

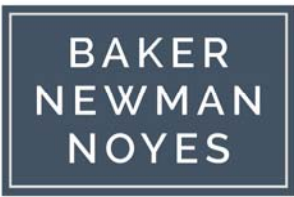
***New Hampshire
Housing Finance
Authority***

*Financial Statements and
Management's Discussion and Analysis as of
and for the Year Ended June 30, 2017 and
Independent Auditors' Report*

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Members of
New Hampshire Housing Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of New Hampshire Housing Finance Authority (the Authority), which comprise the statement of net position as of June 30, 2017, and the related statement of revenues, expenses and changes in net position, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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 entity'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 New Hampshire Housing Finance Authority as of June 30, 2017, and the changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of
New Hampshire Housing Finance Authority

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 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.

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Supplemental Combining Schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Combining Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Baku Newman & Noyes LLC

Manchester, New Hampshire
September 28, 2017

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

Management's Discussion and Analysis of Net Position and Operating Results

June 30, 2017

New Hampshire Housing Finance Authority (the Authority) was created by Chapter 204-C of the Revised Statutes Annotated of New Hampshire and provides financial and technical assistance to create and preserve decent, affordable housing for low and moderate-income New Hampshire residents. The Authority finances single family and multi-family housing for eligible persons and families in the state by either purchasing mortgage loans from lending institutions or granting loans directly to eligible borrowers. Historically, the resources required to fund such loans have been generated through the issuance of bonds. Although the Authority continues to have significant capacity to issue tax-exempt bonds, market conditions currently do not support the use of those bonds to finance housing. Therefore, beginning in fiscal year 2013, the Authority transitioned to a secondary market program whereby single family loans are sold directly to the Federal National Mortgage Association (Fannie Mae) or pooled into mortgage backed securities guaranteed by the Government National Mortgage Association (Ginnie Mae) and sold. The Authority uses forward commitments to hedge interest rate risk related to secondary market sales.

Fannie Mae is a government-sponsored enterprise with a public mission to provide stability in and to increase the liquidity of the residential market for homebuyers. The Authority is a Fannie Mae Seller/Servicer and sells whole loans to Fannie Mae for cash.

Ginnie Mae, through its mortgage-backed securities programs, guarantees securities that are backed by pools of mortgages and issued by mortgage lenders approved by Ginnie Mae. Security holders receive a "pass-through" of the principal and interest payments on a pool of mortgage loans, less amounts required to cover servicing costs and Ginnie Mae guaranty fees. The Ginnie Mae guaranty ensures that the security holder receives the timely payment of scheduled monthly principal and any unscheduled recoveries of principal on the underlying mortgage loans, plus interest at the rate provided for in the securities. If a borrower fails to make a timely payment on a mortgage loan, the Authority must use its own funds to ensure that the security holders receive timely payment.

Beginning in fiscal year 2013, the Authority also started selling 100% participation interests in multi-family loans to third party investors. In addition to private entities, the investors include the Federal Financing Bank, an instrumentality of the Federal government. A requirement of these sales of loan participations is that the loans be insured through a Federal mortgage insurance program whereby the Authority bears a portion of the risk of loss on defaulted and foreclosed loans.

In addition to the above lending activity, the Authority offers and administers a variety of programs to provide affordable housing opportunities such as Federal rental assistance programs, technical assistance loans to stimulate the development of multi-family and special needs housing, Low Income Housing Tax Credits and the HOME Investment Partnership Program.

The accompanying financial statements present the Authority's net position, revenue and expenses and changes in net position, and cash flows as of and for the year ended June 30, 2017. The enclosed supplemental combining schedules found on pages 27 – 40 present the statements of net position, revenue, expenses and changes in net position, and cash flows for the Authority's general funds and each of the single family and multi-family bond programs.

The following is a condensed summary of financial information as of June 30, 2017 and 2016.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

**Management's Discussion and Analysis
of Net Position and Operating Results (Continued)**

June 30, 2017

Condensed Financial Information – Statement of Net Position (in thousands of dollars)

	<u>As of June 30</u>		Increase
	<u>2017</u>	<u>2016</u>	(Decrease)
Assets			
Cash and cash equivalents	\$ 27,992	\$ 10,950	\$ 17,042
Investments	142,711	108,964	33,747
Loans receivable – net	521,822	631,006	(109,184)
Loans held for sale	11,738	16,649	(4,911)
Accrued interest receivable on mortgage and construction loans	4,542	5,525	(983)
Real estate owned, net	5,350	8,955	(3,605)
Other assets	<u>33,061</u>	<u>30,069</u>	<u>2,992</u>
Total assets	<u>747,216</u>	<u>812,118</u>	<u>(64,902)</u>
Liabilities			
Bonds payable	577,405	651,226	(73,821)
Accrued interest payable	10,771	13,497	(2,726)
Notes payable	22,217	31,434	(9,217)
Accrued and other liabilities	<u>14,143</u>	<u>7,804</u>	<u>6,339</u>
Total liabilities	<u>624,536</u>	<u>703,961</u>	<u>(79,425)</u>
Net Position	<u>\$122,680</u>	<u>\$108,157</u>	<u>\$ 14,523</u>

Discussion of Changes in the Statement of Net Position

The Authority's net position consists primarily of assets and liabilities related to the issuance of bond indebtedness in support of both single family and multi-family housing. Consequently, the most significant assets are the mortgage loans receivable financed through bond issuance and the funds held in short-term investments awaiting either the purchase of mortgage loans or the redemption of outstanding bonds. The Authority's statement of net position also includes a portfolio of mortgage and construction loans financed through its general funds, as well as a variety of other assets such as mortgage loan servicing rights, property and equipment, and other receivables.

Total assets of the Authority decreased by \$64.9 million, or 8%, during the year ended June 30, 2017, primarily the net result of:

- Cash and cash equivalents increased by \$17 million as net cash provided by operating activities exceeded cash used for noncapital financing activities, capital and related financing activities and investing activities. See "Cash Flows" below.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

Management's Discussion and Analysis of Net Position and Operating Results (Continued)

June 30, 2017

- Investments increased by \$33.7 million, due primarily to an increase of \$78.6 million in refunding bond proceeds awaiting July 1, 2017 redemption and a decrease of \$44.9 million related to balances held in bond issues for debt service and other purposes.
- Loans receivable decreased by \$109.2 million as principal payments of \$115.3 million and foreclosures of \$7.1 million exceeded originations of loans of \$13.2 million. The principal payments received included \$81.4 million of payments received in advance of scheduled repayment. Continuation of the single family business model whereby loans are originated to be sold in the secondary market rather than held as collateral for bonds contributed significantly to the decrease in the loans receivable balance.
- Loans held for sale decreased by \$4.9 million in connection with the secondary market business model. During the year ended June 30, 2017, \$190.6 million in loans were exchanged for Ginnie Mae securities and then sold and \$85.3 million in loans were sold to Fannie Mae. In addition, the Authority sold 100% participation interests in \$25.7 million of newly originated multi-family loans.

Total liabilities of the Authority decreased by \$79.4 million, or 11.3%, during the year ended June 30, 2017, primarily the net result of:

- Bonds outstanding decreased by \$73.8 million as redemptions, both scheduled and prior to scheduled maturity, of \$151.8 million exceeded new issuance of \$79.3 million. The Authority issued \$77.3 million, including bond issuance premiums, of bonds in connection with advanced refundings of prior issues of single family bonds as described in Note 9 to the financial statements and \$2 million of short-term multi-family bonds. As of June 30, 2017, \$78.6 million of advanced refunding proceeds were held as short-term investments pending the July 1, 2017 redemption of a portion of the refunded bonds. Such bonds are included in the current portion of bonds payable.
- Notes payable reflect the use of a bank line of credit and a Federal Home Loan Bank advance to fund single family mortgage loan acquisitions in advance of secondary market disposition and short-term construction loans for multi-family housing projects. The \$9.2 million decrease is due to an \$8.8 million decrease in multi-family construction loans, a \$6.9 million decrease in single family loans and a \$6.5 million increase in a Federal Home Loan Bank advance to support construction lending for multi-family projects.
- Accrued and other liabilities increased by \$6.3 million related primarily to \$5.2 million in loan participation sale proceeds awaiting project disbursement and a \$1.9 million increase in single family loan escrows held.

The net position of the Authority increased by \$14.5 million as a result of the excess of revenue over expenses for the year ended June 30, 2017 discussed in detail under "Discussion of Changes in the Operating Results for the Year Ended June 30, 2017 Compared to the Year Ended June 30, 2016."

