program account balances**	40,776	403,323	-	351,279	713,826
Adjust mortgage and interest receivable balances and reserves	(2,378,394)	-	-	-	2,378,394
To correct other federal program account balances**	-	(2,782,661)	-	2,782,661	-
To record additional accrued interest**	59,029	-	-	59,029	-
Total Statement of Revenue, Expenses, and Changes in Net Assets Effect			(1,667,671)	$ 1,424,549	$ 3,092,220
Total Balance Sheet Effect	$ (4,053,589)	$ (2,379,338)	$ (1,674,251)		

** Provided by client during the audit.

HOUSING TRUST FUND CORPORATION

SUMMARY OF UNPOSTED ADJUSTMENTS
Year Ended March 31, 2012

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	$ -	$ -	$ (306,783)	$ -	$ (306,783)
• Foreclosure prevention - ARRA program receivable understatement	-	-	706,094	(706,094)	-
• HCV receivable overstatement	-	-	(179,923)	179,923	-
Current Year Unposted Adjustments					
• Vacation time	-	315,550		-	315,550
Cumulative Statement of Revenue, Expenses, and Changes in Net Assets Effect			(534,938)	$ (526,171)	$ 8,767
Cumulative Balance Sheet Effect	$ -	$ 315,550	$ (315,550)		

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, 2012

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, 2012 and 2011, we confirm, that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP).

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, 2012 and 2011, 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 responsible for compliance with laws and regulations applicable to the Corporation including adopting, approving, and amending budgets and submitting all required reports to the New York State Authorities Budget Office (ABO) by the deadlines set by the ABO.

4. 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.

5. 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.

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

7. 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, except as disclosed to you in the attorney's response.

8. We are aware of no 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, except as reflected in the schedule of findings and responses.

9. 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, except for the incident disclosed in the attorney's response.

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

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

11. 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 the Corporation, component units for which the Corporation is accountable, other organizations for which the nature and significance of their relationship with the 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 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 fair value of assets.

   c. Concentration of credit risk.

   d. Restrictions on cash and investments.

   e. Significant federal and state programs.

   f. Restricted and unrestricted net assets.

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

   h. Commitments.

   i. Awards payable.

   j. The effect on the financial statements of the following new accounting pronouncements, which have been issued but not yet adopted:

      - GASB Statement No. 63: *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*
      - GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities.*
      - GASB Statement No. 66: *Technical Corrections 2012.*

12. With respect to Management's Discussion and Analysis presented as required by Governmental Accounting Standards Board to supplement the basic financial statements:

   a. We acknowledge our responsibility for the presentation of such required supplemental information.

   b. We believe such required supplemental information is measured and presented in accordance with guidelines prescribed by GAAP.

   c. The methods of measurement or presentation have not changed from those used in the prior period.

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, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through March 31, 2012 and 2011.

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. Guarantees, written or oral, under which the Corporation is contingently liable.

   d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances or line-of-credit or similar arrangements.

   e. Agreements to repurchase assets previously sold.

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

   g. 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.

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

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

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

   k. Debt issue provisions.

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

   m. Authorized but unissued bonds or notes.

   n. Risk financing activities.

   o. Derivative financial instruments.

   p. Risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through March 31, 2012 and 2011, or for expected retroactive insurance premium adjustments applicable to periods through March 31, 2012 and 2011.

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

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

s. Environmental clean-up obligations.

t. Deferred compensation agreements

u. 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.

v. Jointly governed organizations in which we participated.

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

15. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 10.

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, 2012, 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, 2012, that would require recognition or disclosure in the financial statements. 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.

21. 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 that should be reported.

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

23. 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.

24. The undersigned has overseen the services provided as listed below, and has established and maintained internal controls, including the monitoring of ongoing activities related to the non-attest services as follows:

    a. Preparation of adjusting journal entries, and
    b. Assistance in drafting the financial statements and footnotes.

25. As of and for the year ended March 31, 2012, 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)				
Description	Assets	Liabilities	Net Assets	Revenue	Expense
Cumulative Carryover Impact From Previous Years					
• Vacation time	$ -	$ -	$ (306,783)	$ -	$ (306,783)
• Foreclosure prevention - ARRA program receivable understatement	-	-	706,094	(706,094)	-
• HCV receivable overstatement	-	-	(179,923)	179,923	-
Current Year Unposted Adjustments					
• Vacation time	-	315,550		-	315,550
Cumulative Statement of Revenue, Expenses, and Changes in Net Assets Effect			(534,938)	$ (526,171)	$ 8,767
Cumulative Balance Sheet Effect	$ -	$ 315,550	$ (315,550)		

Very truly yours,

HOUSING TRUST FUND CORPORATION

Frank J. Markowski, Jr.,
Assistant Treasurer