

***New Hampshire  
Housing Finance  
Authority***

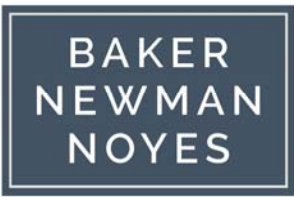
*Financial Statements and Management's  
Discussion and Analysis as of and for the  
Year Ended June 30, 2018 and  
Independent Auditors' Report*

# 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, 2018, 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, 2018, and the respective 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 basic 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.

*Baker Newman & Noyes LLC*

Manchester, New Hampshire  
September 27, 2018

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2018

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 single family 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, 2018. 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, 2018 and 2017.

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2018

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

	<u>As of June 30</u>		<b>Increase</b>
	<b>2018</b>	<b>2017</b>	<b>(Decrease)</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 20,681	\$ 27,992	\$ (7,311)
Investments	106,577	142,711	(36,134)
Loans receivable – net	486,710	521,822	(35,112)
Loans held for sale	19,829	11,738	8,091
Accrued interest receivable on mortgage and construction loans and loans held for sale	3,904	4,542	(638)
Real estate owned, net	4,799	5,350	(551)
Other assets	<u>36,144</u>	<u>33,061</u>	<u>3,083</u>
<b>Total assets</b>	<u>678,644</u>	<u>747,216</u>	<u>(68,572)</u>
<b>Liabilities</b>			
Bonds payable	494,093	577,405	(83,312)
Accrued interest payable	9,351	10,771	(1,420)
Notes payable	31,304	22,217	9,087
Accrued and other liabilities	<u>13,689</u>	<u>14,143</u>	<u>(454)</u>
<b>Total liabilities</b>	<u>548,437</u>	<u>624,536</u>	<u>(76,099)</u>
<b>Net Position</b>	<u>\$130,207</u>	<u>\$122,680</u>	<u>\$ 7,527</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 \$68.6 million, or 9.2%, during the year ended June 30, 2018, primarily the net result of:

- Cash and cash equivalents decreased by \$7.3 million as net cash used for noncapital financing activities and capital and related financing activities exceeded cash provided by operating 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, 2018

- Investments decreased by \$36.1 million, due primarily to a decrease of \$58.7 million in refunding bond proceeds redeemed in July, a decrease of \$5.9 million related to balances held in bond issues for debt service and other purposes, an increase of \$23.6 million held awaiting new loan funding in the multi-family programs, and an increase of \$4.9 million in mortgage self-insurance reserve in the general funds.
- Loans receivable decreased by \$35.1 million as principal payments of \$107 million and foreclosures of \$5.3 million exceeded originations of loans of \$77.2 million. The principal payments received included \$54 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 increased by \$8.1 million in connection with the secondary market business model. During the year ended June 30, 2018, \$162.9 million in loans were exchanged for Ginnie Mae securities and then sold and \$115.3 million in loans were sold to Fannie Mae. In addition, the Authority sold 100% participation interests in \$8.2 million of newly originated multi-family loans.

Total liabilities of the Authority decreased by \$76.1 million, or 12.2%, during the year ended June 30, 2018, primarily the net result of:

- Bonds outstanding decreased by \$83.3 million as redemptions, both scheduled and prior to scheduled maturity, of \$188.4 million exceeded new issuance of \$106.2 million. The Authority issued \$46.9 million of bonds in connection with advanced refundings of prior issues of single family bonds as described in Note 9 to the financial statements and \$59.2 million of multi-family bonds.
- 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 \$9.1 million increase is due to a \$.8 million decrease in multi-family construction loans and a \$9.9 million increase in single family loans held for sale.

The net position of the Authority increased by \$7.5 million, or 6.1%, as a result of the excess of revenue over expenses for the year ended June 30, 2018 discussed in detail under "Discussion of Changes in the Operating Results for the Year Ended June 30, 2018 Compared to the Year Ended June 30, 2017."

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2018

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

	<b>As of June 30</b>		
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>Increase (Decrease)</u></b>
<b>Operating Revenue</b>			
Interest and fees on mortgage and construction loans	\$ 31,373	\$ 34,852	\$ (3,479)
Gain on sale of loans and mortgage-backed securities	11,779	13,650	(1,871)
Investment income net of increase/decrease in fair value of investments	1,327	2,172	(845)
Housing management fees	5,134	5,123	11
Federal rental assistance programs revenue	86,387	84,889	1,498
Grants and subsidies	9,759	11,769	(2,010)
Other revenue	<u>4,482</u>	<u>3,827</u>	<u>655</u>
Total operating revenue	<u>150,241</u>	<u>156,282</u>	<u>(6,041)</u>
<b>Operating Expenses</b>			
Bond interest expense and debt financing costs	18,929	22,966	(4,037)
Administrative expenses	16,619	16,083	536
Loan origination expenses	3,933	3,657	276
Loan servicing expenses	2,117	2,169	(52)
Provision for loan losses	–	250	(250)
Federal rental assistance programs expense	86,619	84,760	1,859
Grants and subsidies	14,130	11,549	2,581
Other expenses	<u>367</u>	<u>325</u>	<u>42</u>
Total operating expenses	<u>142,714</u>	<u>141,759</u>	<u>955</u>
<b>Change in net position</b>	7,527	14,523	(6,996)
<b>Net position, beginning of year</b>	<u>122,680</u>	<u>108,157</u>	<u>14,523</u>
<b>Ending net position</b>	<u>\$130,207</u>	<u>\$122,680</u>	<u>\$ 7,527</u>

