

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

**FINANCIAL REPORT**

**March 31, 2012 and 2011**

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

**FINANCIAL REPORT**

**March 31, 2012 and 2011**

**C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Management’s Discussion and Analysis	2-5
<b>BASIC FINANCIAL STATEMENTS</b>	
Balance Sheets	6
Statements of Revenue, Expenses, and Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Financial Statements	9-15
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	16-17
Schedule of Finding and Responses	18

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

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Housing Trust Fund Corporation  
Albany, New York

We have audited the accompanying balance sheets of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, as of March 31, 2012 and 2011, and the related statements of revenue, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of March 31, 2012 and 2011, and the changes in net assets and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
June 27, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, follows professional guidelines for government financial reporting by including in its annual financial report this discussion of management's views on its financial condition. No new guidelines or reporting methods have been adopted this year, so the Corporation is presenting its discussion and analysis of its financial activities for the fiscal year ended March 31, 2012, in a manner similar to last year's presentation. No new programs were initiated in this fiscal year.

**FINANCIAL HIGHLIGHTS**

- The Corporation's net assets decreased by approximately \$19.1 million, or approximately 8% from 2011 as a result of the current year's operations.
- During the year, the Corporation's revenue from State and Federal appropriations and contracts totaled just under \$1.7 billion, while it expended just over \$1.7 billion to provide decent and affordable housing to the citizens of New York State.
- Federal program appropriations and fees accounted for approximately 96.5% of the Corporation's revenue and about 93.6% of its expenditures, while New York State appropriations were responsible for approximately 3.2% of revenues and approximately 5.6% of expenditures.
- Investment income decreased by about \$220,000, or about 52% from 2011. This was primarily due a continuing decline in overall investment rates of return.

**USING THIS ANNUAL REPORT**

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

**Reporting on the Corporation**

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

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

**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 decreased from one year ago, decreasing overall by approximately \$19.11 million this year or about 8%, but this decrease was primarily attributable to routine fluctuations in the volume of receipts and disbursements of program funds. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) from the Corporation's activities.

Table 1  
Net assets (in millions)

	March 31,	
	2012	2011
Cash, investments and other receivables	\$ 240.43	\$ 240.52
Receivable from New York State	0.04	2.10
Receivable from Department of Education	-	0.72
Receivable from U.S. HUD	5.97	13.33
Notes and interest receivable, net	5.37	7.75
Total assets	251.81	264.42
Accounts and awards payable	8.07	6.65
Funds held on behalf of others	5.02	4.34
Postemployment benefits other than pensions	1.30	0.88
Other liabilities	18.95	14.97
Total liabilities	33.34	26.84
Net assets		
Restricted	162.62	187.46
Unrestricted	55.85	50.12
Net assets	\$ 218.47	\$ 237.58

Restricted net assets - represents program funds from Federal and State programs on hand at the end of the fiscal year. This description reflects a recognition that all funds generated by federal and state appropriations and contracts are considered earmarked for the purposes of that appropriation or contract unless specifically available for discretionary use. Restricted net assets this year reflect a decrease from 2011 of approximately \$24.84 million, or 13.25%.

Unrestricted net assets - represents the part of net assets that can be used to finance day-to-day administrative expenditures or additional program awards beyond appropriated levels. Unrestricted net assets increased from 2011 by approximately \$5.73 million, or 11.43%.

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

The Corporation's total revenues increased overall from last year by less than 1%, or \$1.64 million, while the total cost of all programs and administration increased by 2.8%, or \$47.43 million. These figures show that the Corporation expended about \$19.11 million more than it received this year or approximately 1.1%. This reflects the fact that there were accumulated funds available to expend from the previous year as well.

Revenue from federal programs increased overall by about \$16.74 million due primarily to an increase in the number of contracts administered under the Section 8 PBCA program this year. State program revenue was down by about \$17.49 million due primarily to the fact that there were less accumulated funds from previous years to expend than last year. Other revenue increased from last year by about \$2.6 million, or 2.01%, but investment revenue declined approximately \$220,000 due to continuing low interest rates.

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

**ECONOMIC FACTORS ON FUTURE OPERATIONS**

The Corporation's ability to accomplish its mission to provide decent and affordable housing to the citizens of New York State, from an economic standpoint, depends almost exclusively on the appropriations and contracts it receives from the Federal and New York State governments. New York State's budget has provided funding to the Corporation for its fiscal year April 1, 2012 through March 31, 2013, at the same level overall as the previous year. Federal appropriation levels are expected to remain at about the last year's levels for most programs; however, we have been advised that the federal HOME Program will receive new funding at only 44% of the previous appropriation level due to programmatic changes implemented by the federal government. In addition, the funds the Corporation received for several programs under the federal stimulus plan known as the American Recovery and Reinvestment Act of 2009 (ARRA) have been fully expended and no replacement of this initiative is contemplated.