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

**Management's Discussion and Analysis
of Net Position and Operating Results (Continued)**

June 30, 2017

Condensed Financial Information – Operating Results (in thousands of dollars)

	As of June 30		
	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Revenue			
Interest and fees on mortgage and construction loans	\$ 34,852	\$ 41,101	\$ (6,249)
Gain on sale of loans and mortgage-backed securities	13,650	13,166	484
Investment income net of increase/decrease in fair value of investments	2,172	2,375	(203)
Housing management fees	5,123	5,258	(135)
Federal rental assistance programs revenue	84,889	80,933	3,956
Grants and subsidies	11,769	9,453	2,316
Other revenue	<u>3,827</u>	<u>2,984</u>	<u>843</u>
Total revenue	<u>156,282</u>	<u>155,270</u>	<u>1,012</u>
Expenses			
Bond interest expense and debt financing costs	22,966	28,574	(5,608)
Administrative expenses	16,083	15,384	699
Loan origination expenses	3,657	3,613	44
Loan servicing expenses	2,169	1,808	361
Provision for loan losses	250	1,200	(950)
Federal rental assistance programs expense	84,760	81,546	3,214
Grants and subsidies	11,549	13,766	(2,217)
Other expenses	<u>325</u>	<u>349</u>	<u>(24)</u>
Total expenses	<u>141,759</u>	<u>146,240</u>	<u>(4,481)</u>
Change in net position	<u>14,523</u>	<u>9,030</u>	<u>5,493</u>
Ending net position	<u>\$122,680</u>	<u>\$108,157</u>	<u>\$ 14,523</u>

Discussion of Changes in the Operating Results for the Year Ended June 30, 2017 Compared to the Year Ended June 30, 2016

The Authority's operating revenue consists primarily of interest and fees on mortgage and construction loans, gain on sale of loans and mortgage-backed securities, investment income and revenue received to administer and support Federal rental assistance programs. Operating expenses consist primarily of bond interest expense and debt financing costs, administrative expenses, loan origination and servicing expenses, and expenditures related to Federal rental assistance programs. In addition, the Authority receives and distributes grants and subsidies in support of a variety of housing-related initiatives.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

Management's Discussion and Analysis of Net Position and Operating Results (Continued)

June 30, 2017

The Authority's change in net position for the year ended June 30, 2017 was \$14.5 million compared to \$9 million for the year ended June 30, 2016. The \$5.5 million increase was the net effect of a \$1 million increase in operating revenue and a \$4.5 million decrease in operating expenses. Significant changes leading to the \$5.5 million increase included:

- A \$6.2 million decrease in interest and fees on mortgage and construction loans related to a decrease in mortgage loan balances in both the single family and multi-family bond programs and a decrease in construction loan balances in the general funds.
- A \$5.6 million decrease in bond interest expense and debt financing costs due to decreased bond balances outstanding and interest savings related to a \$48 million bond refunding in fiscal 2016.
- A \$1 million decrease in provision for loan losses due to decreased delinquency and less foreclosure activity.
- A \$0.7 million increase in the difference between revenues and expenses related to federal rental assistance program activity. The net increase is due to timing of expenditures of program receipts in the voucher program.
- A \$4.5 million increase in the difference between revenues and expenses related to grants and subsidies activity, as follows:

	<u>Year Ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Grants and subsidies revenue	\$ 11,769	\$ 9,453
Grants and subsidies expense	<u>11,549</u>	<u>13,766</u>
Net grants and subsidies activity	<u>\$ 220</u>	<u>\$ (4,313)</u>

The \$4.5 difference in net grants and subsidy activity is primarily due to a \$1.7 million increase in revenue over expenses in the HOME Investment Partnership program related to the timing of the reuse of program recoveries, a \$1 million increase in revenue over expenses in a state funded multi-family program reflecting the receipt of a new \$2 million allocation net of expenditures of prior year program income, and \$1.6 million of unexpected repayment of Authority funded deferred payment loans.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

Management's Discussion and Analysis of Net Position and Operating Results (Continued)

June 30, 2017

Cash Flows

The statement of cash flows, which summarizes the changes in the Authority's statement of net position and the results of its operations in terms of cash and cash equivalents, shows a \$17 million increase in cash and cash equivalents between June 30, 2016 and June 30, 2017. As evident in the Supplemental Combining Schedule of Cash Flows on pages 30 and 31, the increase in cash and cash equivalents is attributable primarily to the general funds, in which cash provided by operating and investing activities exceeded cash used for noncapital financing activities and capital and related financing activities. In the general funds, operating activities include all lending, programmatic and administrative activities not directly supported by bond issuance; capital and related financing activities include additions to property and equipment; noncapital financing activities relate to the proceeds and repayments of notes payable; and investing activities include the purchase, sale and maturity of investments as well as receipt of investment income. In the single family and multi-family bond programs, operating activities include primarily loan receipts and disbursements; noncapital financing activities include bond issuance, bond repayment and debt service payments; and investing activities include the purchase, sale and maturity of investments as well as receipt of investment income.

Significant Long-Term Debt Activity

The Authority is authorized to issue bonds, the outstanding balance of which cannot exceed \$2 billion, under the laws of the state of New Hampshire. The Authority has issued bonds for both single family and multi-family housing, the outstanding balance of which totaled \$577.4 million at June 30, 2017.

During the year ended June 30, 2017, the Authority issued \$77.3 million of single family refunding bonds and \$2 million of short-term multi-family bonds. Based on scheduled maturities, the Authority redeemed during the year single family program bonds and multi-family program bonds of \$17.3 million and \$1.4 million, respectively. The Authority also redeemed during the year ended June 30, 2017, prior to scheduled maturities, \$103.5 million and \$29.5 million of single family program bonds and multi-family program bonds, respectively. The bond redemptions prior to scheduled maturities resulted from the repayment of mortgage loans prior to scheduled maturities and the redemption of bonds in connection with a fiscal year 2017 advanced refunding of debt.

Additional Information

The purpose of this financial report is to provide information needed to understand the Authority's financial position and results of operations as of and for the year ended June 30, 2017.

Inquiries for additional information may be directed to the Managing Director, Finance/CFO at New Hampshire Housing Finance Authority, 32 Constitution Drive, Bedford, New Hampshire 03110, at (603) 472-8623 or at www.nhhfa.org.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

STATEMENT OF NET POSITION

June 30, 2017

(In thousands of dollars)

ASSETS

Current assets:

Cash and cash equivalents	\$ 27,992
Cash held in escrow	14,267
Short-term investments	136,023
Accrued interest receivable on investments	57
Current portion of mortgage and construction loans receivable	19,477
Loans held for sale, at lower of cost or fair value	11,738
Accrued interest receivable on mortgage and construction loans and loans held for sale	4,542
Real estate owned, net	5,350
Other current assets	<u>9,208</u>
Total current assets	<u>228,654</u>

Long-term investments 6,688

Loans receivable:

Mortgage loans	515,005
Construction loans	10,381
Less allowance for possible losses	<u>(3,564)</u>
Loans receivable, net	521,822
Less current portion of loans receivable	<u>(19,477)</u>
Long term portion of loans receivable	502,345

Other assets:

Mortgage loan servicing rights, net	5,404
Property and equipment, net	<u>4,125</u>
Total other assets	<u>9,529</u>

Total assets 747,216

LIABILITIES

Current liabilities:

Current portion of bonds payable	98,746
Accrued interest payable	10,771
Notes payable	22,217
Current portion of accrued and other liabilities	<u>13,991</u>
Total current liabilities	145,725

Long-term liabilities:

Bonds payable, net of current portion	478,659
Accrued and other liabilities	<u>152</u>
Total long-term liabilities	<u>478,811</u>

Total liabilities 624,536

Commitments and contingent liabilities (Note 12)

NET POSITION

Invested in capital assets	4,125
Restricted	61,646
Unrestricted	<u>56,909</u>

Total net position \$ 122,680

See notes to financial statements.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2017

(In thousands of dollars)

OPERATING REVENUE:

Interest and fees on mortgage and construction loans and loans held for sale	\$ 34,852
Gain on sale of loans and mortgage-backed securities	13,650
Servicing revenue	3,164
Investment income	2,121
Increase in fair value of investments	51
Housing management fees	5,123
Federal rental assistance programs	84,889
Grants and subsidies	11,769
Other	<u>663</u>
Total operating revenue	<u>156,282</u>

OPERATING EXPENSES:

Bond interest expense and debt financing costs	22,966
Administrative expenses	16,083
Loan origination expenses	3,657
Loan servicing expenses	2,169
Provision for loan losses	250
Federal rental assistance programs	84,760
Grants and subsidies	11,549
Other	<u>325</u>
Total operating expenses	<u>141,759</u>

CHANGE IN NET POSITION

14,523

Net position, beginning of year

108,157

NET POSITION, END OF YEAR

\$122,680

See notes to financial statements.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

(In thousands of dollars)

