New York State
Housing Trust Fund Corporation

M E M O R A N D U M

To: Member of the Board

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

Date: June 27, 2013

Subject: 2013 Audited Financial Statements

Enclosed are the following reports prepared by the Corporation's auditors, Bollam, Sheedy, Torani & Co. LLP, CPAs, for the fiscal year ended March 31, 2013:

Financial Statements, Management's Discussion & Analysis and Required Supplementary Information (pp 1-18)

Internal Control and Compliance Report (pp19-21)

Report to the Board in compliance with SAS 114

Management Letter

Corporation's Response to the Management Letter

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

FINANCIAL REPORT

March 31, 2013 and 2012

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

FINANCIAL REPORT

March 31, 2013 and 2012

C O N T E N T S

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Housing Trust Fund Corporation
Albany, New York

Report on the Financial Statements

We have audited the accompanying statements of net position 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, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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 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 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, 2013 and 2012, and the changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 18, 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 audits 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 17, 2013, 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.

Bollam Sheedy Torani & Co LLP

Albany, New York
June 17, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, follows professional guidelines for government financial reporting by including in its annual financial report this discussion of management's views on its financial condition. No new guidelines or reporting methods have been adopted this year 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, 2013, in a manner similar to last year's presentation. Several programs were added to the Corporation's portfolio in this fiscal year, including the Neighborhood Preservation and Rural Preservation Programs, which were transferred from the New York State Division of Housing and Community Renewal, the Governor's Office initiated Medicaid Redesign Team Program, and the Empire State Recovery Fund Program which is a private donation program initiated to assist in the recovery efforts in the areas impacted by Hurricane Sandy.

FINANCIAL HIGHLIGHTS

- The Corporation's net position increased by just over $8.1 million, or approximately 3.7% from 2012 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 over $1.7 billion, while it expended under $1.7 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 93.7% of the Corporation's revenue and approximately 93.2% of its expenditures, while New York State appropriations were responsible for approximately 5.5% of revenues and approximately 6.3% of expenditures. Private donations to support Hurricane Sandy recovery efforts accounted for approximately .5% of the Corporation's revenue and expenditures.

- Investment revenue decreased by approximately $15,500, or approximately 8% from 2012. 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.

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.

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 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 $8.1 million this year, or approximately 3.7%. This increase was primarily attributable to an increase in receipts of State 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)

Table 1
Net position (in millions)

	March 31, 2013	March 31, 2012
Cash, investments and assets held in escrow	$ 250.78	$ 240.43
Receivable from the State of New York	0.04	0.04
Receivable from U.S. HUD	6.34	5.97
Notes and interest receivable, net	8.71	5.37
Total assets	265.87	251.81
Accounts and awards payable	5.40	8.07
Funds held on behalf of others	7.84	5.02
Postemployment benefits other than pensions	1.71	1.30
Other liabilities	24.34	18.95
Total liabilities	39.29	33.34
Net position		
Restricted	189.18	162.62
Unrestricted	37.40	55.85
Total net position	$ 226.58	$ 218.47

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 2012 of approximately $26.56 million, or 16.3%.

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 2012 by approximately $18.45 million, or 33%.

USING THIS ANNUAL REPORT- Continued

The Corporation's Overall Financial Condition - Continued

Table 2
Changes in Net Position (in millions)

	Years Ended March 31, 2013	2012
Revenues		
Program revenue		
Federal programs	$ 1,592.85	$ 1,634.27
State programs	93.69	55.59
Donations	7.79	-
Other revenue		
Investments	0.18	0.20
Other	5.73	6.30
Total revenues	1,700.24	1,696.36
Expenses		
Federal programs	1,576.48	1,606.32
State programs	107.03	102.08
Donation program	7.78	-
Administrative and other expenses	0.84	7.07
Total expenses	1,692.13	1,715.47
Increase (decrease) in net position	$ 8.11	$ (19.11)

The Corporation's total revenues increased overall from last year by less than 1%, or $3.88 million, while the total cost of all programs and administration decreased by approximately 1.4%, or $23.34 million. These figures show that the Corporation received approximately $8.11 million more than it spent this year, or approximately .5%, which reflects routine fluctuations in the volume of receipts and disbursements.