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

**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](mailto:HTFFinanceUnit@nyshcr.org).

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

**BALANCE SHEETS**

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

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**

	<b>Years Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>REVENUE</b>		
Federal Section 8 Project - based contract administration income	\$1,098,047,187	\$1,058,098,743
Federal Section 8 Housing Choice Voucher and related programs income	394,965,737	412,034,247
Federal Tax Credit Assistance Program income	34,973,630	58,304,108
Federal Community Development Block Grant Program income	46,210,998	55,600,106
Federal Home Investments Partnerships Program income	40,791,659	30,880,969
Federal Foreclosure Prevention Program income	19,258,504	2,616,496
Appropriations from the State of New York	55,588,000	73,082,000
Net investment income	200,895	419,343
Other income	6,327,001	3,684,792
Total revenue	1,696,363,611	1,694,720,804
<b>EXPENSES</b>		
Federal Section 8 Project - based contract administration	1,077,271,004	1,032,659,931
Federal Section 8 Housing Choice Voucher and related programs	388,570,635	378,824,739
Federal Tax Credit Assistance Program	34,973,630	58,304,108
Federal Community Development Block Grant Program	46,885,301	56,019,654
Federal Home Investments Partnerships Program	40,791,659	30,880,969
Federal Foreclosure Prevention Program	17,704,375	3,322,590
Federal Assets for Independence Program	129,533	145,762
State of New York programs	102,080,052	105,663,045
Provision for contingent loans, net	2,378,394	1,351,590
Administrative	4,687,579	866,082
Total expenses	1,715,472,162	1,668,038,470
<b>CHANGE IN NET ASSETS</b>	<b>(19,108,551)</b>	<b>26,682,334</b>
<b>NET ASSETS, beginning of year</b>	<b>237,583,222</b>	<b>210,900,888</b>
<b>NET ASSETS, end of year</b>	<b>\$ 218,474,671</b>	<b>\$ 237,583,222</b>

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**

	<b>Years Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Sources of cash		
Federal programs	\$1,644,999,332	\$1,621,206,357
New York State programs	57,363,000	73,082,000
Other programs	6,327,001	3,684,792
Total sources of cash	1,708,689,333	1,697,973,149
Uses of cash		
Federal programs	(1,603,874,967)	(1,566,549,883)
New York State programs	(98,703,359)	(104,567,039)
Other programs	(7,065,973)	(2,217,672)
Total uses of cash	(1,709,644,299)	(1,673,334,594)
	<b>(954,966)</b>	<b>24,638,555</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Investments, net	9,282,425	(20,691,878)
Increase in escrow accounts	(13,024,193)	(1,101,046)
Increase in funds held on behalf of others - Family Self-Sufficiency Program	673,801	412,160
	<b>(3,067,967)</b>	<b>(21,380,764)</b>
<b>Net increase (decrease) in cash</b>	<b>(4,022,933)</b>	<b>3,257,791</b>
<b>CASH, beginning of year</b>	<b>27,153,647</b>	<b>23,895,856</b>
<b>CASH, end of year</b>	<b>\$ 23,130,714</b>	<b>\$ 27,153,647</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (19,108,551)	\$ 26,682,334
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net investment income	(200,895)	(419,343)
Changes in		
Due from other governments	10,148,222	2,320,099
Mortgage notes and accrued interest receivables	2,378,395	1,351,589
Accounts payable and accrued liabilities	(1,174,470)	(3,309,979)
Awards payable	2,589,570	(4,100,702)
Due to developers	3,376,693	1,096,006
Due to other governments	619,455	600,432
Other postemployment benefits	416,615	418,119
	<b>\$ (954,966)</b>	<b>\$ 24,638,555</b>

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, 2012 and 2011**

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

*a. Organization*

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

Federal

- Section 8 Project-based Contract Administration Program - to provide low income housing rental subsidy to qualified landlords (previously identified as the Housing Assistance Payment Program).
- Section 8 Housing Choice Voucher (HCV) and Related Programs - to provide low income housing rental subsidy to qualified individuals. Related programs are the five-year mainstream program and the moderate rehabilitation program.
- Tax Credit Assistance Program - to provide funds for capital investments in low-income housing tax credit projects, pursuant to a federal formula-based allocation.
- Community Development Block Grant Program - to provide various housing and economic development activities to municipalities in New York State.
- Home Investments Partnerships Program (HOME) - to provide funds for the construction and rehabilitation of low income housing.
- Foreclosure Prevention Programs - to provide funds for outreach/education, counseling, legal representation and Court-based services to New York homeowners facing default or foreclosure, as well as funds for training of foreclosure counselors and attorneys who agree to provide their services at no cost.

