



ANDREW M. CUOMO
GOVERNOR

DARRYL C. TOWNS
HTFC CHAIRMAN

NEW YORK STATE
DIVISION OF HOUSING
& COMMUNITY
RENEWAL

June 18, 2014

HOUSING
TRUST FUND
CORPORATION

STATE OF
NEW YORK MORTGAGE
AGENCY

NEW YORK STATE
HOUSING FINANCE
AGENCY

NEW YORK STATE
AFFORDABLE HOUSING
CORPORATION

STATE OF
NEW YORK MUNICIPAL
BOND BANK AGENCY

TOBACCO SETTLEMENT
FINANCING
CORPORATION

TO: Housing Trust Fund Corporation Members
FROM: Karen Hunter, Treasurer
SUBJECT: Approval of Annual Audit

Reason Before the Members

Pursuant to the Public Authorities Law and HTFC's By-Laws, the Housing Trust Fund Corporation ("HTFC") is required to engage an independent certified public accounting firm to perform an annual independent audit in accordance with generally accepted auditing standards. HTFC has engaged SaxBST, a merged entity which includes Bollam, Sheedy, Torani and Co., LLP, to conduct the 2014 audit.

Enclosed are the following reports prepared for the fiscal year ended March 31, 2014:

Financial Statements, Management's Discussion & Analysis and Required Supplementary Information

Internal Control and Compliance Report

Report to the Board in compliance with SAS 114

Management Letter

Corporation's Response to the Management Letter

Recommendation and Required Action by Members

It is recommended that the Members review and approve the annual independent audit.



ANDREW M. CUOMO
GOVERNOR

DARRYL C. TOWNS
HTFC CHAIRMAN

NEW YORK STATE
DIVISION OF HOUSING
& COMMUNITY
RENEWAL

September 8, 2014

HOUSING
TRUST FUND
CORPORATION

STATE OF
NEW YORK MORTGAGE
AGENCY

NEW YORK STATE
HOUSING FINANCE
AGENCY

NEW YORK STATE
AFFORDABLE HOUSING
CORPORATION

STATE OF
NEW YORK MUNICIPAL
BOND BANK AGENCY

TOBACCO SETTLEMENT
FINANCING
CORPORATION

TO: Housing Trust Fund Corporation Members
FROM: Karen Hunter, Treasurer
SUBJECT: Approval of Revised Audit Report

Reason Before the Members

On June 26, 2014, the Corporation approved and published its annual independent audit report. In August 2014, the Corporation discovered an error in its records related to the Federal Community Development Block Grant Disaster Recovery program which caused income and expenditures to be overstated by approximately \$133,656,000. While the error resulted in no change in net income, the financial statements for the period ending March 31, 2014 need to be restated and reissued.

The Corporation has worked with its auditors, SaxBST, to make the needed corrections and has requested that the statements be revised with dual dates – the date of original issue and the revision date. The revised financial report is attached. All tables and notes that discuss federal revenue and federal expenditures were updated to reflect the correction, including Table 2- Changes in Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows. In addition, Note 12 was added to explain the issue.

The HTFC Finance Unit will be making some changes to prevent overstatement of income and expense from occurring in the future. It will be implementing a monthly reconciliation procedure to reconcile HUD draws within the Disaster Recovery Grant Reporting System to the accounting records. In addition, the Finance Unit will consider the practice of booking deposits and disbursements directly to the restricted accounts, since this appears to have played a role in the error. Further, the Finance Unit is implementing a new, more robust accounting system, with a more thorough and efficient procedure for the review of entries prior to posting in to the General Ledger.

Recommendation and Required Action by Members

It is recommended that the Members review and approve the revised audit report. Upon approval, the Corporation will contact the Authorities Budget Office to

advise it of the error, and will post corrected statements in the PARIS system in addition to the Corporation's website. A resolution approving the revised audit report is attached for your consideration.

**Housing Trust Fund Corporation
(a Component Unit of the
State of New York)**

Financial Report

March 31, 2014 and 2013

**Housing Trust Fund Corporation
(a Component Unit of the State of New York)**

Financial Report

March 31, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Housing Trust Fund Corporation
Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, which comprise the statement of net position as of March 31, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of March 31, 2014, and the changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Financial Statements

The financial statements of the Corporation, as of and for the year ended March 31, 2013, were audited by Bollam, Sheedy, Torani & Co. LLP which merged with Sax Macy Fromm & Co., PC to form SaxBST LLP as of January 1, 2014. Bollam, Sheedy, Torani & Co. LLP's report dated June 17, 2013, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6, and the schedule of funding progress on page 20, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
June 26, 2014, except as to Note 12, which is as of August 15, 2014

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

Management's Discussion and Analysis March 31, 2014 and 2013

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 that resulted in significant changes to the financial statements. Therefore, management is presenting its discussion and analysis of the Corporation's financial activities for the fiscal year ended March 31, 2014, in a manner similar to last year's presentation. Several programs were added to the Corporation's portfolio in this fiscal year, including the Rural Community Investment Fund, the Urban Community Investment Fund, and the Upstate Flood Relief program. During the fiscal year ended March 31, 2014, the Community Development Block Grant Disaster Recovery Program and the Disaster Housing Assistance Program were started to distribute aid in the areas impacted by Hurricane Sandy.

Financial Highlights

- The Corporation's net position increased by just over \$8.5 million, or approximately 3.7% from 2013 as a result of the current year's operations.
- During the year, the Corporation's revenue from State and Federal appropriations and contracts and private donations totaled just under \$2.4 billion, and it expended just under \$2.4 billion to provide decent and affordable housing, and to aid in the recovery from the impact of Hurricane Sandy, to the citizens of New York State.
- Federal program appropriations and fees accounted for approximately 92.8% of the Corporation's revenue and approximately 93.1% of its expenditures, while New York State appropriations were responsible for approximately 6.6% of revenues and approximately 6.5% of expenditures. Private donations to support Hurricane Sandy recovery efforts accounted for approximately .3% of the Corporation's revenue and approximately .1% of expenditures.
- Investment revenue decreased by approximately \$23,600, or approximately 13% from 2013. This was primarily due to the continuing decline of overall investment rates of return.

