

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

FINANCIAL REPORT

March 31, 2011 and 2010

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Housing Trust Fund Corporation
Albany, New York

We have audited the accompanying balance sheets of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, as of and for the years ended March 31, 2011 and 2010, and the related statements of revenue, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2011, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Bollam Sheedy Torani & Co LLP

Albany, New York
June 27, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- The Corporation's net assets increased by about \$26.68 million, or about 12.78% from 2010 as a result of the current year's operations. In addition, the Corporation's net assets increased \$262,232, or about .01% from 2010, as a result of a prior period adjustment.
- During the year, the Corporation's revenue from State and Federal appropriations and contracts totaled just over \$1.69 billion, while it expended just over \$1.66 billion to provide decent and affordable housing to the citizens of New York State.
- Federal program appropriations and fees accounted for about 95.45% of the Corporation's revenue and about 93.53% of its expenditures, while New York State appropriations were responsible for about 4.31% of revenues and about 6.33% of expenditures.
- Investment income decreased by about \$224,000, or about 34.38% from 2010. This was primarily due a continuing decrease in overall investment rates of return.

USING THIS ANNUAL REPORT

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

Reporting on the Corporation

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT - Continued

Reporting on the Corporation - Continued

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

The Corporation's Overall Financial Condition

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

Table 1
Net assets (in millions)

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT - Continued

The Corporation's Overall Financial Condition - Continued

Table 2
Changes in net assets (in millions)

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

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

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

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

ECONOMIC FACTORS ON FUTURE OPERATIONS

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

Expenditures are expected to remain roughly consistent with current levels.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

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

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

BALANCE SHEETS

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

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

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

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

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

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

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

STATEMENTS OF CASH FLOWS

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

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

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

NOTES TO FINANCIAL STATEMENTS
March 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

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

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 and Related Programs - to provide low income housing rental subsidy to qualified individuals. Related programs are the five-year mainstream program and the moderate rehabilitation program.
- Tax Credit Assistance Program - to provide funds for capital investments in low-income housing tax credit projects, pursuant to a federal formula-based allocation.
- Community Development Block Grant Program - to provide various housing and economic development activities to municipalities in New York State.
- Home Investments Partnerships Program (HOME) - to provide funds for the construction and rehabilitation of low income housing.

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

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

NOTES TO FINANCIAL STATEMENTS
March 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Significant Accounting Policies

i. Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies consistently applied in the preparation of the financial statements follows:

ii. Estimates

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

iii. Mortgage Notes and Accrued Interest Receivables

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

iv. Investments

The investment policy of the Corporation follows the guidance of New York State Law and stipulates that the Corporation may invest in obligations of the State of New York, the United States government, repurchase agreements, or money market deposit accounts. Repurchase agreements must be collateralized by obligations guaranteed by the United States government, which are equal in value to the repurchase agreement. The agreements shall not exceed sixty days and payment shall be made only upon delivery of collateral to the Corporation's agent. All investments and related collateral are held by the Corporation's agent in the Corporation's name.

v. Revenue Recognition

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

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

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

NOTES TO FINANCIAL STATEMENTS
March 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. Significant Accounting Policies - Continued