Revenue from federal programs decreased overall by approximately $41.42 million due primarily to a decrease in funding for the HOME Program and the completion of several federal stimulus programs. State program revenue was up by approximately $38.1 million due primarily to an increase in funds available for the foreclosure prevention program and the addition of the new programs mentioned in the first page of this analysis. Other revenue decreased from last year by approximately $.6 million, or less than 1%, contributed to in part by the decline in investment revenue due to continuing low interest rates.

The Corporation experienced an overall decrease in expenditures this year by approximately $23.34 million, or approximately 1.4%, primarily due to a decrease in federal expenditures for the HOME Program as well as the completion of federal stimulus programs. Expenditures of the Corporation's federally-funded programs experienced a net decrease of approximately $29.84 million, or 1.9% from the previous year, while expenditures of State funded programs increased by approximately $4.95 million, or approximately 4.85% from the previous year. The Corporation's expenditures for administration and other expenditures decreased this year by approximately $6.23 million, largely due to a $4.96 million reduction 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, 2013 through March 31, 2014, at approximately the same level overall as the previous year. Federal appropriation levels are expected to remain at about last year's levels for current programs; however, over the next two years, the Corporation expects to receive and distribute approximately $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. At least one State-funded program is expected to be added to the Corporation's portfolio as well. Expenditures are expected to remain roughly consistent with current levels for current programs, but a significant increase is expected in connection our 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 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)

STATEMENTS OF NET POSITION

	March 31, 2013	March 31, 2012
ASSETS		
Cash, unrestricted	$ 1,038,968	$ 1,403,932
Cash, federal restricted	15,823,845	14,398,605
Cash, state restricted	7,363,186	7,328,177
Cash, donor restricted	24,232	-
Total cash	24,250,231	23,130,714
Investments, unrestricted	39,279,010	51,387,783
Investments, federal restricted	62,889,631	62,392,971
Investments, state restricted	103,905,428	88,675,929
Total investments	206,074,069	202,456,683
Assets held in escrow	20,460,234	14,847,686
Due from other governments		
Appropriations from the State of New York	42,329	42,329
U.S. Department of Housing and Urban Development	6,336,849	5,966,263
Total due from other governments	6,379,178	6,008,592
Total current assets	257,163,712	246,443,675
Mortgage notes receivable, net	6,551,256	3,213,476
Accrued interest receivable, net	2,162,181	2,156,078
Total long-term assets	8,713,437	5,369,554
Total assets	**$ 265,877,149**	**$ 251,813,229**
LIABILITIES AND NET POSITION		
Accounts payable and accrued liabilities	$ 2,316,881	$ 2,312,315
Awards payable	3,084,829	5,757,647
Due to developers	1,360,821	5,110,385
Funds held on behalf of others - Family Self-Sufficiency Program	7,845,432	5,017,022
Due to other governments	22,977,153	13,842,982
Total current liabilities	37,585,116	32,040,351
Postemployment benefits other than pensions	1,707,093	1,298,207
Total liabilities	39,292,209	33,338,558
COMMITMENTS AND CONTINGENCIES		
NET POSITION		
Restricted for Federal Programs	75,495,686	65,718,652
Restricted for State Programs	113,668,199	96,902,559
Restricted by donor	14,232	-
Unrestricted	37,406,823	55,853,460
Total net position	226,584,940	218,474,671
Total liabilities and net position	**$ 265,877,149**	**$ 251,813,229**

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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended March 31, 2013	Years Ended March 31, 2012
REVENUES		
Federal Section 8 Project - Based Contract Administration Program	$ 1,126,798,226	$ 1,098,047,187
Federal Section 8 Housing Choice Voucher and Related Programs	408,909,895	394,965,737
Federal Tax Credit Assistance Program	-	34,973,630
Federal Community Development Block Grant Program	35,631,117	46,210,998
Federal Home Investments Partnerships Program	21,508,992	40,791,659
Federal Foreclosure Prevention Program	-	19,258,504
Empire State Relief Fund Program donations	7,791,142	-
State of New York Programs	93,685,236	55,588,000
Investment income	185,375	200,895
Other	5,730,109	6,327,001
Total revenues	1,700,240,092	1,696,363,611
EXPENSES		
Federal Section 8 Project - based contract administration	1,111,973,170	1,077,271,004
Federal Section 8 Housing Choice Voucher and related programs	403,990,098	388,570,635
Federal Tax Credit Assistance Program	-	34,973,630
Federal Community Development Block Grant Program	37,872,830	46,885,301
Federal Home Investments Partnerships Program	21,522,348	40,791,659
Federal Foreclosure Prevention Program	-	17,704,375
Federal Assets for Independence Program	1,128,817	129,533
Empire State Relief Fund Program	7,777,083	-
State of New York programs	107,026,980	102,080,052
Change in provision for contingent loans, net	(2,580,965)	2,378,394
Administrative	3,419,462	4,687,579
Total expenses	1,692,129,823	1,715,472,162
CHANGE IN NET POSITION	**8,110,269**	**(19,108,551)**
NET POSITION, beginning of year	218,474,671	237,583,222
NET POSITION, end of year	**$ 226,584,940**	**$ 218,474,671**