Using This Annual Report

This annual report consists of three financial statements: statement of net position, statement of revenues, expenses, and changes in net position, 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 the 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 statement of net position, statement of revenues, expenses, and changes in net position, 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.

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

Management's Discussion and Analysis
March 31, 2014 and 2013

Using This Annual Report- Continued

Reporting on the Corporation - Continued

These three statements report the Corporation's net position 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 position, 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 position 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.

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 subsidies 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 position increased from one year ago, increasing overall by approximately \$8.5 million this year, or approximately 3.7%. This increase was primarily attributable to an increase in receipts of State appropriations and Federal Disaster Recovery appropriations. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) from the Corporation's activities.

**Table 1
Net Position (in millions)**

	March 31,	
	2014	2013
Cash, investments and assets held in escrow	\$ 295.63	\$ 250.78
Cash advanced to others	11.23	-
Receivable from the State of New York	-	0.04
Receivable from U.S. HUD	11.00	6.34
Accounts receivable	0.21	-
Notes and interest receivable, net	5.84	8.71
Total assets	323.90	265.88
Accounts and awards payable	35.57	5.40
Funds held on behalf of others	23.91	17.31
Postemployment benefits other than pensions	2.18	1.71
Other liabilities	27.12	14.87
Total liabilities	88.78	39.29
Net position		
Restricted	199.35	189.18
Unrestricted	35.77	37.41
Total net position	\$ 235.12	\$ 226.58

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

Management's Discussion and Analysis
March 31, 2014 and 2013

Using This Annual Report- Continued

The Corporation's Overall Financial Condition - Continued

Restricted Net Position - 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 position this year reflects an increase from 2013 of approximately \$10.17 million, or 5.4%.

Unrestricted Net Position - represents the portion of net position that can be used to finance day-to-day administrative expenditures or additional program awards beyond appropriated levels. Unrestricted net position decreased from 2013 by approximately \$1.64 million, or 4.4%.

**Table 2
Changes in Net Position (in millions)**

	Years Ended March 31,	
	2014	2013
Revenues		
Program revenue		
Federal programs	\$ 2,214.66	\$ 1,592.85
State programs	158.20	93.69
Donations	6.95	7.79
Other revenue		
Investments	0.16	0.19
Other	7.74	5.73
Total revenues	2,387.72	1,700.24
Expenses		
Federal programs	2,215.96	1,576.49
State programs	153.73	107.03
Donation program	1.74	7.78
Administrative and other expenses	7.76	0.84
Total expenses	2,379.19	1,692.13
Increase in net position	\$ 8.54	\$ 8.11

The Corporation's total revenues increased overall from last year by approximately 40%, or \$687.48 million, while the total cost of all programs and administration increased by approximately 41%, or \$687.06 million. These figures show that the Corporation received approximately \$8.53 million more than it spent this year, or approximately .3%, which reflects routine fluctuations in the volume of receipts and disbursements.

Revenue from federal programs increased overall by approximately \$621.81 million due primarily to an increase in funding for the Community Development Block Grant Disaster Recovery Program, which began during the fiscal year ended 2014. In addition, several other federal programs showed increases in funding. State program revenue was up by approximately \$64 million due primarily to an increase in funds available for the Medicaid Redesign Team Program and the addition of the new programs mentioned in the first page of this analysis. Other revenue increased from last year by approximately \$2.01 million, due to administrative income received from the Low Income Housing Trust Fund program and increased payments received on mortgage loans.

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

Management's Discussion and Analysis
March 31, 2014 and 2013

Using This Annual Report- Continued

The Corporation's Overall Financial Condition - Continued

The Corporation experienced an overall increase in expenditures this year by approximately \$687.06 million, or approximately 40.6%, due primarily to an increase in funding for the Community Development Block Grant Disaster Recovery Program, which began during the fiscal year ended 2014. In addition, several other federal programs showed increases in funding. Expenditures of the Corporation's federally-funded programs experienced an increase of approximately \$639.47 million, or 40.6% from the previous year, while expenditures of State funded programs increased by approximately \$46.7 million, or approximately 43.6% from the previous year. The Corporation's expenditures for administration and other expenditures increased this year by approximately \$6.9 million, largely due to a \$5.5 million increase in the provision for contingent loans.

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 is providing funding to the Corporation for its fiscal year April 1, 2014 through March 31, 2015, at approximately the same level overall as the previous year. Federal appropriation levels are expected to remain at current year levels as the \$1.7 billion of federal CDBG Program funds in connection with the disaster recovery efforts related to Hurricanes Sandy and Irene, and Tropical Storm Lee will continue into the fiscal year ending 2015. Expenditures are expected to remain roughly consistent with current levels for current programs due to the continued disaster recovery efforts.