**Discussion of Changes in the Operating Results for the Year Ended June 30, 2018 Compared to the Year Ended June 30, 2017**

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, 2018

The Authority's change in net position for the year ended June 30, 2018 was \$7.5 million compared to \$14.5 million for the year ended June 30, 2017. The \$7 million decrease was the net effect of a \$6 million decrease in operating revenue and a \$1 million increase in operating expenses. Significant changes leading to the \$7 million decrease included:

- A \$3.5 million decrease in interest and fees on mortgage and construction loans consisting of a \$4.8 million decrease related to the declining bond financed single family loan portfolio offset by a \$1.3 million increase related to increased multi-family loan activity funded by both bonds and the general funds.
- A \$1.9 million decrease in gain on sale of loans and mortgage-backed securities related to product mix and decreased sale premiums. This decrease represents the sales price less par value on \$115.3 million of loans and \$162.9 million of mortgage backed securities sold in the secondary market.
- A \$.8 million decrease in investment income due to a decrease of investment balances in the single family bond programs and a decrease in fair value of investments.
- A \$4.0 million decrease in bond interest expense and debt financing costs due to decreased bond balances outstanding and interest savings related to \$46.9 million of bond refundings in the single family programs offset by a \$.8 million increase in the multi-family programs due to \$59.2 million of new bond issuance.
- A \$4.6 million decrease in the difference between revenues and expenses related to grants and subsidies activity, as follows:

	<b><u>Year Ended June 30</u></b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Grants and subsidies revenue	\$ 9,759	\$ 11,769
Grants and subsidies expense	<u>14,130</u>	<u>11,549</u>
Net grants and subsidies activity	\$ <u>(4,371)</u>	\$ <u>220</u>

The \$4.6 million difference in net grants and subsidy activity is primarily due to a \$2.5 million decrease in revenue over expenses related to the timing of program receipts and disbursements in a state funded multi-family program, a \$.7 million decrease in revenue over expenses related to the timing of program receipts and disbursements in the HOME program, a \$1.8 million decrease in revenue over expenses related largely to a decrease in revenue due to the timing of multi-family grant loan payoffs, all offset by a \$.7 million increase in revenue over expenses related to homeowner down-payment assistance grants based on a change in the loan mix.

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2018

### 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 \$7.3 million decrease in cash and cash equivalents between June 30, 2017 and June 30, 2018. As evident in the Supplemental Combining Schedule of Cash Flows on pages 30 and 31, the decrease in cash and cash equivalents is attributable primarily to the single family bond programs, in which cash used for noncapital financing activities exceeded cash provided by operating activities and investing 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 \$494.1 million at June 30, 2018.

During the year ended June 30, 2018, the Authority issued \$46.9 million of single family refunding bonds and \$59.2 million of multi-family bonds. Based on scheduled maturities, the Authority redeemed during the year \$15.9 million single family program bonds, \$1 million multi-family program bonds and \$2 million of short term multi-family bonds. The Authority also redeemed during the year ended June 30, 2018, prior to scheduled maturities, \$169.5 million of single family program bonds. 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 advanced refundings 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, 2018.

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](http://www.nhhfa.org).

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## STATEMENT OF NET POSITION

June 30, 2018

(In thousands of dollars)

### ASSETS

#### Current assets:

Cash and cash equivalents	\$ 20,681
Cash held in escrow	14,557
Short-term investments	89,436
Accrued interest receivable on investments	201
Current portion of mortgage and construction loans receivable	26,746
Loans held for sale, at lower of cost or fair value	19,829
Accrued interest receivable on mortgage and construction loans and loans held for sale	3,904
Real estate owned, net	4,799
Other current assets	<u>10,954</u>
Total current assets	191,107

#### Long-term investments

17,141

#### Loans receivable:

Mortgage loans	476,099
Construction loans	12,795
Less allowance for possible losses	<u>(2,184)</u>
Loans receivable, net	486,710
Less current portion of loans receivable	<u>(26,746)</u>
Long term portion of loans receivable	459,964

#### Other assets:

Mortgage loan servicing rights, net	6,292
Property and equipment, net	<u>4,140</u>
Total other assets	<u>10,432</u>