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, 2013	2012
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Sources of cash		
Federal programs	$ 1,589,133,761	$ 1,644,999,332
New York State programs	93,685,236	57,363,000
Other programs	13,521,251	6,327,001
Total sources of cash	1,696,340,248	1,708,689,333
Uses of cash		
Federal programs	(1,569,612,458)	(1,603,874,967)
New York State programs	(110,776,544)	(98,703,359)
Other programs	(8,615,580)	(7,065,973)
Total uses of cash	(1,689,004,582)	(1,709,644,299)
	7,335,666	**(954,966)**
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Investments, net	(3,432,011)	9,282,425
Increase in escrow accounts	(5,612,548)	(13,024,193)
Increase in funds held on behalf of others - Family Self-Sufficiency Program	2,828,410	673,801
	(6,216,149)	**(3,067,967)**
Net increase (decrease) in cash	**1,119,517**	**(4,022,933)**
CASH, beginning of year	23,130,714	27,153,647
CASH, end of year	**$ 24,250,231**	**$ 23,130,714**
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net position	$ 8,110,269	$ (19,108,551)
Adjustments to reconcile change in net position to net cash provided by operating activities		
Net investment income	(185,375)	(200,895)
Changes in		
Due from other governments	(370,586)	10,148,222
Mortgage notes and accrued interest receivables	(3,343,883)	2,378,395
Accounts payable and accrued liabilities	4,566	(1,174,470)
Awards payable	(2,672,818)	2,589,570
Due to developers	(3,749,564)	3,376,693
Due to other governments	9,134,171	619,455
Other postemployment benefits	408,886	416,615
	$ 7,335,666	**$ (954,966)**

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The Housing Trust Fund Corporation (Corporation) was established on February 13, 1985, by the Legislature of the State of New York. The Corporation is a component unit of the State of New York and is included in the State's financial statements. The Corporation was 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.
- Tax Credit Assistance Program - to provide funds for capital investments in low-income housing tax credit projects, pursuant to a federal formula-based allocation.
- Community Development Block Grant Program - to provide various housing and economic development activities to municipalities in New York State.
- Home Investments Partnerships Program (HOME) - to provide funds for the construction and rehabilitation of low income housing.
- Foreclosure Prevention Programs - to provide funds for outreach/education, counseling, legal representation, and Court-based services to New York homeowners facing default or foreclosure, as well as funds for training of foreclosure counselors and attorneys who agree to provide their services at no cost.

State

- Low Income Trust Fund Housing Program - to provide funds for the construction and rehabilitation of low income housing.
- Public Housing Modernization and Drug Elimination Programs - to provide funds to rehabilitate state run public housing authorities and reduce drug and crime activities.
- Homes for Working Families Program - to provide funds to finance affordable housing for low income families and senior citizens by accessing tax exempt bond financing and low income housing credits.
- Medicaid Redesign Team Program - to create new supportive housing opportunities through leveraging other public and private investments to maximize potential Medicaid savings.

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 (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.