Contacting the Corporation's Financial Management

This financial report is designed to provide the citizens of New York State, 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 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)

Statements of Net Position

	March 31,	
	2014	2013
ASSETS		
Cash, unrestricted	\$ 3,349,449	\$ 1,038,968
Cash, federal restricted	41,550,930	15,823,845
Cash, state restricted	11,469,495	7,363,186
Cash, donor restricted	5,197,688	24,232
Total cash	61,567,562	24,250,231
Cash advanced to others	11,230,996	-
Investments, unrestricted	35,940,267	39,279,010
Investments, federal restricted	47,892,225	62,889,631
Investments, state restricted	122,802,282	103,905,428
Total investments	206,634,774	206,074,069
Assets held in escrow	27,423,684	20,460,234
Due from other governments		
Appropriations from the State of New York	-	42,329
U.S. Department of Housing and Urban Development	10,997,730	6,336,849
Total due from other governments	10,997,730	6,379,178
Accounts receivable	205,278	-
Total current assets	318,060,024	257,163,712
Mortgage notes receivable, net	3,652,221	6,551,256
Accrued interest receivable, net	2,186,208	2,162,181
Total long-term assets	5,838,429	8,713,437
Total assets	\$ 323,898,453	\$ 265,877,149
LIABILITIES AND NET POSITION		
Accounts payable and accrued liabilities	\$ 3,120,240	\$ 2,316,881
Awards payable	32,453,523	3,084,829
Due to developers	707,282	1,360,821
Funds held on behalf of others	23,906,002	17,309,031
Due to other governments	26,412,412	13,513,554
Total current liabilities	86,599,459	37,585,116
Postemployment benefits other than pensions	2,178,690	1,707,093
Total liabilities	88,778,149	39,292,209
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Restricted for Federal Programs	61,471,898	75,495,686
Restricted for State Programs	132,650,710	113,668,199
Restricted by donor	5,230,587	14,232
Unrestricted	35,767,109	37,406,823
Total net position	235,120,304	226,584,940
Total liabilities and net position	\$ 323,898,453	\$ 265,877,149

See accompanying Notes to Financial Statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended March 31,	
	2014	2013
REVENUES		
Federal Section 8 Project - Based Contract Administration Program	\$ 1,192,931,664	\$ 1,126,798,226
Federal Community Development Block Grant Disaster Recovery	542,790,894	1,307,997
Federal Section 8 Housing Choice Voucher and related programs	413,066,389	408,909,895
Federal Community Development Block Grant Program	38,221,828	34,323,120
Federal Home Investments Partnerships Program	24,092,425	21,508,992
Federal Disaster Homeowner Assistance Program	3,560,175	-
Empire State Relief Fund Program donations	6,950,212	7,791,142
State of New York Programs	158,202,233	93,685,236
Investment income	161,793	185,375
Other	7,743,223	5,730,109
Total revenues	2,387,720,836	1,700,240,092
EXPENSES		
Federal Section 8 Project - Based Contract Administration Program	1,178,303,419	1,111,973,170
Federal Community Development Block Grant Disaster Recovery	542,850,017	1,307,997
Federal Section 8 Housing Choice Voucher and related programs	429,894,404	403,990,098
Federal Community Development Block Grant Program	37,260,287	36,564,833
Federal Home Investments Partnerships Program	24,092,425	21,522,348
Federal Assets for Independence Program	-	1,128,817
Federal Disaster Homeowner Assistance Program	3,560,175	-
Empire State Relief Fund Program	1,735,453	7,777,083
State of New York programs	153,727,159	107,026,980
Change in provision for contingent loans, net	2,875,010	(2,580,965)
Administrative	4,887,123	3,419,462
Total expenses	2,379,185,472	1,692,129,823
CHANGE IN NET POSITION	8,535,364	8,110,269
NET POSITION, <i>beginning of year</i>	226,584,940	218,474,671
NET POSITION, <i>end of year</i>	\$ 235,120,304	\$ 226,584,940

See accompanying Notes to Financial Statements.

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

Statements of Cash Flows

	Years Ended March 31,	
	2014	2013
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Sources of cash		
Federal programs	\$ 2,210,020,796	\$ 1,589,133,761
New York State programs	157,548,694	93,685,236
Other programs	14,488,157	13,521,251
Total sources of cash	<u>2,382,057,647</u>	<u>1,696,340,248</u>
Uses of cash		
Federal programs	(2,180,750,180)	(1,569,612,458)
New York State programs	(153,727,159)	(110,776,544)
Other programs	(9,497,586)	(8,615,580)
Total uses of cash	<u>(2,343,974,925)</u>	<u>(1,689,004,582)</u>
	38,082,722	7,335,666
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Investments, net	(398,912)	(3,432,011)
Increase in escrow accounts	(6,963,450)	(5,612,548)
Increase in funds held on behalf of others	6,596,971	2,828,410
	<u>(765,391)</u>	<u>(6,216,149)</u>
Net increase in cash	37,317,331	1,119,517
CASH, beginning of year	<u>24,250,231</u>	<u>23,130,714</u>
CASH, end of year	\$ 61,567,562	\$ 24,250,231
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net position	\$ 8,535,364	\$ 8,110,269
Adjustments to reconcile change in net position to net cash provided by operating activities		
Net investment income	(161,793)	(185,375)
Changes in		
Advances to others	(11,230,996)	-
Due from other governments	(4,618,552)	(370,586)
Accounts receivable	(205,278)	-
Mortgage notes and accrued interest receivables	2,875,008	(3,343,883)
Accounts payable and accrued liabilities	803,359	4,566
Awards payable	29,368,694	(2,672,818)
Due to developers	(653,539)	(3,749,564)
Due to other governments	12,898,858	9,134,171
Other postemployment benefits	471,597	408,886
	<u>\$ 38,082,722</u>	<u>\$ 7,335,666</u>

See accompanying Notes to Financial Statements.

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

Notes to Financial Statements
March 31, 2014 and 2013

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 initially created to administer low income housing programs within New York State. 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.
- Community Development Block Grant Program - to provide various housing and economic development activities to municipalities in New York State.
- Community Development Block Grant Program Disaster Recovery - in response to Hurricane Sandy, funding was appropriated to rebuild the affected areas and provide crucial seed money to start the recovery process.
- Home Investments Partnerships Program (HOME) - to provide funds for the construction and rehabilitation of low income housing.

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.
- Medicaid Redesign Team Program - to create new supportive housing opportunities through leveraging other public and private investments to maximize potential Medicaid savings.