#### Total assets

678,644

### LIABILITIES

#### Current liabilities:

Current portion of bonds payable	28,870
Accrued interest payable	9,351
Notes payable	31,304
Current portion of accrued and other liabilities	<u>13,394</u>
Total current liabilities	82,919

#### Long-term liabilities:

Bonds payable, net of current portion	465,223
Accrued and other liabilities	<u>295</u>
Total long-term liabilities	<u>465,518</u>

#### Total liabilities

548,437

#### Commitments and contingent liabilities (Note 12)

### NET POSITION

Invested in capital assets, net of related debt	4,140
Restricted	64,953
Unrestricted	<u>61,114</u>

#### Total net position

\$ 130,207

See notes to financial statements.

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**

Year Ended June 30, 2018

(In thousands of dollars)

**OPERATING REVENUE:**

Interest and fees on mortgage and construction loans and loans held for sale	\$ 31,373
Gain on sale of loans and mortgage-backed securities	11,779
Servicing revenue	4,070
Investment income	1,935
Decrease in fair value of investments	(608)
Housing management fees	5,134
Federal rental assistance programs	86,387
Grants and subsidies	9,759
Other	<u>412</u>
Total operating revenue	<u>150,241</u>

**OPERATING EXPENSES:**

Bond interest expense and debt financing costs	18,929
Administrative expenses	16,619
Loan origination expenses	3,933
Loan servicing expenses	2,117
Federal rental assistance programs	86,619
Grants and subsidies	14,130
Other	<u>367</u>
Total operating expenses	<u>142,714</u>

**CHANGE IN NET POSITION**

7,527

Net position, beginning of year

122,680

**NET POSITION, END OF YEAR**

\$130,207

See notes to financial statements.

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

(In thousands of dollars)

Cash flows from operating activities:	
Loan repayments received	\$ 106,691
Loan interest income and servicing revenue received	35,273
Proceeds from sale of loans and mortgage backed securities	298,427
Federal rental assistance program receipts	86,387
Grants and subsidies receipts	9,759
Other receipts	11,242
Loan disbursements	(369,494)
Purchase of loan servicing rights	(2,004)
Payments to vendors	(8,413)
Payments to employees	(9,361)
Federal rental assistance program disbursements	(86,619)
Grants and subsidies disbursements	(14,160)
Other disbursements	<u>(8,006)</u>
Net cash provided by operating activities	49,722
Cash flows from noncapital financing activities:	
Proceeds from issuance of bonds	106,155
Principal repayment of bonds	(188,386)
Proceeds from notes payable	328,504
Repayment of notes payable	(319,417)
Interest paid	<u>(21,146)</u>
Net cash used for noncapital financing activities	(94,290)
Cash flows from capital and related financing activities:	
Additions to property and equipment	<u>(361)</u>
Net cash used for capital and related financing activities	(361)
Cash flows from investing activities:	
Purchase of investment securities	(210,595)
Proceeds from sale and maturities of investment securities	246,421
Investment income received	<u>1,792</u>
Net cash provided by investing activities	<u>37,618</u>
Net decrease in cash and cash equivalents	(7,311)
Cash and cash equivalents, beginning of year	<u>27,992</u>
Cash and cash equivalents, end of year	\$ <u>20,681</u>

(Continued)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

**STATEMENT OF CASH FLOWS (CONTINUED)**

Year Ended June 30, 2018

(In thousands of dollars)

Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ 7,527
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Amortization of servicing rights	1,116
Depreciation of property and equipment	349
Loan interest income converted to loan principal	(808)
Investment income, net	(1,327)
Bond interest expense and debt financing costs	18,929
Interest expense	(36)
Other noncash loan-related expenses	(172)
Changes in operating assets and liabilities:	
Loans receivable	31,221
Loans held for sale	(7,376)
Accrued interest – loans	638
Mortgage loan servicing rights capitalized	(2,004)
Other assets	2,384
Accrued and other liabilities	<u>(719)</u>
Net cash provided by operating activities	\$ <u>49,722</u>
Supplemental disclosures of noncash information:	
Real estate acquired through foreclosure	\$ <u>5,318</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, 2018

(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, the General Multi-family Housing Bond Resolution adopted by the Authority on November 17, 2009, and the General Multi-family Housing Bond Resolution adopted by the Authority on September 28, 2017.

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

(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, 2018

(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. There was no liability as of June 30, 2018.