Cash flows from operating activities:	
Loan repayments received	\$ 115,382
Loan interest income and servicing revenue received	39,275
Proceeds from sale of loans and mortgage backed securities	322,033
Federal rental assistance program receipts	84,889
Grants and subsidies receipts	11,769
Other receipts	22,949
Loan disbursements	(314,933)
Purchase of loan servicing rights	(1,941)
Payments to vendors	(8,113)
Payments to employees	(9,148)
Federal rental assistance program disbursements	(84,760)
Grants and subsidies disbursements	(11,549)
Other disbursements	<u>(7,260)</u>
Net cash provided by operating activities	158,593
Cash flows from noncapital financing activities:	
Proceeds from issuance of bonds	79,546
Principal repayment of bonds	(151,759)
Proceeds from notes payable	291,529
Repayment of notes payable	(300,746)
Interest paid	<u>(27,940)</u>
Net cash used for noncapital financing activities	(109,370)
Cash flows from capital and related financing activities:	
Additions to property and equipment	<u>(187)</u>
Net cash used for capital and related financing activities	(187)
Cash flows from investing activities:	
Purchase of investment securities	(164,207)
Proceeds from sale and maturities of investment securities	130,091
Investment income received	<u>2,122</u>
Net cash used for investing activities	<u>(31,994)</u>
Net increase in cash and cash equivalents	17,042
Cash and cash equivalents, beginning of year	<u>10,950</u>
Cash and cash equivalents, end of year	<u>\$ 27,992</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2017

(In thousands of dollars)

Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ 14,523
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Provision for loan losses	250
Amortization of servicing rights	945
Mortgage loan servicing rights capitalized	(1,941)
Depreciation of property and equipment	364
Loan interest income converted to loan principal	(278)
Investment income, net	(2,172)
Bond interest expense and debt financing costs	22,966
Interest expense	586
Changes in operating assets and liabilities:	
Loans receivable	97,090
Loans held for sale	11,742
Accrued interest – loans	983
Other assets	7,681
Accrued and other liabilities	<u>5,854</u>
Net cash provided by operating activities	\$ <u>158,593</u>
Supplemental disclosures of noncash information:	
Conversion of construction loans receivable to mortgage loans receivable	\$ <u>6,039</u>
Real estate acquired through foreclosure	\$ <u>7,093</u>

See notes to financial statements.

(Concluded)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

1. **Organization and Nature of Operations**

New Hampshire Housing Finance Authority (the Authority) is a body politic and corporate authorized by Chapter 204-C of the Revised Statutes Annotated of New Hampshire. The initial legislation and subsequent amendments grant the Authority the power to sell bonds and use the proceeds to stimulate the construction and rehabilitation of housing for low and moderate-income families in New Hampshire (the State).

The Authority finances single family and multi-family housing for eligible persons and families in the State through the issuance of bonds and the secondary market sale of mortgage-backed securities or loans. In general, the Authority purchases single family mortgage loans from lending institutions although in certain instances, loans are originated directly. Multi-family loans are originated directly. All such loans are generally collateralized by residential real estate located within the State.

Under the terms of the single family bond programs, bond holders are protected from possible losses on mortgage loans by primary mortgage insurance policies, government-backed guarantee programs and by mortgage pool insurance policies. Certain of these arrangements involve risk-sharing agreements under which the Authority bears a portion of the risk of loss when actual losses on defaulted and foreclosed loans exceed certain levels. Under the terms of a number of multi-family bond programs, the bond issues are further protected from possible losses on mortgage loans by a Federal mortgage insurance program. This program involves risk-sharing arrangements by which the Authority bears a portion of the risk of loss on defaulted and foreclosed loans. (See Note 12 for further discussion).

2. **Summary of Significant Accounting Policies**

Basis of Presentation – The Authority's financial statements have been prepared on the basis of the proprietary-fund concept which pertains to financial activities that operate in a manner similar to private business enterprises and are financed primarily through fees and charges assessed to the users of the services. The Authority follows the accrual basis of accounting promulgated by the Governmental Accounting Standards Board (GASB) using, when applicable, funds and accounts stipulated under bond resolutions adopted in connection with the issuance of bonds.

The financial statements encompass the Authority's general funds and both single family and multi-family bond programs. The general funds account for assets, liabilities, and transactions that are not generally governed by provisions of bond resolutions. The single family bond programs encompass various bond issues that were issued in accordance with the General Single Family Mortgage Acquisition Revenue Bond Resolution adopted by the Authority on March 23, 1995 and the General Single Family Mortgage Acquisition Revenue Bond Resolution (Non-MBS) adopted by the Authority on June 25, 2009.

The multi-family bond programs encompass various bond issues that were issued in accordance with the Multi-family Housing Bond Resolution adopted by the Authority on April 27, 2000, the General Multi-family Housing Bond Resolution adopted by the Authority on December 14, 2000, and the General Multi-family Housing Bond Resolution adopted by the Authority on November 17, 2009.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

2. Summary of Significant Accounting Policies (Continued)

The financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all the organizations, activities and functions for which the Authority (the reporting entity) is financially accountable. Determination of financial accountability includes, among other factors, appointment of a voting majority of the component's governing body and (1) ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the Authority. Based on the preceding criteria, the accompanying financial statements do not include the financial activities of any entity other than the Authority.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Assets – All of the assets within bond program funds are pledged for payment against the various bond indentures. Certain assets in the general funds are restricted as to purpose by entities other than the Authority, primarily the State and the U.S. Department of Housing and Urban Development (HUD).

Mortgage Loans and Allowances for Possible Losses – Loans are stated at the principal amounts outstanding, net of allowances for possible losses. Interest income on loans is recorded on the accrual basis. The recording of interest income on problem loans ceases when collectability within a reasonable period of time becomes doubtful.

The allowance for loan losses is increased by charges to expense and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Authority's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, existing mortgage insurance and current economic conditions.

Loans Held for Sale – Loans originated or acquired and intended for sale in the secondary market are carried at the lower of aggregate cost or market value.

Investments – Short-term investments consist of debt securities, nonparticipating guaranteed investment contracts, collateralized repurchase agreements and money market funds. Long-term investments consist of debt securities with fixed maturities in excess of one year. Debt securities are recorded at fair value based on quoted market prices. Interest income on investments is recorded on the accrual basis. Nonparticipating guaranteed investment contracts and collateralized repurchase agreements are recorded at the contract value.

Mortgage Loan Servicing Rights – The cost of acquiring the rights to service mortgage loans from loan originators is capitalized and amortized in proportion to, and over the period of, estimated net servicing income.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

2. Summary of Significant Accounting Policies (Continued)

The Authority makes an assessment of mortgage servicing rights based on the fair value of those rights. For purposes of measuring impairment, the Authority stratifies mortgage servicing rights based on the age of the underlying loans. The amount of impairment, if any, is the amount by which the carrying amount of the capitalized mortgage servicing rights for a stratum exceeds its fair value. Fair value represents the present value of the anticipated net cash flows from servicing the loans.

Property and Equipment – The Authority uses a capitalization limit of \$5 for developed software and \$1 for all other items of property and equipment. Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3 to 45 years.

Real Estate Owned – Real estate owned consists of single family and multi-family residential properties acquired through foreclosure that are carried at the lower of cost or fair value less estimated costs to sell. An allowance for losses on real estate owned is maintained for estimated losses and valuation adjustments on a specific property basis.

Bonds – Bonds payable are general and limited obligations of the Authority, and are not a debt or liability of the State or any subdivisions thereof. Each bond issue is secured, as described in the applicable trust indenture, by all revenues, moneys, investments, mortgage loans and other assets in the accounts of the program. The provisions of the applicable trust indentures require or allow for redemption of bonds through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to redemption at the option of the Authority, in whole or in part at any time after certain dates, as specified in the respective series indentures. To date, the Authority has issued only bonds with fixed rates established at issuance.

Bond Discounts and Premiums – Discounts and premiums on bonds payable are amortized to interest expense over the lives of the respective bond issues using the effective interest method.

Arbitrage Rebate – Federal income tax rules limit the investment yield that the Authority may retain from investing the proceeds and other funds related to its tax-exempt bond issues. The excess yield is payable to the U.S. Treasury and included in accrued and other liabilities in the accompanying statement of net position.

Operating Revenue and Expenses – The Authority's primary operation is to make single family and multi-family loans with proceeds from the issuance of bonds or the sale of loans and mortgage-backed securities. The Authority's primary sources of operating revenue are the income from mortgage loans or other permitted investments and the sale of loans and mortgage-backed securities. The primary operating expenses are the bond interest expense associated with bonds outstanding and the costs of originating loans.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

2. Summary of Significant Accounting Policies (Continued)

The Authority also administers various Section 8 subsidized housing programs in the State for HUD. The Authority receives Federal financial assistance to provide rental subsidies to program participants and to cover program administration costs. A portion of the subsidies are disbursed on behalf of program participants who reside in housing developments on which the Authority holds a mortgage loan financed through the issuance of multi-family program bonds. The financial assistance received and disbursed on behalf of program participants is reflected as both an operating revenue and expense. The financial assistance that covers program administration costs is included in housing management fees.

The Authority receives various other pass-through grants to support housing programs. In addition to these pass-through funds, the Authority also makes various grants to both organizations and individuals for housing-related purposes.

Investment Derivative Instruments – Forward commitments to deliver mortgage-backed securities are used to hedge changes in fair value of mortgage loans held for sale and commitments to originate mortgage loans to be held for sale. These contracts are considered investment derivative instruments, as defined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Changes in the fair value of investment derivative instruments are included in investment income.

Interfund Transfers – The Authority makes transfers between its various funds and programs, primarily for the infusion of cash into new bond issue programs and the withdrawal of cash from bond issues as permitted by the bond resolutions. All interfund receivables and payables are eliminated from the financial statements.