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

Notes to Financial Statements
March 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. 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.

c. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. Mortgage Notes and Accrued Interest Receivables

The Corporation considers 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.

e. 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.

f. Property Acquisition

During the fiscal year ended March 31, 2014, the Corporation acquired various properties under the Disaster Recovery Buyout program totaling approximately \$78,467,000. As these properties will not be used for service delivery, the Corporation has valued them at the lower of cost or fair market value, similar to property held for redevelopment. The properties acquired under the Buyout program cannot be redeveloped, and it is anticipated that they will be transferred to the State of New York, or local governments to aid in environmental preservation. Accordingly, the Corporation has not assigned any value to Buyout properties.

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

Notes to Financial Statements
March 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

f. Property Acquisition - Continued

Properties acquired under the Disaster Recovery Acquisition program may be resold for development purposes. It is the Corporation's intention to dispose of Acquisition properties to qualified bidders under an auction process. There were no properties acquired under the Acquisition program during the fiscal year ended March 31, 2014. Properties acquired under the Acquisition program will be valued at the lower of cost or fair market value.

g. Restricted Net Position

Restricted net position of the Corporation at March 31, 2014 and 2013, consist of the following:

(a) Restricted Net Position - Federal

Restricted net position - 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 Position - State

Restricted net position - 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.

(c) Restricted Net Position - Donors

Restricted net position - Results from funds that accumulate over time from the Empire State Relief Program. These funds are restricted for allowable program expenses.

h. 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 applicable expenses are incurred. 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.

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

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

Notes to Financial Statements
March 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

i. 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.

j. 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.

k. Tax Status

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

l. New Accounting Pronouncements

GASB 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 statements 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.

GASB Statement No. 66, *Technical Corrections*. This statement establishes clarifications 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.

The Corporation fully adopted GASB Statements No. 65 and No. 66 as of April 1, 2014, and there were no significant impacts to the financial statements.

m. Subsequent Events

The Corporation has evaluated subsequent events for potential recognition or disclosure through June 26, 2014, the date the financial statements were available to be issued.

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

Notes to Financial Statements
March 31, 2014 and 2013

Note 2 - Cash, Restricted and Unrestricted

At March 31, 2014, the Corporation's bank balances with Chase Bank and Bank of America were fully insured by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name.

At March 31, 2014, the Corporation has approximately \$8.7 million in cash accounts deposited with M&T Bank that was not covered by federal depository insurance or collateral held by the Corporation's agent in the Corporation's name and, therefore, subject to custodial credit risk. M&T Bank has a short-term deposit credit rating of P-1 from Moody's and A- from S&P at March 31, 2014.

At March 31, 2013, 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.

Certain cash balances are restricted for programmatic purposes.

Note 3 - Investments, Restricted and Unrestricted

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

Certain investment balances are restricted for programmatic purposes

Note 4 - Cash Advanced to Others

Under the Disaster Recovery Buyout Program, the Corporation advanced Federally funded cash to a fiscal agent to perform closings on the various properties in the program. As of March 31, 2014, the Corporation advanced \$11,230,996 to the fiscal agent that had not yet been expended for the program. These funds are uncollateralized and held in the fiscal agent's account.

Note 5 - Assets Held in Escrow

Assets held in escrow include approximately \$9,980,000 and \$9,520,000 as of March 31, 2014 and 2013, respectively, 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).

Assets held in escrow also include approximately \$16,400,000 and 9,460,000 as of March 31, 2014 and 2013, respectively, held by the Corporation related to the Tax Credit Assistance Program. This program was closed out during the fiscal year ended March 31, 2012. Any loan repayments and interest payments received by the Corporation subsequent to the close-out are required to be placed in escrow and will be used for new awards.

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

Notes to Financial Statements March 31, 2014 and 2013

Note 5 - Assets Held in Escrow - Continued

In addition, 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 6 - Mortgage Notes and Accrued Interest Receivable

The Corporation administers numerous loan programs as described below. 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, 2014						
Program	Mortgage Notes Receivable	Allowance for Contingent Loans	Net Mortgage Notes Receivable	Accrued Interest Receivable	Allowance for Contingent Loans	Net Accrued Interest Receivable
HOME	\$ 171,437,623	\$ (170,798,563)	\$ 639,060	\$ 4,890,433	\$ (4,299,055)	\$ 591,378
Housing Assistance Fund	2,000,000	(2,000,000)	-	-	-	-
Housing Trust Fund	583,022,791	(580,470,071)	2,552,720	28,169,095	(26,833,010)	1,336,085
Homes for Working Families	124,332,734	(123,872,293)	460,441	3,684,678	(3,544,300)	140,378
Medicaid Redesign Team Program	18,444,082	(18,444,082)	-	-	-	-
Subsidy	27,369,472	(27,369,472)	-	2,127,517	(2,108,144)	19,373
Tax Credit Assistance	88,995,135	(88,995,135)	-	793,050	(734,360)	58,690
Turnkey	97,277,458	(97,277,458)	-	1,107,606	(1,067,302)	40,304
	<u>\$ 1,112,879,295</u>	<u>\$ (1,109,227,074)</u>	<u>\$ 3,652,221</u>	<u>\$ 40,772,379</u>	<u>\$ (38,586,171)</u>	<u>\$ 2,186,208</u>
March 31, 2013						
Program	Mortgage Notes Receivable	Allowance for Contingent Loans	Net Mortgage Notes Receivable	Accrued Interest Receivable	Allowance for Contingent Loans	Net Accrued Interest Receivable
HOME	\$ 159,102,285	\$ (158,463,225)	\$ 639,060	\$ 4,629,899	\$ (4,024,109)	\$ 605,790
Housing Assistance Fund	2,000,000	(2,000,000)	-	3,575	-	3,575
Housing Trust Fund	551,523,777	(549,934,713)	1,589,064	27,526,332	(26,124,974)	1,401,358
Homes for Working Families	111,382,140	(110,716,099)	666,041	3,142,330	(3,115,008)	27,322
Medicaid Redesign Team Program	7,300,000	(7,300,000)	-	-	-	-
Subsidy	27,594,472	(27,594,472)	-	2,008,530	(1,989,530)	19,000
Tax Credit Assistance	94,980,652	(91,323,561)	3,657,091	473,893	(415,814)	58,079
Turnkey	95,320,364	(95,320,364)	-	1,114,014	(1,066,957)	47,057
	<u>\$ 1,049,203,690</u>	<u>\$ (1,042,652,434)</u>	<u>\$ 6,551,256</u>	<u>\$ 38,898,573</u>	<u>\$ (36,736,392)</u>	<u>\$ 2,162,181</u>