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

b. *Significant Accounting Policies* - Continued

ii. Estimates

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

iii. Mortgage Notes and Accrued Interest Receivables

The Corporation considers the collection of the majority of its mortgage notes and accrued interest receivable are contingent upon certain economic and compliance matters at the mortgagor level, and therefore, collection is not reasonably assured. Accordingly, the Corporation generally fully reserves all balances, with the exception of certain loans that have specific repayment requirements not contingent upon economic and compliance matters or, balances which based on a review of current and prior payments, indicate that a full allowance is not necessary. Repayments of the notes and interest fully reserved for are considered revenue when received.

iv. Investments

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

v. Restricted Net Position

Restricted net position of the Corporation at March 31, 2013 and 2012, 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.

vi. Revenue Recognition

Federal awards are recognized as revenue at the time the approval of availability of funds is issued by the U.S. Department of Housing and Urban Development (HUD) or other departments and when applicable expenses are incurred. The Corporation recognizes appropriations from the State of New York as revenue at the time a certificate of approval of availability of funds is issued by the Division of the Budget of the State of New York and when the funds are drawn down by the Corporation. Appropriations receivable represents the remaining balance of the amount made available by the Division of the Budget of New York State which has not been drawn down by the Corporation. Interest and other income are recognized as revenue when earned.

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

b. Significant Accounting Policies - Continued

vi. Revenue Recognition - Continued

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

vii. State of New York Programs

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

viii. Federal Grants

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

ix. Tax Status

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

x. New Accounting Pronouncements

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.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The Corporation fully adopted GASB Statements No. 62 and No. 63 as of April 1, 2012, and there was no significant impact to the financial statements.

xi. Subsequent Events

The Corporation has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through June 17, 2013, the date the financial statements were available to be issued.

NOTE 2 - CASH, RESTRICTED AND UNRESTRICTED

At March 31, 2013 and 2012, the Corporation’s bank balances were fully insured by federal depository insurance or by collateral held by the Corporation’s agent in the Corporation’s name.

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

NOTE 3 - INVESTMENTS, RESTRICTED AND UNRESTRICTED

The Corporation’s investments are comprised of United States Treasury bills, 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.

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

Assets held in escrow include approximately $9,500,000 and $9,600,000 as of March 31, 2013 and 2012, 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 $9,500,000 as of March 31, 2013, 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.

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 5 - 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:

NOTE 5 - MORTGAGE NOTES AND ACCRUED INTEREST RECEIVABLE

	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
	$ 1,049,203,690	$ (1,042,652,434)	$ 6,551,256	$ 38,898,573	$ (36,736,392)	$ 2,162,181

	March 31, 2012					
Program	Mortgage Notes Receivable	Allowance for Contingent Loans	Net Mortgage Notes Receivable	Accrued Interest Receivable	Allowance for Contingent Loans	Net Accrued Interest Receivable
HOME	$ 157,011,514	$ (156,354,013)	$ 657,501	$ 3,989,980	$ (3,403,745)	$ 586,235
Housing Assistance Fund	2,000,000	(2,000,000)	-	13,575	(13,575)	-
Housing Trust Fund	526,972,816	(525,355,241)	1,617,575	25,198,787	(23,803,125)	1,395,662
Homes for Working Families	101,975,930	(101,072,952)	902,978	2,417,257	(2,373,118)	44,139
Subsidy	27,474,472	(27,474,472)	-	2,064,519	(2,030,148)	34,371
Tax Credit Assistance	103,011,335	(103,011,335)	-	139,845	(139,845)	-
Turnkey	95,405,049	(95,369,627)	35,422	812,395	(716,724)	95,671
	$ 1,013,851,116	$ (1,010,637,640)	$ 3,213,476	$ 34,636,358	$ (32,480,280)	$ 2,156,078

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

The Corporation administers Federal Section 8 Housing Choice Voucher and Related Programs. The Corporation holds Family Self-Sufficiency (FSS) funds on behalf of Section 8 participants. The Corporation is required to disburse the funds to the participants upon completion of certain goals approved by the Corporation, or if the participant fails to complete the program, funds are recognized as additional revenue subject to the restrictions of these programs.

The amount of FSS escrow funds held by the Corporation amounted to $7,845,432 and $5,017,022 at March 31, 2013 and 2012, respectively, and is included in restricted cash and restricted investments.

NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

   Substantially all of the Corporation’s employees may become eligible for these benefits if they reach the normal retirement age of the respective tier of the New York State Employees’ Retirement System, while working for the Corporation. The Corporation, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees. Amounts charged to operations totaled $408,886 and $416,615 for the years ended March 31, 2013 and 2012, respectively. The liability for postemployment benefits, other than pensions, was $1,707,093 and $1,298,207 at March 31, 2013 and 2012, respectively.

NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

a. *Plan Description* - Continued

The number of participants was as follows:

	March 31, 2013	March 31, 2012
Active	42	46
Retirees and dependents	1	1
Total	43	47

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

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

	March 31, 2013	March 31, 2012
Annual required contribution	$ 438,678	$ 438,678
Interest on net OPEB obligation	53,941	36,630
Amortization of net OPEB obligation	(76,495)	(51,946)
Annual OPEB cost/expense	416,124	423,362
Contribution made on a pay-as-you-go basis	(7,238)	(6,747)
Increase in net OPEB obligation	408,886	416,615
Net OPEB obligation, beginning of year	1,298,207	881,592
Net OPEB obligation, end of year	$ 1,707,093	$ 1,298,207

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, 2013	March 31, 2012
Annual OPEB cost	$ 416,124	$ 423,362
Contribution for year ended March 31	7,238	6,747
Contribution as a percentage of required contribution	1.74%	1.59%

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

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

NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

e. Actuarial methods and assumptions:

Funding interest rate	4.155%
2009/2010 trend rate (Medical/Drugs)	8%/10%
2010/2011 trend rate (Medical/Drugs)	7%/9%
Ultimate trend rate (Medical/Drugs)	5%/5%
Year ultimate trend rate rendered	2013/2015
Annual payroll growth rate	2.5%
Actuarial cost method	Projected Unit Cost Method
Remaining amortization period at March 31, 2013	26 years

NOTE 8 - COMMITMENTS

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

	March 31,	
	2013	2012
Obligated agreements	$ 13,634,110,642	$ 11,978,552,947
Expended	13,437,075,891	11,769,459,810
Remaining unexpended commitments	$ 197,034,751	$ 209,093,137

NOTE 9 - 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 $9,336,055 and $10,142,328 for the years ended March 31, 2013 and 2012, respectively. The Corporation's liability to DHCR for administrative expenses at March 31, 2013 and 2012, was $13,476,021 and $12,802,550, respectively, and is included within Due to Other Governments on the accompanying statements of net position.

NOTE 10 - CONTINGENCIES

Litigation

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

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

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

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED - Continued

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

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.

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)

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, 2011	$ -	$ 3,358,042	$ 3,358,042	0.00%	$ 2,248,001	149%
March 31, 2008	-	1,221,176	1,221,176	0.00%	1,128,039	108%

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

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

Board of Directors
Housing Trust Fund Corporation
Albany, New York

We have audited, 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, 2013, 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 17, 2013

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 opinions 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Corporation in a separate letter dated June 17, 2013.

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.

Bollam Sheedy Torani & Co LLP

Albany, New York
June 17, 2013

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

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2013

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)?	________Yes	___X___ None Reported
Noncompliance material to financial statements noted?	________Yes	___X___ No

Section II - Financial Statement Audit Finding

None reported.

Section III - Compliance Finding

None reported.

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

June 17, 2013

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, 2013. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Corporation's financial reporting process.

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

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

Paul M. Petell

Paul M. Petell, Partner

PMP/dmc

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

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

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

www.bstco.com

HOUSING TRUST FUND CORPORATION

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended March 31, 2013

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 March 28, 2013.

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 standards the Corporation adopted during the year to comply with accounting principles generally accepted in the United States of America (U.S. GAAP):

Effective April 1, 2012, the Corporation adopted Government Accounting Standards Board (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.

Effective April 1, 2012, the Corporation adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

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

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

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

Significant Issues Discussed with Management

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

Significant Difficulties Encountered in Performing the Audit

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

Significant Deficiencies and Material Weaknesses

Significant deficiencies and material weaknesses, if any, are communicated in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

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 continued service to you.

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

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

Paul M. Petell

Paul M. Petell, Partner

HOUSING TRUST FUND CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES
Year Ended March 31, 2013

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Corporation's March 31, 2013, 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

SUMMARY OF RECORDED AUDIT ADJUSTMENTS
Year Ended December 31, 2012

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
To correct TCAP program account balances	$ -	$ -	$ -	$ (3,657,091)	$ (3,657,091)
Total Statement of Revenues, Expenses, and Changes in Net Position Effect			-	$ (3,657,091)	$ (3,657,091)
Total Statement of Net Position Effect	$ -	$ -	$ -		

HOUSING TRUST FUND CORPORATION

SUMMARY OF UNCORRECTED MISSTATEMENTS
Year Ended March 31, 2013

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.