vi. Appropriations from the State of New York

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

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

vii. Federal Grants

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

viii. Tax Status

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

ix. Subsequent Events

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

NOTE 2 - CASH, RESTRICTED AND UNRESTRICTED

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

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

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

NOTES TO FINANCIAL STATEMENTS
March 31, 2011 and 2010

NOTE 3 - INVESTMENTS, RESTRICTED AND UNRESTRICTED

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

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

NOTE 4 - ASSETS HELD IN ESCROW

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

NOTE 5 - MORTGAGE NOTES AND ACCRUED INTEREST RECEIVABLE

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

Program	March 31, 2011					
	Mortgage Notes Receivable	Allowance for Contingent Loans	Net Mortgage Notes Receivable	Accrued Interest Receivable	Allowance for Contingent Loans	Net Accrued Interest Receivable
HOME	\$ 139,498,299	\$ (138,859,239)	\$ 639,060	\$ 3,720,109	\$ (2,985,411)	\$ 734,698
Housing Trust Fund	503,150,433	(499,309,758)	3,840,675	23,001,106	(21,726,334)	1,274,772
Homes for Working Families	83,694,874	(82,573,040)	1,121,834	2,000,653	(1,951,687)	48,966
Subsidy	27,474,472	(27,474,472)	-	1,915,264	(1,880,852)	34,412
Tax Credit Assistance	69,177,667	(69,177,667)	-	-	-	-
Tumkey	95,567,234	(95,516,595)	50,639	582,491	(579,598)	2,893
	<u>\$ 918,562,979</u>	<u>\$ (912,910,771)</u>	<u>\$ 5,652,208</u>	<u>\$ 31,219,623</u>	<u>\$ (29,123,882)</u>	<u>\$ 2,095,741</u>
Program	March 31, 2010					
	Mortgage Notes Receivable	Allowance for Contingent Loans	Net Mortgage Notes Receivable	Accrued Interest Receivable	Allowance for Contingent Loans	Net Accrued Interest Receivable
HOME	\$ 131,085,403	\$ (130,483,223)	\$ 602,180	\$ 3,164,515	\$ (2,564,538)	\$ 599,977
Housing Trust Fund	460,922,865	(456,293,614)	4,629,251	20,636,033	(19,599,467)	1,036,566
Homes for Working Families	69,207,289	(67,355,277)	1,852,012	1,594,189	(1,410,495)	183,694
Subsidy	27,554,279	(27,554,279)	-	1,827,558	(1,730,830)	96,728
Tax Credit Assistance	8,670,403	(8,670,403)	-	-	-	-
Tumkey	95,736,102	(95,654,972)	81,130	584,941	(566,941)	18,000
	<u>\$ 793,176,341</u>	<u>\$ (786,011,768)</u>	<u>\$ 7,164,573</u>	<u>\$ 27,807,236</u>	<u>\$ (25,872,271)</u>	<u>\$ 1,934,965</u>

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

NOTES TO FINANCIAL STATEMENTS
March 31, 2011 and 2010

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

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

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

NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

The number of participants was as follows:

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

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

HOUSING TRUST FUND CORPORATION
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NOTES TO FINANCIAL STATEMENTS
March 31, 2011 and 2010

NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

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

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

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

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

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

Actuarial methods and assumptions:

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

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

NOTES TO FINANCIAL STATEMENTS
March 31, 2011 and 2010

NOTE 8 - PRIOR PERIOD ADJUSTMENT

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

NOTE 9 - COMMITMENTS

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

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

NOTE 10 - RELATED PARTY TRANSACTIONS

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

NOTE 11 - RESTRICTED NET ASSETS

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

(a) Restricted Net Assets - Federal

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

(b) Restricted Net Assets - State

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

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

NOTES TO FINANCIAL STATEMENTS
March 31, 2011 and 2010

NOTE 12 - CONTINGENCIES

Litigation

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

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

NOTE 13 - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Housing Trust Fund Corporation
Albany, New York

We have audited the financial statements of Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, as of and for the year ended March 31, 2011, and have issued our report thereon dated June 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider the deficiencies described in the accompanying schedule of findings and responses as items 11-01 and 11-02 to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 11-03 and 11-04.

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

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

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

Bollam Sheedy Torani & Co LLP

Albany, New York
June 27, 2011

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

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2011

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ X Yes _____ None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Section II - Financial Statement Audit Findings

11-01 Journal Entries and Reconciliations

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

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

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

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

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

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

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

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2011

Section II - Financial Statement Audit Findings - Continued

11-02 Revenue Recognition

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

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

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

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

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

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

11-03 HUD FASS Submissions

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

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

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

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

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

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

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

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2011

Section II - Financial Statement Audit Findings - Continued

11-04 Website Information

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

Condition: The Corporation is not in compliance with PARA requirements.

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

Effect: Required Corporation reports are currently not available to the public through the internet.

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

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