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

Notes to Financial Statements
March 31, 2014 and 2013

Note 7 - Funds Held on Behalf of Others

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 funds held by the Corporation for the Federal Section 9 Housing Choice Voucher and FSS programs amounted to \$4,318,498 and \$7,845,432 at March 31, 2014 and 2013, respectively, and is included in restricted cash and restricted investments.

The Corporation held funds for the Disaster Housing Assistance Program as the program advanced all funding for the program during fiscal year ended March 31, 2014. The remaining amount of funding is expected to be spent before December 31, 2014, when the program ends, at which point any remaining funds will be due back to HUD. The amount of funds restricted for the Disaster Housing Assistance Program at March 31, 2014, was \$3,175,834.

The Corporation administers the Tax Credit Assistance Program (TCAP), which ended during the fiscal year ended March 31, 2013. TCAP funds collected by the Corporation of \$16,411,670 are reported as held on behalf of others as they are expected to be repaid to the Federal government.

Note 8 - 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 \$471,597 and \$408,886 for the years ended March 31, 2014 and 2013, respectively.

The number of participants was as follows:

	March 31,	
	2014	2013
Active	120	42
Retirees and dependents	3	1
Total	123	43

- 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.

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

Notes to Financial Statements
 March 31, 2014 and 2013

Note 8 - Postemployment Benefits Other Than Pensions - Continued

- 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:

	March 31,	
	2014	2013
Annual required contribution	\$ 534,789	\$ 438,678
Interest on net OPEB obligation	53,125	53,941
Amortization of net OPEB obligation	(88,360)	(76,495)
Annual OPEB cost/expense	499,554	416,124
Contribution made on a pay-as-you-go basis	(27,957)	(7,238)
Increase in net OPEB obligation	471,597	408,886
Net OPEB obligation, beginning of year	1,707,093	1,298,207
Net OPEB obligation, end of year	\$2,178,690	\$1,707,093

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,	
	2014	2013
Annual OPEB cost	\$ 471,597	\$ 416,124
Contribution for year ended March 31	27,957	7,238
Contribution as a percentage of required contribution	5.93%	1.74%

- d. *Funded Status and Funding Progress* - The actuarial accrued liability for benefits was \$4,007,297 as of March 31, 2014, 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	3.112%
2014 Drug trend rate	7.5%
2014 Medical trend rate (Medicare Eligible)	5.5%
2014 Medical trend rate (Non-Medicare Eligible)	9%
Actuarial cost method	Projected Unit Credit Method

Housing Trust Fund Corporation
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Notes to Financial Statements
 March 31, 2014 and 2013

Note 9 - Commitments and Contingencies

a. Remaining Unexpected Commitments

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

	March 31,	
	2014	2013
Obligated agreements	\$ 16,133,714,451	\$ 13,634,110,641
Expended	15,939,390,836	13,437,075,891
Remaining unexpended commitments	\$ 194,323,615	\$ 197,034,750

b. Disaster Recovery Buyout and Acquisition Program

The Corporation's administration of Buyout and Acquisition properties will require additional costs including demolition and removal of existing structures, site remediation, infrastructure improvements, general property maintenance, and costs associated with disposition. The Corporation has not estimated the future costs to be incurred associated with Buyout and Acquisition properties; however, the Corporation believes these costs to be reimbursed by the Federal government under the Disaster Recovery program.

c. 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.

d. Federal Programs

The Corporation receives significant financial assistance from the Federal government in the form of grants and entitlements. Receipt of grants is generally conditioned upon compliance with the terms and conditions of grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all Federal grants are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal government, or their designee. Disallowances by Federal program officials as a result of these audits may become liabilities of the Corporation.

Note 10 - Transactions with DHCR

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 \$1,290,707 and \$2,613,577 for the years ended March 31, 2014 and 2013, respectively. The Corporation's total liability to DHCR for administrative expenses at March 31, 2014 and 2013, was \$11,789,349 and \$13,476,021, respectively, and is included within Due to Other Governments on the accompanying statements of net position.

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

Notes to Financial Statements
March 31, 2014 and 2013

Note 11 - New Accounting Pronouncements Issued Not Yet Implemented

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for periods beginning after June 15, 2014, with early implementation encouraged.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations, including mergers and acquisitions. This statement requires disclosures to be made that will enable financial statement users to evaluate the nature and financial effect of those transactions. This statement is effective for periods beginning after December 15, 2013, with earlier application encouraged.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more-likely-than-not that the government will be required to make a payment on the guarantee. An obligation guaranteed in a nonexchange transaction will need to be reported until it is legally released as an obligor. This statement is effective for periods beginning after June 15, 2013, with earlier application encouraged.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This statement addresses an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of the statement are to be adopted simultaneously with statement No. 68.

The Corporation's management is not able to estimate the extent of the potential impact of these statements on the financial statements.

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

Notes to Financial Statements
March 31, 2014 and 2013

Note 12 - Subsequent Event

During August 2014, the Corporation discovered it had overstated its Federal Community Development Block Grant Disaster Recovery revenues and expenses by approximately \$133,656,000, which resulted in a restatement of the previously issued report. The previously issued report had Federal Community Development Block Grant Disaster Recovery revenues and expenses totaling approximately \$676,447,000. The restatement did not impact the Corporation's net position as of and for the year ended March 31, 2014.