3. Loans Receivable, Related Allowances, and Concentrations

Mortgage Loans – Mortgage loans receivable provide for monthly receipts of principal and interest for terms of 10 to 40 years and bear interest at annual rates of 0% to 8.875%.

Allowance for Possible Losses – The activity in the allowance for possible losses on mortgage and construction loans and other assets during fiscal 2017 is summarized as follows:

Balance – June 30, 2016	\$ <u>4,983</u>
Balance attributable to:	
Mortgage and construction loans	\$ 4,380
Real estate owned	<u>603</u>
Total	4,983
Provision for loan losses	250
Gains and losses, net	<u>(1,392)</u>
Balance – June 30, 2017	\$ <u>3,841</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

3. Loans Receivable, Related Allowances, and Concentrations (Continued)

Balance attributable to:	
Mortgage and construction loans	\$ 3,564
Real estate owned	<u>277</u>
Total	<u>\$ 3,841</u>

The Authority services both single family and multi-family mortgage loans on behalf of others and such loans are not reported on the Statement of Net Position. The Authority services single family loans that it securitizes and sells as Ginnie Mae mortgage backed securities and it also services loans sold directly to Fannie Mae. As of June 30, 2017, the Authority serviced \$525,659 of loans held in Ginnie Mae mortgage backed securities and \$230,813 of loans held by Fannie Mae. The Authority is exposed to operational risks with respect to the loans sold to Ginnie Mae and Fannie Mae as discussed further in Note 12.

The majority of single family mortgage loans either securitized and sold or sold directly by the Authority are acquired from a network of mortgage loan originators. For the year ended June 30, 2017, loans acquired from three originating lenders amounted to 68% of the sold loan volume, contributing 6% of the Authority's total operating revenue and 27% of its change in net position.

The Authority also originates and services FHA risk-share insured multi-family mortgage loans for which it sells 100% participation interests. As of June 30, 2017, the Authority serviced \$41 of multi-family mortgage loans for three investors.

4. Cash and Investments

Cash and Cash Equivalents – At June 30, 2017, the carrying amount of the Authority's bank deposits was \$27,992, such amount representing cash bank deposits. Bank balances of cash deposits held in the general funds totaled \$24,208. Of such deposits, \$250 was insured by the Federal Deposit Insurance Corporation, while deposits aggregating \$23,958 were uninsured.

Bank balances of cash deposits held in bond funds totaled \$4,292 and \$250 was insured by the Federal Deposit Insurance Corporation.

At June 30, 2017, the carrying amount of the Authority's restricted cash (cash held in escrow) was \$14,267. The restricted cash bank balance was \$14,639, which was uninsured.

T.D. Bank, N.A. provides an irrevocable stand-by letter of credit issued by the Federal Home Loan Bank of Pittsburgh as additional security for uninsured cash balances. The letter of credit collateralized \$39,696 of deposits as of June 30, 2017.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

4. Cash and Investments (Continued)

Investments – In accordance with the terms of its investment policy and its bond indentures, the Authority may invest, subject to various restrictions, in direct obligations of the United States, United States government-sponsored enterprise (GSE) securities, guaranteed investment contracts, collateralized repurchase agreements, money market funds comprised of direct obligations of the United States or GSE debt obligations, collateralized certificates of deposit and interest-bearing time deposits, and certain direct and general obligations of any state or governmental entity of the United States. The majority of investments are restricted for the repayment of bond obligations or to satisfy certain reserve requirements specified by the bond indentures.

Guaranteed investment contracts are uncollateralized contracts with qualified financial institutions and registered broker-dealers insured by the Securities Investor Protection Corporation (SIPC). Although the nominal maturity dates of the guaranteed investment contracts are closely matched with future bond maturities and loan disbursements, the contracts have short-term liquidity and termination provisions. Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA) obligations are in the Authority's name and held by third parties.

Short-Term Investments – Short-term investments at June 30, 2017 consist of the following investments with maturities of less than one year:

Guaranteed investment contracts (at contract value)	\$ 75,080
Collateralized repurchase agreements (at contract value)	45,528
U.S. Treasury obligation money market funds (at fair value)	<u>15,415</u>
 Total	 <u>\$136,023</u>

Long-Term Investments – Long-term investments at June 30, 2017 with their credit quality ratings as issued by Moody's Investors Service as of the date of this report, consist of the following (at fair value), all maturing in excess of one year, with maturities ranging from 2019 to 2046. A net increase in fair value of \$51 was recorded during fiscal 2017.

	Rating	Investment Maturities				Total
		(In Years)				
		<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>	<u>25 – 30</u>	
FFCB obligations	Aaa	\$ –	\$ 2,001	\$ –	\$ –	\$ 2,001
FHLB obligations	Aaa	–	1,203	–	–	1,203
FNMA obligations	Aaa	625	1,277	–	–	1,902
GNMA obligations	Aaa	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,582</u>	<u>1,582</u>
 Total		 <u>\$ 625</u>	 <u>\$ 4,481</u>	 <u>\$ –</u>	 <u>\$ 1,582</u>	 <u>\$ 6,688</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

4. Cash and Investments (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Authority invests primarily in guaranteed investment contracts and collateralized repurchase agreements that provide for withdrawal of funds at par over the lives of the contracts. The portfolio of FFCB, FHLB, FNMA and GNMA investments is subject to fair value fluctuations. The balance in money market funds at June 30, 2017 includes amounts withdrawn from guaranteed investment contracts and collateralized repurchase agreements to satisfy July 1, 2017 scheduled debt service payments.

Credit Risk – Credit risk is the risk that an investment issuer will not fulfill its obligations. Credit risk is measured by the credit quality ratings of issuers as described by nationally recognized rating organizations. The Authority requires providers of guaranteed investment contracts to have and maintain a long-term unsecured debt obligation rating or claims paying ability rating sufficient to support the applicable Authority bond rating. In the event of an investment provider rating downgrade that will impact the applicable Authority bond rating, the Authority may request the provider to deliver collateral sufficient to maintain the Authority bond rating or terminate the contract.

Custodial Credit Risk – Custodial credit risk is the risk that, in the failure of a counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's policy requires collateralized repurchase agreement providers to be members of the Federal Deposit Insurance Corporation or the Association of Primary Dealers in United States Government Securities and the collateral provided must be direct obligations of the United States or GSE debt obligations, have a maintained market value of not less than 102% of the repurchase agreement maturity value and be delivered to a third party custodian acting as a fiduciary on behalf of the Authority.

Repurchase agreement collateral held by Wells Fargo Bank, National Association:

Government National Mortgage Association mortgage pools (at fair value)	\$55,161
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Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issue or a single issuer. The Authority does not place limits on the amount of investment in a single issue or a single issuer. Investments in issuers that represent 5% or more of total short and long term investments at June 30, 2017, with their credit quality ratings as issued by Moody's Investors Service as of the date of this report, are as follows:

	<u>Rating</u>	
Collateralized repurchase agreements and guaranteed investment contracts provided by:		
Bayerische Landesbank Girozentrale	A1	\$ 76,597
Guaranteed investment contracts provided by:		
Natixis Funding Corporation	A2	34,400
Transamerica Life Insurance Company	A1	8,992
U.S. Treasury obligation money market funds provided by:		
Fidelity Institutional Money Market Funds	Aaa-mf	<u>10,543</u>
Total		<u>\$130,532</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

5. Other Current Assets

Other current assets at June 30, 2017 consist of the following:

Accounts receivable	\$ 6,554
Prepaid expenses	349
Fair value investment derivatives	127
Repurchased loans	1,903
Accrued servicing revenue	<u>275</u>
Total	<u>\$ 9,208</u>

6. Mortgage Loan Servicing Rights

During fiscal 2017, the Authority capitalized \$1,941 in connection with the purchase of servicing rights and recorded amortization of \$945. At June 30, 2017, mortgage loan servicing rights totaled \$5,404, net of accumulated amortization of \$23,202. Gross servicing rights totaled \$28,606.

7. Property and Equipment

Property and equipment at June 30, 2017, consists of:

Land and building	\$ 6,488
Equipment	5,831
Furniture and fixtures	<u>566</u>
Total	12,885
Less accumulated depreciation	<u>(8,760)</u>
Property and equipment – net	<u>\$ 4,125</u>

Depreciation expense for the year ended June 30, 2017 was \$364.

