

MEMORANDUM

To: Audit and Finance Committee Members

From: E.J. Walton, CFO



cc: Board of Directors

Dennis M. Penman, Interim President

Divitta M. Alexander, Esq., General Counsel

Jocelyn D. Deeb, Accountant

Date: September 10, 2009

Re: Annual Investment Report

This report serves as the CFO's certification, for the period under review, that the cash accounts and equity investments of the organization have been maintained consistent with the terms and conditions specified by the organization's Investment Policy adopted December 17, 2008 ("Investment Policy") presented in Exhibit A. In so doing, this document specifically notes that Section 9 of the Investment Policy is hereby waived given that the organization's principal investments are cash held in Authorized Depositories subject to (a) other provisions of the Investment Policy and (b) evidenced by monthly statements. No change or modification in the handling of the organization's bank accounts or cash accounts has taken place since the establishment of the Investment Policy, other than the closing of our Vanguard Investment Account on March 5, 2009. As such, no third party review of our investments seems warranted due to the fact that all funds have been, and remain, liquid assets maintained in short term instruments held in Authorized Depositories, as detailed in Exhibit B, pursuant to the signature authority of certain Officers of the Corporation which exclude member of the accounting department.

Presented below is a chart that summarizes the cash position of the organization for the past three months. The chart below divides the organization's cash into unrestricted and restricted amounts.

	6/30/2009	7/31/2009	8/31/2009
Cash - Unrestricted	\$ 481,199.18	\$ 1,807,966.02	\$ 450,250.37
Cash - Restricted	\$ 8,057,151.71	\$ 7,622,367.36	\$ 7,207,738.37
Total	<u>\$ 8,538,350.89</u>	<u>\$ 9,430,333.38</u>	<u>\$ 7,657,988.74</u>

Details which demonstrate the specific bank account balances by type of account, financial institution, accountant number, and general ledger code are provided in Exhibit B. Additional detail is omitted herein, but the accounting department maintains electronic and hardcopy records that document the status of monthly bank reconciliations, specific bank account activity by transaction number, dollar amount, date, and payee. Specific cleared check documentation is also available on CD from M&T Bank

with a modest time delay. Upon specific request by the Audit and Finance Committee or in preparation of future audits, the accounting department will produce these files for your review. It is also noteworthy that the organization's cash balances are maintained, subject to Section 7 of the Investment Policy, in three Authorized Depositories. Every effort is used to monitor the financial health of the Authorized Depositories (see Exhibit C for summary reports on these financial institutions) and no modification is currently being proposed.

It is worth noting that the accounting department is hereby recommending that we reclassify our UDAG Repayment Account (GL Code 1020 - 08 - 000 - 99) to be restricted due to certain continuing restrictions imposed by the federal government. The impact of this proposed reclassification on prior financial statement of the organization is presented in Exhibit D.

In addition, the chart below illustrates the status of our equity investments which are presented as long term assets on our financial statements. There was no change in this position over the period.

	6/30/2009	7/31/2009	8/31/2009
Equity Investments	\$ 200,000.00	\$ 200,000.00	\$ 200,000.00

Finally, this report also provides, in Exhibit E, an update on accounts and advisory fees, if any, managed by third parties. In this case, documentation is provided to note the March 3, 2009 closing of the Vanguard Account and the receipt of funds totaling \$61,059.07.