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

Required Supplementary Information
Schedule of Funding Progress

Schedule of Funding Progress for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
March 31, 2014	\$ -	\$ 4,007,297	\$ 4,007,297	0.00%	\$ 5,563,155	72%
March 31, 2011	-	3,358,042	3,358,042	0.00%	\$ 2,248,001	149%

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position 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, 2014, and the related statements of revenues, expenses, and change in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* (2014-01).

We noted certain matters that we reported to management of the Corporation in a separate letter dated June 26, 2014.

The Corporation's Responses to Findings

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

SaxBST LLP

Albany, New York
June 26, 2014

**Housing Trust Fund Corporation
(a Component Unit of the State of New York)**

Schedule of Findings and Responses
Year Ended March 31, 2014

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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? _____ X Yes _____ No

Section II - Financial Statement Audit Finding

None noted.

Section III - Compliance Finding

2014-01 Collateralization of Bank Deposits

Criteria: In accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York, deposits shall be secured by the Federal Deposit Insurance Act to the extent available and then by either a pledge of eligible securities, or by eligible surety bonds.

Condition: Approximately \$19.9 million dollars of the Corporation's deposits were exposed to custodial credit risk at March 31, 2014, as they were not covered by FDIC insurance or eligible collateral arrangements. Of this amount, approximately \$11.2 million dollars were held by the Corporation's Title Insurance Company to be used for future closings under the Home Buyout/Acquisition programs.

Cause: On March 31, 2014, the Corporation's GOSR staff requested a large draw from HUD with the expectation that funds would be transferred to the NYS Department of Homeland Security and Emergency Services (DHSES) under the Infrastructure Program by 4 p.m. that day. The State's Treasury, who acts as the custodian of Corporation funds and is responsible for maintaining collateral positions had been advised of this situation and that this was the expectation. Treasury's deadline to collateralize is noon. The Corporation's Finance Unit was in contact that day with DHSES, whose staff was attempting to verify the amounts drawn by GOSR, however, DHSES was only able to verify a portion of the draw and only a portion of the funds received were wired to DHSES on the afternoon of March 31, leaving the remaining portion uncollateralized. Treasury remedied this situation the next morning by collateralizing the deposits.

Currently, the Corporation does not have any policies or procedures to ensure cash held at the Title Insurance Company are collateralized.

Effect: The Corporation was not in compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York regarding collateralization of deposits.

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

Schedule of Findings and Responses
Year Ended March 31, 2014

Section III - Compliance Finding - Continued

2014-01 Collateralization of Bank Deposits - Continued

Recommendation: The Corporation should work with its Custodian and Title Insurance Company to ensure deposits beyond FDIC insurance levels are secured in accordance with New York State law.

Views of Responsible Officials and Planned Corrective Actions: The Corporation will continue to work with Treasury to ensure that all deposits are properly collateralized. Going forward, particularly as it relates to significant draws at period end, the Corporation's Finance unit will maintain communication with Treasury regarding any incoming deposits that will not be disbursed the same day.

The Governor's Office of Storm Recovery (GOSR) has asked that its title insurance escrow agent arrange for collateralization of all funds on deposit. The agent has agreed, and will begin collateralizing GOSR funds in June 2014. It is expected that all funds on deposit with the escrow agent will be collateralized in July 2014.



Thinking Differently / Achieving More

June 26, 2014

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) (a component unit of the State of New York) for the year ended March 31, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for 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,

SaxBST LLP

A handwritten signature in black ink that reads 'Paul M. Petell'. The signature is written in a cursive style with a large initial 'P'.

Paul M. Petell, Partner

PMP/dmc

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

Communication With Those Charged With Governance
Year Ended March 31, 2014

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities and the Planned Scope and Timing of the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated February 27, 2014.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Corporation. Following is a description of accounting policies that were adopted during the year for the purpose of adhering to elements of accounting principles generally accepted in the United States of America (U.S. GAAP).

GASB 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 statements 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.

GASB Statement No. 66, *Technical Corrections*. This statement establishes clarifications 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.

The adoption of these accounting standards did not significantly impact the Corporation's financial statements.

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

Communication With Those Charged With Governance
Year Ended March 31, 2014

Accounting Policies and Practices - Continued

Significant or Unusual Transactions

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

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A, Summary of Significant Accounting Estimates.

Audit Adjustments

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

Uncorrected Misstatements

Uncorrected misstatements are summarized in the attached in Exhibit C, Summary of Uncorrected Misstatements.

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 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

Following is a description of a significant issue arising from the audit that was discussed with management:

We discussed with management the administration of the Community Development Block Grant Disaster Recovery Program, which was implemented during the fiscal year ended March 31, 2014. As a result, we determined it necessary to modify our audit approach from prior years to incorporate testing of Disaster Recovery processes and controls.



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

Communication With Those Charged With Governance
Year Ended March 31, 2014

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting

Our consideration of internal control over financial reporting was for the limited purpose of expressing an opinion on the financial statements, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Corporation, including the representation letter provided to us by management, are attached as Exhibit D.

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

SaxBST LLP



Paul M. Petell, Partner

PMP/dmc



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

Summary of Significant Accounting Estimates
Year Ended March 31, 2014

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 determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Corporation's March 31, 2014, financial statements:

Estimate	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 management with the assistance of a third party specialist using actuarial assumptions applied to participant census and plan information.

We have evaluated management's significant accounting estimates noted above as part of our audit, and concluded that management's estimates and the estimation process appear reasonable in the context of the financial statements taken as a whole.