8. Forward Commitments

The Authority sells forward commitments to deliver Ginnie Mae guaranteed mortgage-backed securities. Commitments are sold as mortgage loan reservations are taken to hedge against market fluctuations prior to loan origination and securitization. The Authority is subject to market value fluctuations in the event that mortgage loans are not originated as expected and the committed securities cannot be delivered. A net increase in fair value of \$122 on these forward commitments, classified as investment derivative instruments, has been recorded in investment income and in both accrued and other liabilities and other assets on the statement of net position.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

8. Forward Commitments (Continued)

The Authority is subject to credit risk with respect to counterparties to the forward commitment contracts, summarized as follows at June 30, 2017, with their credit quality ratings as issued by Moody's Investors Service as of the date of this report:

	<u>Rating</u>	<u>Number of Contracts</u>	<u>Par Amount</u>
Bank of America	A1	5	\$ 5,000
Bank of New York Mellon Capital Markets	Aa2	10	8,734
Bank of Oklahoma	Aa3	24	16,630
Federal National Mortgage Association	Aaa	19	13,753
Jefferies Group LLC	Baa3	<u>10</u>	<u>5,276</u>
Total		<u>68</u>	<u>\$49,393</u>

9. Bonds Payable

Bonds payable consist of term and serial bonds due in installments on January 1 and July 1 of each year with interest rates ranging from 1.45% to 6.625%. Interest paid on bonds of the Authority is generally exempt from Federal income taxes, except for certain bonds including twelve series of Single Family Mortgage Acquisition Revenue Bonds.

Bonds payable activity for the year ended June 30, 2017 was as follows:

Balance – June 30, 2016	\$ 651,226
Bond issuance	79,546
Amortization of bond premium and discount, net	(1,607)
Principal repayment	<u>(151,760)</u>
Balance – June 30, 2017	<u>\$ 577,405</u>
Amount payable within one year	<u>\$ 98,746</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

9. Bonds Payable (Continued)

Principal and interest payments due on outstanding bonds are as follows at June 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2018	\$ 98,746	\$ 19,240	\$117,986
2019	17,505	18,435	35,940
2020	17,925	17,921	35,846
2021	18,365	17,340	35,705
2022	<u>18,665</u>	<u>16,705</u>	<u>35,370</u>
Subtotal, years ending 2018 – 2022	171,206	89,641	260,847
Years ending June 30:			
2023 – 2027	100,915	72,212	173,127
2028 – 2032	111,120	50,301	161,421
2033 – 2037	108,495	27,368	135,863
2038 – 2042	55,585	10,940	66,525
2043 – 2047	15,530	4,231	19,761
2048 – 2052	9,510	1,338	10,848
2053 – 2057	<u>1,315</u>	<u>62</u>	<u>1,377</u>
Total	573,676	<u>\$256,093</u>	<u>\$829,769</u>
Unamortized premium	3,815		
Unamortized discount	<u>(86)</u>		
Total bonds payable	<u>\$577,405</u>		

In the ordinary course of its business, the Authority redeems, prior to stated maturity, various amounts of bonds from prepayments of the related mortgage loans. During fiscal 2017, the Authority redeemed, prior to stated maturity and in accordance with the terms of the bonds, \$103,525 of current interest single family bond program bonds and \$29,530 of current interest multi-family bond program bonds.

On December 21, 2016, the Authority issued \$21,360 of Single Family Mortgage Acquisition Revenue Refunding Bonds, 2016 Series A (Taxable). Bond issue proceeds were used to redeem two prior issues of Single Family Mortgage Acquisition Revenue Bonds issued in 2007. The bonds issued and the bonds redeemed consisted of serial and term bonds with varying maturities and interest rates. The advanced refunding resulted in a decrease of debt service payments over the next 21 years of \$2,542 and an economic gain of \$621, including the bond issue premium of \$220 and issuance costs of \$286, both related to the new debt.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

9. Bonds Payable (Continued)

On May 24, 2017, the Authority issued \$56,000 of Single Family Mortgage Acquisition Revenue Refunding Bonds, 2017 Series A (Taxable). Bond issue proceeds will be used to redeem seven prior issues of Single Family Mortgage Acquisition Revenue Bonds issued in 2006 and 2007. The bonds issued and the bonds redeemed consisted of serial and term bonds with varying maturities and interest rates. The advanced refunding resulted in a decrease of debt service payments over the next 23 years of \$6,976 and an economic gain of \$4,002, including issuance costs of \$156 related to the new debt and net of redemption premiums of \$670 related to the old debt.

10. Notes Payable and Credit Facilities

The Authority has a \$60,000 line of credit with a bank for the purpose of acquiring single family mortgage loans prior to the issuance of single family bonds or other secondary market disposition and for financing short-term construction loans for multi-family housing projects. The bank holds security interests in the related mortgages and loans as they are held as collateral by the bank. This line of credit bears interest at a fluctuating per annum rate based on the one-month LIBOR rate with a floor of 2.15%, and expires on December 31, 2018. At June 30, 2017, \$15,717 was outstanding and the interest rate was 2.30%.

The Authority has a \$5,000 line of credit with a bank, which bears interest at the bank's LIBOR rate plus 2.45% and expires on December 31, 2018. There were no amounts outstanding on the line at June 30, 2017.

The Authority received a \$6,500 advance from the Federal Home loan Bank of Boston (FHLB Boston). This interest free advance has a five year term maturing in August 2021 and is to be used as a revolving fund to support construction loans for multi-family housing projects. The Authority has delivered collateral valued at \$7,500 as of June 30, 2017 to the FHLB Boston to collateralize this advance. FHLB Boston has also committed \$500 to the Authority to be used to subsidize construction period interest expense for multi-family housing projects.

11. Accrued and Other Liabilities

Accrued and other liabilities at June 30, 2017 consist of the following:

	<u>Current</u>	<u>Long-Term</u>
Accounts payable	\$ 7,090	\$ –
Funds held in escrow	6,749	152
Fair value investment derivatives	5	–
Accrued servicing fees	<u>147</u>	<u>–</u>
Total	<u>\$13,991</u>	<u>\$ 152</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

12. Commitments and Contingent Liabilities

In the normal course of business, the Authority has outstanding various commitments and contingent liabilities, including the following:

- At June 30, 2017, the Authority was committed to fund approximately \$47,514 of mortgage loans to be used in the Ginnie Mae mortgage-backed securities program. Ginnie Mae guarantees securities that are backed by mortgage loan pools. These mortgages are originated by the Authority and then exchanged with Ginnie Mae for mortgage-backed securities which are then sold. Ginnie Mae has established minimum net worth requirements for program participants based on outstanding securities and the balance of commitments to guarantee securities. At June 30, 2017, the Authority met the minimum net worth requirement of \$4,568. Under the Ginnie Mae program, the Authority must use its own funds if a borrower fails to make a timely payment on a mortgage loan. The Authority must also assess the overall performance of the portfolio and repurchase loans as necessary to maintain required delinquency thresholds. The Authority assesses the overall risk of loss on loans that it may be required to repurchase and repurchases the loans as necessary. The Authority securitized \$190,565 of mortgage loans during the year ended June 30, 2017 and held \$1,903 of repurchased loans in other assets at June 30, 2017. The Allowance for Possible Losses described in Note 3 includes \$74 allocated to such repurchased loans.
- At June 30, 2017, the Authority was committed to fund approximately \$24,477 of mortgage loans to be sold to Fannie Mae. The Authority sells mortgage loans to Fannie Mae on both nonrecourse and risk-share bases. Terms of the risk-share program require the Authority to repurchase mortgage loans that become severely delinquent and the delinquency is not cured within 13 months from the date of sale. As of June 30, 2017, the Authority had not repurchased a delinquent Fannie Mae loan and there were not any Fannie Mae loans at risk of repurchase.
- The Authority has committed to maintain primary mortgage insurance policies for all the single family bond program bond issues. The primary insurance policies for three issues contain risk-sharing arrangements. The Authority has also committed to maintain pool insurance policies or self-insurance funds held within bond indentures for all issues. The aggregate maximum contingent liability to the general funds with respect to these arrangements is approximately \$2,138 for the risk-sharing insurance agreements.
- The Authority has committed to maintain mortgage insurance provided through the Federal Housing Administration (FHA) for a number of multi-family mortgage loans, including the multi-family loan participation interests sold as discussed in Note 3. The FHA insurance used by the Authority includes risk-sharing arrangements by which the Authority has a maximum contingent liability to the general funds of \$76,924.
- The Authority has authorized the expenditure of approximately \$16,735 from the general funds for the purchase of housing units and for other housing-related purposes. This total includes \$10,773 of construction loans expected to be funded from a bank line of credit.
- Provisions of certain general funds and multi-family bond program loans require the Authority to administer certain funds in escrow on behalf of developers for the purposes of project completion, working capital and contingency reserves, insurance and taxes. At June 30, 2017, these balances aggregated \$36,988. These balances are not included in the Authority's financial statements as they are maintained in separate accounts in the names of the developers.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

12. Commitments and Contingent Liabilities (Continued)

- The Authority is subject to various legal proceedings and claims that arise in the normal course of its business. In the opinion of management, the ultimate resolution of these actions will not materially affect the accompanying financial statements of the Authority.

13. Restricted Net Position

The components of restricted net position at June 30, 2017 are as follows:

Restricted for purpose of funding source	\$ 21,720
Restricted for purpose of bond issues:	
Single family bond programs	30,075
Multi-family bond programs	<u>9,851</u>
Total	<u>\$ 61,646</u>

14. Grants and Subsidies

The Authority receives and distributes grants and subsidies in support of a variety of housing-related initiatives. Grants and subsidies revenue exceeds grants and subsidies expense by \$220 primarily due to an excess of revenue over expenses in the HOME Investments Partnership Program related to the timing of the reuse of program recoveries, receipt of a state allocation to support multi-family housing and the repayment of deferred payment loans, all net of the expenditure of discretionary resources to provide down-payment assistance to single family homeowners.

