MINUTES OF THE 30th MEETING OF THE
NEW YORK STATE AFFORDABLE HOUSING CORPORATION
AUDIT COMMITTEE
HELD ON JUNE 14, 2011 AT 1:08 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022

MEMBERS AND DESIGNEES

PRESENT:

Thomas H. Mattox	Department of Taxation and Finance, Commissioner, Member
Royce A. Mulholland	Member
Elaine McCann	Division of the Budget, representing Robert Megna, Member (via video conference)

Karen A. Phillips, Vice Chairperson of State of New York Mortgage Agency ("SONYMA"), attended and chaired the meeting; Joy F. Willig, the Agencies' Senior Vice President and Counsel, acted as Secretary. The meetings of the Audit Committees were opened in joint session for the consideration of various matters of shared importance. These minutes reflect only those items being considered by the Members of the New York State Affordable Housing Corporation. A record of items considered by the other Agencies' Audit Committees is contained in the minutes of each Committee respectively.

Vice Chairperson Phillips noted that noted that Elaine McCann was participating in the meeting video conference from the New York State Division of Budget conference center at the Capital Building, Room 143, in Albany. A public notice was given of the time and locations of both venues.

Aida Brewer, Deputy Commissioner and Treasurer, Department of Taxation and Finance; Don Lebowitz, Director of SONYMA; Marge Rogatz, Director of SONYMA; David J. Sweet, Director of SONYMA; Darryl C. Towns, Commissioner of Division of Housing and Community Renewal ("DHCR") and Director of SONYMA; and Steven J. Weiss, Member of New York State Affordable Housing Corporation ("AHC") and New York State Housing Finance Agency ("HFA"), attended the meeting as guests.

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The first item on the agenda was the adoption of the minutes of the 29th New York State Affordable Housing Corporation ("AHC") Audit Committee held on April 27, 2011. Absent comments or corrections from the Members, the minutes were deemed approved.

Ms. Willig noted for the record the 1:25 P.M. arrival of Royce A. Mulholland, Member of AHC.

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The next item on the agenda was a resolution approving the New York State Affordable Housing Corporation's ("AHC") audited financial statements for the fiscal year ending March 31, 2011. Gary Weinstock, Vice President/Comptroller presented a summary of financial statements, and highlighted certain information contained in the materials provided in connection with this item, which materials are incorporated herein by reference. He stated that draft financial statements sent to the Members in advance of this meeting had been revised. He stated that the financial statements for the year ended March 31, 2011 were audited by Ernst & Young, appointed by the Committee last year as AHC's independent auditor, adding that the financial statements for the previous fiscal year were audited by Deloitte & Touche LLP. Mr. Weinstock stated that as a result of the restated restricted net assets, the March 31, 2010 statements were not being presented for comparative purposes in this report. Mr. Weinstock said that the restatement concerned the interpretation of the Governmental Accounting Standards Board Statement No. 33 – Accounting and Financial Reporting for Non-Exchange Transactions ("GASB No. 33") concerning undisbursed grant funds as of March 31, 2010. He stated that the previous accounting treatment had been to view appropriation money as pass-through grant funds; therefore, any spent appropriation funds left on deposit as a net were recorded as a liability. He stated that the new auditors, Ernst & Young, have advised that AHC appropriation money would be more accurately categorized as a non-exchange transaction and, therefore, should be recorded as a restricted net asset. Mr. Weinstock stated that, accordingly, appropriation money, as well as recaptured and repaid funds, now flowed through the income statement as revenue when received, and expense at the time of disbursement. He stated that this defined a non-exchange transaction because state appropriation to AHC does not require AHC to exchange anything with the State or repay the funds; however, it is an AHC requirement to use the funds for program purposes as allowed by the State.

Mr. Weinstock next presented a summary of financial highlights for fiscal year ended 2011. He stated that for fiscal 2011, as in fiscal 2010, the State appropriated $25 million to AHC. He stated that in fiscal 2010, AHC awarded $40 million in grants to purchase or renovate housing for low and moderate-income people. He stated that in fiscal 2011, AHC awarded approximately $32.2 million in grants from 2011 state-appropriated funds, combined with recaptured funds from prior-years' unused grants, and noted that the decrease was due to the lower state appropriation in fiscal 2011 and fiscal 2010, compared to fiscal 2009. He stated that disbursed housing grants decreased from $25.5 million in fiscal 2010 to $23 million in fiscal 2011. He stated that in fiscal 2011, AHC received $1.2 million in repaid or recaptured funds from homeowner's, compared with $2 million in fiscal 2010. Mr. Weinstock stated that, in addition to available investment earnings, AHC continues to receive $275,000 each year from the state to pay administrative expenses of its programs. He stated that in 2011, fees together with accumulated earnings were sufficient to cover the expenses of AHC.

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Mr. Weinstock next introduced David Milkosky of Ernst & Young who stated that required communications were discussed in detail at the January 27 meeting. He stated that for each additional issuance of supplemental financial statements, the auditors issue statements of compliance with all procedures after receipt of a letter from counsel and a representation letter, and that the auditors were ready to issue such statements. Mr. Milkosky then introduced his colleague, Louis Roberts, who stated that Ernst & Young will be issuing an unqualified opinion which is a "clean opinion". He stated that the auditors did not identify any material weaknesses or significant deficiencies as they evaluated internal controls. He added that Ernst & Young is an independent firm and performs only audits; the firm does not perform advisory or consultant services

Ms. McCann moved to adopt the resolution; Mr. Mattox seconded the motion, and the following resolution was adopted:

A RESOLUTION OF THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION AUDIT COMMITTEE APPROVING THE CORPORATION'S AUDITED FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDING MARCH 31, 2011.

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There being no unfinished business, Vice Chairperson Phillips moved to adjourn; Mr. Mattox seconded the motion, and the meeting was adjourned at 1:35 P.M.

Secretary