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

Summary of Recorded Audit Adjustments
Year Ended March 31, 2014

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
To restrict DHAP revenue that has not been expended	\$ -	\$ 3,175,834	\$ -	\$ (3,175,834)	\$ -
To reverse liabilities that were double accrued for	-	(3,100,749)	-	3,100,749	-
To record cash advanced to others for buyout program *	<u>11,230,996</u>	<u>11,230,996</u>	-	<u>(11,230,996)</u>	<u>(11,230,996)</u>
 Total Statement of Revenues, Expenses, and Changes in Net Position Effect			<u>(75,085)</u>	<u>\$ (11,306,081)</u>	<u>\$ (11,230,996)</u>
 Total Statement of Net Position Effect	<u>\$ 11,230,996</u>	<u>\$ 11,306,081</u>	<u>\$ (75,085)</u>		

* Entry was provided by client.

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

Summary of Uncorrected Misstatements Year Ended March 31, 2014

During the course of our audit, we accumulated uncorrected misstatements 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.

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
<u>Cumulative Carryover Impact From Previous Years</u>					
Due to DHCR for contract administration	\$ -	\$ -	\$ (288,550)	\$ -	\$ (288,550)
Vacation time	-	-	(302,475)	-	(302,475)
<u>Current Year Uncorrected Misstatements</u>					
Due to DHCR for contract administration	-	361,623	-	-	361,623
Accrued Payroll	-	517,193	-	-	517,193
Vacation time	-	527,546	-	-	527,546
Cumulative Statement of Revenues, Expenses, and Changes in Net Position Effect			<u>(815,337)</u>	<u>\$ -</u>	<u>\$ 815,337</u>
Cumulative Statement of Net Position Effect			<u>\$ -</u>	<u>\$ 1,406,362</u>	<u>\$(1,406,362)</u>

**Housing Trust Fund Corporation
(a Component Unit of the State of New York)**

Significant Written Communications
Between Management and our Firm
Year Ended March 31, 2014

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 26, 2014

SaxBST LLP
26 Computer Drive West
Albany, New York 12205

This representation letter is provided in connection with your audit of the financial statements of the Housing Trust Fund Corporation (Corporation) (a component unit of the State of New York) which comprise the statement of net position as of March 31, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. 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 audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated February 27, 2014, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and 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.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have informed you of all uncorrected misstatements.

As of and for the year ended March 31, 2014, we believe that the effects of the uncorrected misstatements 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.

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
<u>Cumulative Carryover Impact From Previous Years</u>					
Due to DHCR for contract administration	\$ -	\$ -	\$ (288,550)	\$ -	\$ (288,550)
Vacation time	-	-	(302,475)	-	(302,475)
<u>Current Year Uncorrected Misstatements</u>					
Due to DHCR for contract administration	-	361,623	-	-	361,623
Accrued Payroll	-	517,193	-	-	517,193
Vacation time	-	527,546	-	-	527,546
Cumulative Statement of Revenues, Expenses, and Changes in Net Position Effect			(815,337)	\$ -	\$ 815,337
Cumulative Statement of Net Position Effect	\$ -	\$ 1,406,362	\$ (1,406,362)		

9. 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 (GASB) Codification of Governmental Accounting and Financial Reporting Standards.
10. We are an other 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 GASB's Codification of Governmental Accounting and Financial Reporting Standards.
11. 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.
12. We believe that the actuarial assumptions and methods used to measure postretirement benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

13. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
14. All transactions have been recorded in the accounting records and are reflected in the financial statements.
15. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
16. We have no knowledge of allegations of fraud or suspected fraud, affecting the Corporation's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements received in communications from employees, former employees, regulators, or others.
18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
19. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
20. We have disclosed to you the identity of the Corporation's related parties and all related-party relationships and transactions of which we are aware.
21. 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.
22. We have provided you with communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
23. We know of no violations of state or federal statutory or regulatory provisions, grants or other contractual provisions, or of provisions of local ordinances.

24. 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.
25. Net positions (restricted and unrestricted) are properly classified and, when applicable, approved.
26. Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.
27. Revenues are appropriately classified in the statement of revenues, expenses and changes in net position within program revenues and general revenues.

Government Auditing Standards

28. We are responsible for compliance with laws and regulations applicable to the Corporation, including the requirement of adopting, approving, and amending budgets.
29. We have identified and disclosed to you:
 - a. 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.
 - b. Violations and possible violations of laws, regulations, and provisions of contracts and other agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
30. We have taken timely and appropriate action to evaluate and address fraud, illegal acts, violations of provisions of contracts or other agreements, or abuse that has been reported.
31. We have implemented a process to track the status of audit findings and recommendations.
32. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
33. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report, if any.
34. We have reviewed, approved, and take full responsibility for all adjustments, the financial statements, related notes, and required supplementary information and acknowledge the auditor's role in the preparation of this information.

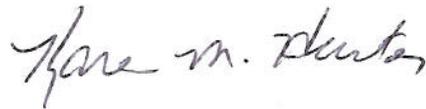
Supplementary Information

35. With respect to the required supplementary information presented as required by GASB to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.

- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
36. During the course of your audit, you may have accumulated records containing data that 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.

Very truly yours,

HOUSING TRUST FUND CORPORATION



Karen M. Hunter
Treasurer

Andrew M. Cuomo
Governor



Darryl C. Towns
Chairperson

New York State Housing Trust Fund Corporation

Hampton Plaza
38-40 State St.
Albany, NY 12207

September 2, 2014

SaxBST LLP
26 Computer Drive West
Albany, New York 12205

This representation letter is provided in connection with your audit of the reissued financial statements of the Housing Trust Fund Corporation (Corporation) (a component unit of the State of New York) which comprise the statement of net position as of March 31, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. 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 audit:

1. All representations made in our June 26, 2014, letter addressed to you in relation to our financial statement audit are hereby reconfirmed.
2. No other events have occurred subsequent to the original June 26, 2014, date of the financial statements that would require adjustment to, or disclosure in, those financial statements.
3. We agree with the restatement of the previously issued financial statements as discussed in Note 12. In that regard:
 - a. The restatement corrects an error in those financial statements.
 - b. We were not aware of the error when those financial statements were issued.
 - c. We are not aware of any other errors in those financial statements.
4. We do not believe it is necessary to recall those financial statements and all users of those financial statements will receive a copy of the current year's financial statements and independent auditor's report.