15. Employee Benefit Plans

The Authority has established, and can amend, the Defined Contribution Pension Plan for Employees of New Hampshire Housing Finance Authority in accordance with the provisions of Internal Revenue Code Section 401(a). All employees with over six months of service are covered by the plan, which is administered by Mutual of America and requires employer contributions equal to 5% or 10% of the salaries of covered employees and employer matching contributions to specified limits of employee contributions. Payroll of covered employees for fiscal 2017 totaled \$8,036 while total payroll for fiscal 2017 totaled \$8,433. The Authority expensed and made contributions to the plan of \$559 for fiscal 2017, such amount representing 7% of covered payroll and including \$149 of matched contribution for the Voluntary Deferred Compensation Plan. The Voluntary Deferred Compensation Plan for Employees of New Hampshire Housing Finance Authority was established by the Authority in accordance with the provisions of Internal Revenue Code Section 457. This plan, which is administered by Mutual of America, enables all employees with over six months of service to make tax-deferred contributions that are partially matched by the Authority.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

(In thousands of dollars)

16. Housing Management Fees

The Authority administers Section 8 subsidized housing programs under HUD new construction and substantial rehabilitation, mainstream voucher, moderate rehabilitation, section 811, housing choice voucher and special allocation programs and receives fees for these services. Total Federal funds administered by the Authority under these programs aggregated \$89,909 for the year ended June 30, 2017.

17. Fair Value Measurements

The Authority generally holds investments until maturity to pay reserve fund bonds as they become due, so fluctuations in the fair value of the investments have a minimal long-term effect. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three level framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

United States government obligations classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets and liabilities in Level 2 of the fair value hierarchy are valued using inputs, other than quoted prices in Level 1, that are observable, either directly or indirectly. In Level 3, inputs are unobservable for an asset or liability. Investment derivatives are classified in Level 3 and are valued using mark-to-market techniques using third-party pricing.

The following table sets forth by level, within the fair value hierarchy, the Authority's United States government obligations and investment derivative instruments at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
United States government obligations	\$ 6,688	\$ –	\$ –	\$ 6,688
Investment derivative instruments	<u>–</u>	<u>–</u>	<u>122</u>	<u>122</u>
Total	<u>\$ 6,688</u>	<u>\$ –</u>	<u>\$ 122</u>	<u>\$ 6,810</u>

18. Subsequent Events

On July 1, 2017, the Authority redeemed, prior to scheduled maturity, its Single Family Mortgage Acquisition Revenue Bonds, in the amount of \$58,710 in connection with the advanced refunding of debt described in Note 9.

On July 13, 2017, the Authority issued \$19,920 of Single Family Mortgage Acquisition Revenue Refunding Bonds, 2017 Series B (Taxable). Bond issue proceeds were used to redeem on July 13, 2017 Single Family Mortgage Acquisition Revenue Bonds issued in 2009. The bonds issued consisted of serial and term bonds with varying maturities and interest rates whereas the bonds redeemed consisted of 4.24% term bonds with a maturity date of July 1, 2040. The advanced refunding resulted in a decrease of debt service payments over the next 23 years of \$1,320 and an economic gain of \$702, including issuance costs of \$265.

On September 1, 2017 the Authority redeemed, prior to schedule maturity, its Single Family Mortgage Acquisition Revenue Bonds, in the amount of \$11,460.

SUPPLEMENTAL COMBINING SCHEDULES

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF STATEMENT OF NET POSITION

June 30, 2017

(In thousands of dollars)

	<u>General Funds</u>	<u>Single Family Bond Programs</u>	<u>Multi-Family Bond Programs</u>	<u>Eliminations</u>	<u>Total</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 23,700	\$ 4,292	\$ –	\$ –	\$ 27,992
Cash held in escrow	14,267	–	–	–	14,267
Short-term investments	333	124,503	11,187	–	136,023
Accrued interest receivable on investments	40	17	–	–	57
Current portion of mortgage and construction loans receivable	5,629	13,014	834	–	19,477
Loans held for sale, at lower of cost or market value	11,738	–	–	–	11,738
Accrued interest receivable on loans	167	4,004	371	–	4,542
Real estate owned, net	980	4,370	–	–	5,350
Other current assets	<u>6,091</u>	<u>3,393</u>	<u>–</u>	<u>(276)</u>	<u>9,208</u>
Total current assets	62,945	153,593	12,392	(276)	228,654
Long-term investments	3,566	3,122	–	–	6,688
Loans receivable:					
Mortgage loans	23,801	416,318	74,886	–	515,005
Construction loans	10,381	–	–	–	10,381
Less allowance for possible losses	<u>(1,260)</u>	<u>(2,304)</u>	<u>–</u>	<u>–</u>	<u>(3,564)</u>
Loans receivable, net	32,922	414,014	74,886	–	521,822
Less current portion of loans receivable	<u>(5,629)</u>	<u>(13,014)</u>	<u>(834)</u>	<u>–</u>	<u>(19,477)</u>
Long term portion of loans receivable	27,293	401,000	74,052	–	502,345
Other assets:					
Mortgage loan servicing rights, net	5,404	–	–	–	5,404
Property and equipment, net	4,125	–	–	–	4,125
Interfund receivables	<u>11,492</u>	<u>2,247</u>	<u>459</u>	<u>(14,198)</u>	<u>–</u>
Total other assets	<u>21,021</u>	<u>2,247</u>	<u>459</u>	<u>(14,198)</u>	<u>9,529</u>
Total assets	<u>114,825</u>	<u>559,962</u>	<u>86,903</u>	<u>(14,474)</u>	<u>747,216</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF STATEMENT OF NET POSITION (CONTINUED)

June 30, 2017

(In thousands of dollars)

	<u>General Funds</u>	<u>Single Family Bond Programs</u>	<u>Multi-Family Bond Programs</u>	<u>Eliminations</u>	<u>Total</u>
Liabilities					
Current liabilities:					
Current portion of bonds payable	\$ 1,967	\$ 95,759	\$ 1,020	\$ -	\$ 98,746
Accrued interest payable	4	9,056	1,711	-	10,771
Notes payable	22,217	-	-	-	22,217
Current portion of accrued and other liabilities	<u>13,872</u>	<u>356</u>	<u>39</u>	<u>(276)</u>	<u>13,991</u>
Total current liabilities	38,060	105,171	2,770	(276)	145,725
Long-term liabilities:					
Bonds payable, net of current portion	-	404,720	73,939	-	478,659
Accrued and other liabilities	152	-	-	-	152
Interfund payables	<u>3,905</u>	<u>9,950</u>	<u>343</u>	<u>(14,198)</u>	<u>-</u>
Total long-term liabilities	<u>4,057</u>	<u>414,670</u>	<u>74,282</u>	<u>(14,198)</u>	<u>478,811</u>
Total liabilities	<u>42,117</u>	<u>519,841</u>	<u>77,052</u>	<u>(14,474)</u>	<u>624,536</u>
Net Position					
Invested in capital assets	4,125	-	-	-	4,125
Restricted	21,720	30,075	9,851	-	61,646
Unrestricted	<u>46,863</u>	<u>10,046</u>	<u>-</u>	<u>-</u>	<u>56,909</u>
Total net position	<u>\$ 72,708</u>	<u>\$ 40,121</u>	<u>\$ 9,851</u>	<u>\$ -</u>	<u>\$ 122,680</u>

(Concluded)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2017

(In thousands of dollars)

	<u>General Funds</u>	<u>Single Family Bond Programs</u>	<u>Multi-Family Bond Programs</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenue:					
Interest and fees on loans	\$ 3,532	\$ 26,323	\$ 4,997	\$ -	\$ 34,852
Gain on sale of loans and mortgage backed securities	13,650	-	-	-	13,650
Servicing revenue	5,075	-	-	(1,911)	3,164
Investment income	203	1,444	474	-	2,121
Increase (decrease) in fair value of investments	167	(116)	-	-	51
Housing management fees	11,390	-	-	(6,267)	5,123
Federal rental assistance programs	84,889	-	-	-	84,889
Bond issuance fees	830	-	-	(830)	-
Grants and subsidies	11,769	-	-	-	11,769
Other	663	-	-	-	663
Total operating revenue	<u>132,168</u>	<u>27,651</u>	<u>5,471</u>	<u>(9,008)</u>	<u>156,282</u>
Operating expenses:					
Bond interest expense and debt financing costs	80	19,039	3,847	-	22,966
Administrative expenses	22,153	155	42	(6,267)	16,083
Loan origination expenses	3,657	-	-	-	3,657
Loan servicing expenses	2,162	1,719	199	(1,911)	2,169
Provision for loan losses	250	-	-	-	250
Federal rental assistance programs	84,760	-	-	-	84,760
Bond issuance fees	-	697	133	(830)	-
Grants and subsidies	11,549	-	-	-	11,549
Other	129	1	195	-	325
Total operating expenses	<u>124,740</u>	<u>21,611</u>	<u>4,416</u>	<u>(9,008)</u>	<u>141,759</u>
Change in net position	7,428	6,040	1,055	-	14,523
Net position, beginning of year	58,457	35,995	13,705	-	108,157
Interfund transfers, net	<u>6,823</u>	<u>(1,914)</u>	<u>(4,909)</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ 72,708</u>	<u>\$ 40,121</u>	<u>\$ 9,851</u>	<u>\$ -</u>	<u>\$ 122,680</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS

Year Ended June 30, 2017

(In thousands of dollars)

	<u>General Funds</u>	<u>Single Family Bond Programs</u>	<u>Multi-Family Bond Programs</u>	<u>Eliminations</u>	<u>Total</u>
Cash flows from operating activities:					
Loan repayments received	\$ 19,814	\$ 83,984	\$ 11,584	\$ -	\$ 115,382
Loan interest income and servicing revenue received	8,888	27,193	5,105	(1,911)	39,275
Proceeds from sale of loans and mortgage-backed securities	322,033	-	-	-	322,033
Federal rental assistance program receipts	84,889	-	-	-	84,889
Grants and subsidies receipts	11,769	-	-	-	11,769
Other receipts	26,920	14,246	4,630	(22,847)	22,949
Loan disbursements	(314,933)	-	-	-	(314,933)
Purchase of loan servicing rights	(1,941)	-	-	-	(1,941)
Payments to vendors	(13,987)	(156)	(237)	6,267	(8,113)
Payments to employees	(9,148)	-	-	-	(9,148)
Federal rental assistance program disbursements	(84,760)	-	-	-	(84,760)
Grants and subsidies disbursements	(11,549)	-	-	-	(11,549)
Other disbursements	(14,592)	(5,583)	(5,576)	18,491	(7,260)
Net cash provided by operating activities	<u>23,403</u>	<u>119,684</u>	<u>15,506</u>	<u>-</u>	<u>158,593</u>
Cash flows from noncapital financing activities:					
Proceeds from issuance of bonds	1,966	77,580	-	-	79,546
Principal repayment of bonds	(4,370)	(120,865)	(26,524)	-	(151,759)
Proceeds from notes payable	291,529	-	-	-	291,529
Repayment of notes payable	(300,746)	-	-	-	(300,746)
Interest paid	(726)	(22,684)	(4,530)	-	(27,940)
Net cash used for noncapital financing activities	<u>(12,347)</u>	<u>(65,969)</u>	<u>(31,054)</u>	<u>-</u>	<u>(109,370)</u>
Cash flows from capital and related financing activities:					
Additions to property and equipment	(187)	-	-	-	(187)
Net cash used for capital and related financing activities	<u>(187)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(187)</u>
Cash flows from investing activities:					
Purchase of investment securities	(100)	(146,968)	(17,139)	-	(164,207)
Proceeds from sale and maturities of investment securities	3,845	94,033	32,213	-	130,091
Investment income received	225	1,423	474	-	2,122
Net cash provided by (used for) investing activities	<u>3,970</u>	<u>(51,512)</u>	<u>15,548</u>	<u>-</u>	<u>(31,994)</u>
Net increase in cash and cash equivalents	14,839	2,203	-	-	17,042
Cash and cash equivalents, beginning of year	<u>8,861</u>	<u>2,089</u>	<u>-</u>	<u>-</u>	<u>10,950</u>
Cash and cash equivalents, end of year	<u>\$ 23,700</u>	<u>\$ 4,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,992</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2017

(In thousands of dollars)

	<u>General Funds</u>	<u>Single Family Bond Programs</u>	<u>Multi-Family Bond Programs</u>	<u>Eliminations</u>	<u>Total</u>
Reconciliation of change in net position to net cash provided by operating activities:					
Change in net position	\$ 7,428	\$ 6,040	\$ 1,055	\$ -	\$ 14,523
Adjustments to reconcile change in net position to net cash provided by operating activities:					
Provision for loan losses	250	-	-	-	250
Amortization of servicing rights	945	-	-	-	945
Mortgage loan servicing rights capitalized	(1,941)	-	-	-	(1,941)
Depreciation of property and equipment	364	-	-	-	364
Loan interest income converted to loan principal	(278)	-	-	-	(278)
Investment income, net	(370)	(1,328)	(474)	-	(2,172)
Bond interest expense and debt financing costs	80	19,039	3,847	-	22,966
Interest expense	586	-	-	-	586
Changes in operating assets and liabilities:					
Loans receivable	1,522	83,984	11,584	-	97,090
Loans held for sale	11,742	-	-	-	11,742
Accrued interest – loans	5	870	108	-	983
Other assets	(2,257)	10,068	14	(144)	7,681
Accrued and other liabilities	3,001	2,924	(215)	144	5,854
Interfund transfers	<u>2,326</u>	<u>(1,913)</u>	<u>(413)</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 23,403</u>	<u>\$ 119,684</u>	<u>\$ 15,506</u>	<u>\$ -</u>	<u>\$ 158,593</u>
Supplemental disclosures of noncash information:					
Conversion of construction loans receivable to mortgage loans receivable	<u>\$ 6,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,039</u>
Real estate acquired through foreclosure	<u>\$ -</u>	<u>\$ 7,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,093</u>

(Concluded)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF STATEMENT OF NET POSITION – SINGLE FAMILY BOND PROGRAMS

June 30, 2017

(In thousands of dollars)

	<u>2006 – 2017</u>	<u>2009 – 2011</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,292	\$ –	\$ 4,292
Short-term investments	109,282	15,221	124,503
Accrued interest receivable on investments	16	1	17
Current portion of mortgage and construction loans receivable	9,901	3,113	13,014
Accrued interest receivable on loans	3,020	984	4,004
Real estate owned, net	2,617	1,753	4,370
Other current assets	<u>2,453</u>	<u>940</u>	<u>3,393</u>
Total current assets	131,581	22,012	153,593
Long-term investments	1,540	1,582	3,122
Loans receivable:			
Mortgage loans	290,738	125,580	416,318
Less allowance for possible losses	<u>(1,936)</u>	<u>(368)</u>	<u>(2,304)</u>
Loans receivable, net	288,802	125,212	414,014
Less current portion of loans receivable	<u>(9,901)</u>	<u>(3,113)</u>	<u>(13,014)</u>
Long term portion of loans receivable	278,901	122,099	401,000
Other assets:			
Interfund receivables	<u>2,119</u>	<u>128</u>	<u>2,247</u>
Total other assets	<u>2,119</u>	<u>128</u>	<u>2,247</u>
Total assets	<u>414,141</u>	<u>145,821</u>	<u>559,962</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF STATEMENT OF NET POSITION – SINGLE FAMILY BOND PROGRAMS (CONTINUED)

June 30, 2017

(In thousands of dollars)

	<u>2006 – 2017</u>	<u>2009 – 2011</u>	<u>Total</u>
Liabilities			
Current liabilities:			
Current portion of bonds payable	\$ 71,619	\$ 24,140	\$ 95,759
Accrued interest payable	6,513	2,543	9,056
Current portion of accrued and other liabilities	<u>277</u>	<u>79</u>	<u>356</u>
Total current liabilities	78,409	26,762	105,171
Long-term liabilities:			
Bonds payable, net of current portion	292,702	112,018	404,720
Interfund payables	<u>8,808</u>	<u>1,142</u>	<u>9,950</u>
Total long-term liabilities	<u>301,510</u>	<u>113,160</u>	<u>414,670</u>
Total liabilities	<u>379,919</u>	<u>139,922</u>	<u>519,841</u>
Net Position			
Restricted	24,176	5,899	30,075
Unrestricted	<u>10,046</u>	<u>—</u>	<u>10,046</u>
Total net position	<u>\$ 34,222</u>	<u>\$ 5,899</u>	<u>\$ 40,121</u>

(Concluded)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION – SINGLE FAMILY BOND PROGRAMS

Year Ended June 30, 2017

(In thousands of dollars)

	<u>2006– 2017</u>	<u>2009 – 2011</u>	<u>Total</u>
Operating revenue:			
Interest and fees on loans	\$ 19,903	\$ 6,420	\$ 26,323
Investment income	1,238	206	1,444
Decrease in fair value of investments	<u>(51)</u>	<u>(65)</u>	<u>(116)</u>
Total operating revenue	<u>21,090</u>	<u>6,561</u>	<u>27,651</u>
Operating expenses:			
Bond interest expense and debt financing costs	13,872	5,167	19,039
Administrative expenses	106	49	155
Loan servicing expenses	1,206	513	1,719
Bond issuance fees	697	–	697
Other	<u>1</u>	<u>–</u>	<u>1</u>
Total operating expenses	<u>15,882</u>	<u>5,729</u>	<u>21,611</u>
Change in net position	5,208	832	6,040
Net position, beginning of year	30,578	5,417	35,995
Interfund transfers, net	<u>(1,564)</u>	<u>(350)</u>	<u>(1,914)</u>
Net position, end of year	<u>\$ 34,222</u>	<u>\$ 5,899</u>	<u>\$ 40,121</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS – SINGLE FAMILY BOND PROGRAMS