State

- Low Income Trust Fund Housing Program - to provide funds for the construction and rehabilitation of low income housing.
- Public Housing Modernization and Drug Elimination Programs - to provide funds to rehabilitate state run public housing authorities and reduce drug and crime activities.
- Homes for Working Families Program - to provide funds to finance affordable housing for low income families and senior citizens by accessing tax exempt bond financing and low income housing credits.

*b. Significant Accounting Policies*

*i. Basis of Presentation*

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2012 and 2011**

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

*b. Significant Accounting Policies - Continued*

ii. Estimates

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

iii. Mortgage Notes and Accrued Interest Receivables

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

iv. Investments

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

v. Restricted Net Assets

Restricted net assets of the Corporation at March 31, 2012 and 2011, consist of the following:

(a) Restricted Net Assets - Federal

Restricted net assets - Results from funds that accumulate over time from all of the Corporation's federal programs primarily from mortgage collections, interest on restricted cash accounts, and surplus rental assistance payments accumulated during the current fiscal year. These funds are restricted for allowable program expenses.

(b) Restricted Net Assets - State

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

vi. Revenue Recognition

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2012 and 2011**

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

*b. Significant Accounting Policies - Continued*

vi. Revenue Recognition - Continued

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

vii. State of New York Programs

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

viii. Federal Grants

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

ix. Tax Status

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

x. Reclassification

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

xi. Subsequent Events

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

**NOTE 2 - CASH, RESTRICTED AND UNRESTRICTED**

At March 31, 2012 and 2011, the Corporation's bank balances were fully insured by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name.

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

**NOTE 3 - INVESTMENTS, RESTRICTED AND UNRESTRICTED**

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2012 and 2011**

**NOTE 4 - ASSETS HELD IN ESCROW**

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

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

**NOTE 5 - MORTGAGE NOTES AND ACCRUED INTEREST RECEIVABLE**

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

Program	March 31, 2012					
	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
	<u>\$ 1,013,851,116</u>	<u>\$(1,010,637,640)</u>	<u>\$ 3,213,476</u>	<u>\$ 34,636,358</u>	<u>\$(32,480,280)</u>	<u>\$ 2,156,078</u>
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)	-	4,534	(4,534)	-
Turnkey	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>\$ 31,224,157</u>	<u>\$(29,128,416)</u>	<u>\$ 2,095,741</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2012 and 2011**

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

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

The amount of FSS escrow funds held by the Corporation amounted to \$5,017,022 and \$4,343,221 at March 31, 2012 and 2011, respectively, and is included in restricted cash and restricted investments and funds held on behalf of others - FSS program.

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

Substantially all of the Corporation's employees may become eligible for these benefits if they reach the normal retirement age of the respective tier of the New York State Employees' Retirement System, while working for the Corporation. The Corporation, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees. Amounts charged to operations totaled \$416,615 and \$418,119 for the years ended March 31, 2012 and 2011, respectively. The liability for postemployment benefits, other than pension, was \$1,298,207 and \$881,592 at March 31, 2012 and 2011, respectively.

The number of participants was as follows:

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2012 and 2011**

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

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

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

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

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

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

*e. Actuarial methods and assumptions:*

Funding interest rate	4.155%
2009/2010 trend rate (Medical/Drugs)	8%/10%
2010/2011 trend rate (Medical/Drugs)	7%/9%
Ultimate trend rate (Medical/Drugs)	5%/5%
Year ultimate trend rate rendered	2013/2015
Annual payroll growth rate	2.5%
Actuarial cost method	Projected Unit Cost Method
The remaining amortization period at March 31, 2012	27 years



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

**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2012 and 2011**

**NOTE 8 - COMMITMENTS**

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

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

**NOTE 9 - RELATED PARTY TRANSACTIONS**

The Corporation generally reimburses the New York State Division of Housing and Community Renewal (DHCR) for administrative expenditures (principally payroll) incurred in the various Federal and State programs to the extent permitted by the Division of the Budget of New York State. The State required the Corporation to reimburse DHCR for administrative expenses of \$10,142,328 and \$10,725,061 for the years ended March 31, 2012 and 2011, respectively. The Corporation's liability to DHCR for administrative expenses at March 31, 2012 and 2011, was \$12,802,550 and \$12,877,884, respectively.

**NOTE 10 - CONTINGENCIES**

*Litigation*

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

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

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

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

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

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

Board of Directors  
Housing Trust Fund Corporation  
Albany, New York

We have audited the financial statements of the Housing Trust Fund Corporation (Corporation), a component unit of the State of New York, as of and for the year ended March 31, 2012, and have issued our report thereon dated June 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

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

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

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
June 27, 2012

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

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended March 31, 2012**

**Section I - Summary of Independent Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Section II - Financial Statement Audit Finding**

**12-01. Timely Reconciliations**

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

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

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

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

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

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

**Section III - Compliance Finding**

None reported.