Very truly yours,
HOUSING TRUST FUND CORPORATION

A handwritten signature in cursive script that reads "Karen M. Hunter".

Karen M. Hunter
Treasurer

June 26, 2014

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 observations and recommendations 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, 2014. These observations 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 Observations

1. Cash Management

Criteria: The Corporation administers a number of programs that are funded using Federal dollars. Organizations that are funded by Federal dollars on the reimbursement basis must pay program costs before reimbursements are requested from the Federal government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. At various points during the year, we observed the Corporation with cash in excess of current disbursement needs. Based on our discussions with management, excess cash typically stems from the unpredictable nature of property acquisition closings, the signing of repair/reimbursement grant agreements, and reconciliation/communication issues with the New York State Department of Homeland Security and Emergency Services (DHSES).

Recommendation: We acknowledge the need to have cash on hand in advance of certain expenditures given the Corporation's programmatic responsibilities; however, we do recommend the Corporation work with the Federal government to conclude on the reasonable policy for cash management that does not interfere with program delivery. We also recommend the Corporation verify infrastructure reimbursements are reconciled by DHSES prior to drawing down Federal funds.

2. Check Generation

Observation: The Corporation generates checks for program participants prior to signing finalized grant agreements under the Repairs and Reimbursement programs. As a result, a significant number of checks are voided due to time elapsing between the date of generation and the check expiration, or because of changes to the program participant's eligibility criteria, including willingness to participate in the program. Additionally, a significant number of uncashed checks are held by the Corporation in anticipation of finalizing grant agreements with program personnel.

The generation of checks in advance of finalized program eligibility determinations may put the Corporation at risk of expending Federal dollars to ineligible participants, fraud, or theft. Additionally, this process appears to place additional burden on administrative resources within the Corporation. We also consider this observation to be a driver of the cash management finding noted above.

Recommendation: We recommend that the Corporation reexamine its cash disbursement process to minimize the number of outstanding and voided checks.

3. Land Acquisition - Home Buyout Program

Observation: Under the Home Buyout Program, the Corporation has acquired disaster prone property that cannot be developed in the future. It is expected that some properties will require future maintenance expenditures while under the Corporation's ownership.

Recommendation: We recommend the Corporation remain proactive in developing its planned approach to maintaining acquired property as well as identifying the necessary funding sources.

4. Land Acquisition - Acquisition Program

Observation: Under the Acquisition Program, the Corporation has acquired property that is held for resale to qualifying developers. The Corporation's sale of property acquired using Federal dollars will result in Program Income. Generation of Program Income will require separate tracking for Federal compliance purposes.

Recommendation: We recommend the Corporation examine its processes and controls surrounding the administration of Program Income to ensure they will remain in compliance with Federal requirements.

Schedule of Prior Year Findings

Comment	Observation	Status
Signature Authority	During the course of our review of the controls over cash, we noted that the Assistant Treasurer continues to be the only fiscal officer with signature authority. While a secondary fiscal signatory designee has authority to sign certain documents, that individual may not exercise that authority unless a programmatic officer signs the document. Although we did not note any instances of documents being signed improperly, there may be instances where delays in payments could occur when the fiscal officer is absent for vacation or other reasons.	The Corporation has named a Treasurer, Assistant Treasurer, and a fiscal signatory designee during the fiscal year ended 2014.
Due from New York State	The Corporation has had a receivable on its books for approximately \$42,000 since 1989, an amount which is not significant to the financial statements.	The Corporation has made the appropriate general ledger entries to write off the receivable from 1989.



Comment	Observation	Status
Mortgages and Accrued Interest Receivable	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.	The Corporation's Financial Managers will re-examine this issue as additional staff are made available to the mortgage servicing function to determine a process that will allow for a more streamlined follow-up.
Mortgages and Accrued Interest Receivable	During our testing of the mortgages receivable, we noted thirty loans that have matured prior to March 31, 2014. 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's legal department is in the process of renewing these loans and has been successful in renewing a portion of the loans.	The Corporation's legal staff is actively reviewing the remaining individual loan contracts in question. It should be noted that the prepaid 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 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 term at the rate of 1% annually, similar to the majority of the existing Corporation loans in the other programs.
Mortgages and Accrued Interest Receivable	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.	The collection of nearly all the 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 the real estate values and interest rates three decades in the future. In addition, the administration has determined that it would be inappropriate to deprive subsequent administrations of the ability to make decisions regarding the course of action that they deem to be in the best interest of the State or the program's low income constituents.

Comment	Observation	Status
Due to Developers	The Corporation has \$707,282 of developer money. Two developers requested money from the account while seven others have remained inactive for many years. The inactive accounts total \$592,785, an amount which is not significant to the financial statements.	The Corporation continues to confer with Program management to determine if action can be taken on any inactive accounts.

This letter is solely for the information and use of the Board of Directors, 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,

SAXBST LLP



Paul M. Petell, Partner



New York State
Housing Trust Fund Corporation

MEMORANDUM

To: Members of the Board

From: Karen M. Hunter, Treasurer

Date: June 26, 2014

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.

Current Year Observations

- The Cash Management, Check Generation, Land Acquisition – Home Buyout Program and Land Acquisition – Acquisition Program Observations have been referred to the Governor's Office of Storm Recovery (GOSR) Management to review and consider as GOSR moves forward with program implementation.