Year Ended June 30, 2017

(In thousands of dollars)

	<u>2006 – 2017</u>	<u>2009 – 2011</u>	<u>Total</u>
Cash flows from operating activities:			
Loan repayments received	\$ 59,410	\$ 24,574	\$ 83,984
Loan interest income received	20,569	6,624	27,193
Other receipts	12,321	1,925	14,246
Payments to vendors	(107)	(49)	(156)
Other disbursements	<u>(4,465)</u>	<u>(1,118)</u>	<u>(5,583)</u>
Net cash provided by operating activities	87,728	31,956	119,684
Cash flows from noncapital financing activities:			
Proceeds from issuance of bonds	77,580	–	77,580
Principal repayment of bonds	(92,505)	(28,360)	(120,865)
Interest paid	<u>(16,648)</u>	<u>(6,036)</u>	<u>(22,684)</u>
Net cash used for noncapital financing activities	(31,573)	(34,396)	(65,969)
Cash flows from investing activities:			
Purchase of investment securities	(114,098)	(32,870)	(146,968)
Proceeds from sale and maturities of investment securities	58,931	35,102	94,033
Investment income received	<u>1,215</u>	<u>208</u>	<u>1,423</u>
Net cash provided by investing activities	<u>(53,952)</u>	<u>2,440</u>	<u>(51,512)</u>
Net increase in cash and cash equivalents	2,203	–	2,203
Cash and cash equivalents, beginning of year	<u>2,089</u>	<u>–</u>	<u>2,089</u>
Cash and cash equivalents, end of year	<u>\$ 4,292</u>	<u>\$ –</u>	<u>\$ 4,292</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS – SINGLE FAMILY BOND PROGRAMS (CONTINUED)

Year Ended June 30, 2017

(In thousands of dollars)

	<u>2006 – 2017</u>	<u>2009 – 2011</u>	<u>Total</u>
Reconciliation of change in net position to net cash provided by operating activities:			
Change in net position	\$ 5,208	\$ 832	\$ 6,040
Adjustments to reconcile change in net position to net cash provided by operating activities:			
Investment income, net	(1,187)	(141)	(1,328)
Bond interest expense and debt financing costs	13,872	5,167	19,039
Changes in operating assets and liabilities:			
Loans receivable	59,410	24,574	83,984
Accrued interest – loans	666	204	870
Other assets	8,275	1,793	10,068
Accrued and other liabilities	3,013	(89)	2,924
Interfund transfers	<u>(1,529)</u>	<u>(384)</u>	<u>(1,913)</u>
Net cash provided by operating activities	<u>\$ 87,728</u>	<u>\$ 31,956</u>	<u>\$ 119,684</u>
Supplemental disclosures of noncash information:			
Real estate acquired through foreclosure	<u>\$ 5,700</u>	<u>\$ 1,393</u>	<u>\$ 7,093</u>

(Concluded)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF STATEMENT OF NET POSITION – MULTI-FAMILY BOND PROGRAMS

June 30, 2017

(In thousands of dollars)

	<u>2000 – 2013</u>	<u>2004 – 2005</u>	<u>2010</u>	<u>Total</u>
Assets				
Current assets:				
Short-term investments	\$ 6,620	\$ 3,024	\$ 1,543	\$ 11,187
Current portion of mortgage and construction loans receivable	423	221	190	834
Accrued interest receivable on loans	<u>227</u>	<u>79</u>	<u>65</u>	<u>371</u>
Total current assets	7,270	3,324	1,798	12,392
Loans receivable:				
Mortgage loans	43,735	15,261	15,890	74,886
Less current portion of loans receivable	<u>(423)</u>	<u>(221)</u>	<u>(190)</u>	<u>(834)</u>
Long term portion of loans receivable	43,312	15,040	15,700	74,052
Other assets:				
Interfund receivables	<u>288</u>	<u>94</u>	<u>77</u>	<u>459</u>
Total other assets	<u>288</u>	<u>94</u>	<u>77</u>	<u>459</u>
Total assets	<u>50,870</u>	<u>18,458</u>	<u>17,575</u>	<u>86,903</u>
Liabilities				
Current liabilities:				
Current portion of bonds payable	565	275	180	1,020
Accrued interest payable	1,104	354	253	1,711
Current portion of accrued and other liabilities	<u>27</u>	<u>6</u>	<u>6</u>	<u>39</u>
Total current liabilities	1,696	635	439	2,770
Long-term liabilities:				
Bonds payable, net of current portion	43,029	15,100	15,810	73,939
Interfund payables	<u>260</u>	<u>71</u>	<u>12</u>	<u>343</u>
Total liabilities	<u>44,985</u>	<u>15,806</u>	<u>16,261</u>	<u>77,052</u>
Net Position				
Total net position – restricted	\$ <u>5,885</u>	\$ <u>2,652</u>	\$ <u>1,314</u>	\$ <u>9,851</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION – MULTI-FAMILY BOND PROGRAMS

Year Ended June 30, 2017

(In thousands of dollars)

	<u>2000 – 2013</u>	<u>2004 – 2005</u>	<u>2010</u>	<u>Total</u>
Operating revenue:				
Interest and fees on loans	\$ 3,256	\$ 958	\$ 783	\$ 4,997
Investment income	<u>333</u>	<u>109</u>	<u>32</u>	<u>474</u>
Total operating revenue	<u>3,589</u>	<u>1,067</u>	<u>815</u>	<u>5,471</u>
Operating expenses:				
Bond interest expense and debt financing costs	2,630	710	507	3,847
Administrative expenses	32	5	5	42
Loan servicing expenses	121	38	40	199
Bond issuance fees	102	31	–	133
Other	<u>117</u>	<u>38</u>	<u>40</u>	<u>195</u>
Total operating expenses	<u>3,002</u>	<u>822</u>	<u>592</u>	<u>4,416</u>
Change in net position	587	245	223	1,055
Net position, beginning of year	9,971	2,443	1,291	13,705
Interfund transfers, net	<u>(4,673)</u>	<u>(36)</u>	<u>(200)</u>	<u>(4,909)</u>
Net position, end of year	<u>\$ 5,885</u>	<u>\$ 2,652</u>	<u>\$ 1,314</u>	<u>\$ 9,851</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS – MULTI-FAMILY BOND PROGRAMS

Year Ended June 30, 2017

(In thousands of dollars)

	<u>2000 – 2013</u>	<u>2004-2005</u>	<u>2010</u>	<u>Total</u>
Cash flows from operating activities:				
Loan repayments received	\$ 11,195	\$ 208	\$ 181	\$ 11,584
Loan interest income received	3,364	958	783	5,105
Other receipts	4,626	2	2	4,630
Payments to vendors	(150)	(43)	(44)	(237)
Other disbursements	<u>(5,123)</u>	<u>(210)</u>	<u>(243)</u>	<u>(5,576)</u>
Net cash provided by operating activities	13,912	915	679	15,506
Cash flows from noncapital financing activities:				
Principal repayment of bonds	(25,964)	(380)	(180)	(26,524)
Interest paid	<u>(3,304)</u>	<u>(717)</u>	<u>(509)</u>	<u>(4,530)</u>
Net cash used for noncapital financing activities	(29,268)	(1,097)	(689)	(31,054)
Cash flows from investing activities:				
Purchase of investment securities	(14,798)	(1,184)	(1,157)	(17,139)
Proceeds from sale and maturities of investment securities	29,821	1,257	1,135	32,213
Investment income received	<u>333</u>	<u>109</u>	<u>32</u>	<u>474</u>
Net cash provided by investing activities	<u>15,356</u>	<u>182</u>	<u>10</u>	<u>15,548</u>
Net change in cash and cash equivalents	–	–	–	–
Cash and cash equivalents, beginning of year	–	–	–	–
Cash and cash equivalents, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS – MULTI-FAMILY BOND PROGRAMS (CONTINUED)

Year Ended June 30, 2017

(In thousands of dollars)

	<u>2000 – 2013</u>	<u>2004 – 2005</u>	<u>2010</u>	<u>Total</u>
Reconciliation of change in net position to net cash provided by operating activities:				
Change in net position	\$ 587	\$ 245	\$ 223	\$ 1,055
Adjustments to reconcile change in net position to net cash provided by operating activities:				
Investment income, net	(333)	(109)	(32)	(474)
Bond interest expense and debt financing costs	2,630	710	507	3,847
Changes in operating assets and liabilities:				
Loans receivable	11,195	208	181	11,584
Accrued interest – loans	106	1	1	108
Other assets	68	(54)	–	14
Accrued and other liabilities	(164)	(50)	(1)	(215)
Interfund transfers	<u>(177)</u>	<u>(36)</u>	<u>(200)</u>	<u>(413)</u>
Net cash provided by operating activities	<u>\$ 13,912</u>	<u>\$ 915</u>	<u>\$ 679</u>	<u>\$ 15,506</u>

(Concluded)