	Effect - Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
Cumulative Carryover Impact From Previous Years					
• Due to DHCR for contract administration	$ -	$ -	$ (262,968)	$ -	$ (262,968)
• Vacation time	-	-	(315,550)	-	(315,550)
Current Year Uncorrected Misstatements					
• Due to DHCR for contract administration	-	288,550	-	-	288,550
• Vacation time	-	302,475	-	-	302,475
Cumulative Statement of Revenues, Expenses, and Changes in Net Position Effect			(12,507)	$ -	$ 12,507
Cumulative Statement of Net Position Effect	$ -	$ 591,025	$ (591,025)		

HOUSING TRUST FUND CORPORATION

SIGNIFICANT WRITTEN COMMUNICATIONS BETWEEN MANAGEMENT AND OUR FIRM
Year Ended March 31, 2013

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 17, 2013

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

This representation letter is provided in connection with your audits of the financial statements of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, which comprise the statements of net position as of March 31, 2013 and 2012, and the related statement of revenues, expenses, and changes in net position and cash flows, and the related notes to the financial statements for the years then ended. We confirm that we are responsible for the fair presentation of the financial statements of net position, revenues, expenses and changes in net position, and cash flows in conformity 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 audits:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated March 28, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

   The Corporation's accounting principles and the practices and methods followed in applying them, are as disclosed in the financial statements, and there have been no changes during the years ended March 31, 2013 and 2012, in the Corporation's accounting principles and practices, except as noted herein.

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.

5. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

6. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole and are included in this representation letter.

7. 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.

8. 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.

9. The following have been properly recorded and/or disclosed in the financial statements:

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

    b. Arrangements with financial institutions involving compensating balances and/or other arrangements involving restrictions on cash balances.

    c. The fair value of assets.

    d. Net positions

    e. Awards payable.

    f. Assets held in escrow and/or on behalf of others.

    g. Significant federal and/or state programs.

    h. Commitments.

    i. All significant estimates and/or material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position No. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the statement of net position dates which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.

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

Information Provided

10. We have provided you with:

    a. All financial records and related data of all activities, including those of all special programs, departments, projects, activities, etc., in existence at any time during the period covered by your audits.

    b. Additional information that you have requested from us for the purpose of the audits.

c. Unrestricted access to persons within the Corporation from whom you determined it necessary to obtain audit evidence.

d. Minutes of the meetings of the Board of Directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

e. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:

1) Statutory, regulatory, or contractual provisions or requirements, and

2) Financial reporting practices that could have a material effect on the financial statements.

11. All transactions have been recorded in the accounting records and are reflected in the financial statements.

12. 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.

13. 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.

14. 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, or others.

15. There are no known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

16. We know of no violations of state or federal statutory or regulatory provisions, grants or other contractual provisions, or of provisions of local ordinances.

17. We disclosed to you all known actual or possible pending or threatened litigation and claims whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 62.

18. 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.

19. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Corporation's ability to record, process, summarize, and report financial data.

20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21. 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.

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

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

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

    b. For postretirement benefits other than pensions attributable to employee services rendered through March 31, 2013 and 2012.

24. There are no:

    a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

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

    c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement 62 or GASB Statement No. 10.

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

    e. Lines-of-credit or similar arrangements.

    f. Agreements to repurchase assets previously sold.

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

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

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

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

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

    l. Debt issue provisions.

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

    n. Authorized but unissued bonds or notes.

    o. Risk financing activities.

    p. Derivative financial instruments.

    q. Special and extraordinary items.

    r. Deposits or investment securities categories of risk.

s. Arbitrage rebate liabilities.

t. Impairment of capital assets.

u. Risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through March 31, 2013 and 2012, or for expected retroactive insurance premium adjustments applicable to periods through March 31, 2013 and 2012.

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

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

x. Environmental clean-up obligations.

y. Deferred compensation agreements.

z. Component units or other organizations for which the nature and significance of their relationship with the Corporation are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

aa. Jointly governed organizations in which we participated.

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

cc. Concentrations of credit risk.

25. The Corporation has satisfactory title to all owned assets.

26. Net positions (state restricted, federal restricted, donor restricted and unrestricted) are properly classified and, when applicable, approved.

27. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

28. Revenues are appropriately classified in the statements of revenues, expenses, and changes in net position within program revenues and general revenues.

29. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, which are included in the summarized schedule of posted adjustments and will post all adjustments accordingly. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.

30. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

31. With respect to the required supplementary information presented in the financial statements as a whole:

    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.

32. We are responsible for determining that significant events or transactions that have occurred since the statement of net position date and through June 17, 2013, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of net position date and through June 17, 2013, that would require recognition or disclosure in the financial statements. We further represent that as of June 17, 2013, the financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the financial statements had been obtained.

33. Effective January 1, 2012, we adopted 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.

    Effective January 1, 2012, we adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

34. During the course of your audits, 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.

Government Auditing Standards

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

36. 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.

37. 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.

38. We have implemented a process to track the status of audit findings and recommendations.

39. We have identified for you previous financial audits, attestation engagements, performance audits, or other studied related to the objectives of the audit being undertaken and the correction action taken to address significant findings and recommendations.

40. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned correction actions for the report, if any.

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

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

42. As of and for the year ended March 31, 2013, we believe that the effects of 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	Assets	Liabilities	Net Position	Revenue	Expense
	Effect - Increase (Decrease)				
Cumulative Carryover Impact From Previous Years					
• Due to DHCR for contract administration	$ -	$ -	$ (262,968)	$ -	$ (262,968)
• Vacation time	-	-	(315,550)	-	(315,550)
Current Year Uncorrected Misstatements					
• Due to DHCR for contract administration	-	288,550	-	-	288,550
• Vacation time	-	302,475	-	-	302,475
Cumulative Statement of Revenues, Expenses, and Changes in Net Position Effect			(12,507)	$ -	$ 12,507
Cumulative Statement of Net Position Effect	$ -	$ 591,025	$ (591,025)		

Very truly yours,

HOUSING TRUST FUND CORPORATION

Frank J. Markowski, Jr.
Assistant Treasurer

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

June 17, 2013

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

Dear Members of the Board:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, for the year ended March 31, 2013. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Corporation's practices and procedures.

Current Year Finding

Signature Authority

Observation: 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.

Suggestion: We recommend that the Corporation consider filling the existing Treasurer vacancy or explore an alternative method for expanding its fiscal signature authority.

Prior Year Findings

1. Due from New York State

Observation: The Corporation has had a receivable on its books for approximately $42,000 since 1989, an amount which is not significant to the financial statements.

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

2. Mortgages and Accrued Interest Receivable

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

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

2. Mortgages and Accrued Interest Receivable - Continued

b. *Observation:* During our testing of the mortgages receivable, we noted thirty loans that have matured (ranging from 2005 through 2011) prior to March 31, 2013. 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 the process of renewing these loans and has been successful in renewing a portion of the loans.

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

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

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

3. Due to Developers

Observation: The Corporation has $1,360,821 of developer money. Two developers requested money from the account while five others have remained inactive for many years, and one was inactive during the current year. The inactive accounts total $567,785, an amount which is not significant to the financial statements.

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

This letter is solely for the information and use of 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,

BOLLAM, SHEEDY, TORANI & CO. LLP

Paul M. Petell

Paul M. Petell, Partner

PMP/dmc

New York State
Housing Trust Fund Corporation

M E M O R A N D U M

To: Members of the Board

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

Date: June 27, 2013

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.

<u>Signature Authority</u>

- The Corporation's Financial Managers concur with the auditors recommendation and request the Members implement this recommendation.

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

- The Corporation's Finance Management has followed-up on this matter with Program Management every year since this issue arose. We will do so this year with a recommendation that the amount be recaptured to the Corporation's account.

<u>Mortgages and Accrued Interest Receivable</u>

- Part a – The Corporation's Financial Managers believe that the comments expressed in prior years on this matter are still valid. However, we 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.

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

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

Due to Developers

- As noted by the auditors, a number of developer's accounts experienced activity during the year. We will confer with Program management to determine if any of the inactive accounts need to be pursued or recaptured.