*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, 2018

(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, some of which are 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 2018 is summarized as follows:

Balance – June 30, 2017	\$ <u>3,841</u>
Balance attributable to:	
Mortgage and construction loans	\$ 3,564
Real estate owned	<u>277</u>
Total	3,841
Write-offs, net	<u>(749)</u>
Balance – June 30, 2018	\$ <u>3,092</u>

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

(In thousands of dollars)

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

Balance attributable to:

Mortgage and construction loans	\$ 2,184
Real estate owned	<u>908</u>

Total \$ 3,092

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, 2018, the Authority serviced \$620,552 of loans held in Ginnie Mae mortgage backed securities and \$323,920 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, 2018, loans acquired from three originating lenders amounted to 68% of the sold loan volume, contributing 5% of the Authority's total operating revenue and 28% 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, 2018, the Authority serviced \$80,350 of multi-family mortgage loans for three investors.

### 4. Cash and Investments

Cash and Cash Equivalents – At June 30, 2018, the carrying amount of the Authority's bank deposits was \$20,681, such amount representing cash bank deposits. Bank balances of cash deposits held in the general funds totaled \$20,521. Of such deposits, \$250 was insured by the Federal Deposit Insurance Corporation, while deposits aggregating \$20,271 were uninsured.

Bank balances of cash deposits held in bond funds totaled \$445, and \$250 was insured by the Federal Deposit Insurance Corporation.

At June 30, 2018, the carrying amount of the Authority's restricted cash (cash held in escrow) was \$14,557. The restricted cash bank balance was \$15,082, 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 \$35,216 of deposits as of June 30, 2018.

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

(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. U.S. Treasury Notes (UST), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), 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, 2018 consist of the following investments with maturities of less than one year:

Guaranteed investment contracts (at contract value)	\$ 56,385
Collateralized repurchase agreements (at contract value)	6,249
U.S. Treasury obligation money market funds (at fair value)	9,770
UST obligations	<u>17,032</u>
 Total	 <u>\$ 89,436</u>

*Long-Term Investments* – Long-term investments at June 30, 2018 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 2052. A net decrease in fair value of \$608 was recorded during fiscal 2018.

	<u>Rating</u>	<b>Investment Maturities</b>				<u>Total</u>
		<b>(In Years)</b>				
		<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>	<u>16 – 30</u>	
FFCB obligations	Aaa	\$ –	\$ 5,817	\$ –	\$ –	\$ 5,817
FHLB obligations	Aaa	2,369	3,366	–	–	5,735
FHLMC obligations	Aaa	988	–	1,520	–	2,508
FNMA obligations	Aaa	584	1,224	–	–	1,808
GNMA obligations	Aaa	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,273</u>	<u>1,273</u>
 Total		 <u>\$ 3,941</u>	 <u>\$ 10,407</u>	 <u>\$ 1,520</u>	 <u>\$ 1,273</u>	 <u>\$ 17,141</u>

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

(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 UST, FFCB, FHLB, FHLMC, FNMA and GNMA investments is subject to fair value fluctuations. The balance in money market funds at June 30, 2018 includes amounts withdrawn from guaranteed investment contracts and collateralized repurchase agreements to satisfy July 1, 2018 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 Government-Sponsored Enterprise 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)	\$ 6,550
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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, 2018, 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	Aa3	\$ 38,542
Guaranteed investment contracts provided by:		
Natixis Funding Corporation	A1	19,485
U.S. Treasury obligation money market funds provided by:		
Fidelity Institutional Money Market Funds	Aaa-mf	9,135
UST obligations	Aaa	17,032
FFCB obligations	Aaa	5,817
FHLB obligations	Aaa	<u>5,735</u>
 Total		 <u>\$95,746</u>

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

(In thousands of dollars)

### 5. Other Current Assets

Other current assets at June 30, 2018 consist of the following:

Accounts receivable	\$ 8,748
Prepaid expenses	485
Fair value investment derivatives	6
Repurchased loans	1,369
Accrued servicing revenue	<u>346</u>
Total	<u>\$10,954</u>

### 6. Mortgage Loan Servicing Rights

During fiscal 2018, the Authority capitalized \$2,004 in connection with the purchase of servicing rights and recorded amortization of \$1,116. At June 30, 2018, mortgage loan servicing rights totaled \$6,292, net of accumulated amortization of \$24,317. Gross servicing rights totaled \$30,609.

### 7. Property and Equipment

Property and equipment at June 30, 2018, consists of:

Land and building	\$ 6,620
Equipment	6,056
Furniture and fixtures	<u>571</u>
Total	13,247
Less accumulated depreciation	<u>(9,107)</u>
Property and equipment – net	<u>\$ 4,140</u>

Depreciation expense for the year ended June 30, 2018 was \$349.

### 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 decrease in fair value of \$301 on these forward commitments, classified as investment derivative instruments, has been recorded in investment income. The \$(179) fair value is included in 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, 2018

(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, 2018, with their credit quality ratings as issued by Moody's Investors Service, unless otherwise noted, as of the date of this report:

	<u>Rating</u>	<u>Number of Contracts</u>	<u>Par Amount</u>
Merrill Lynch, Pierce, Fenner & Smith Inc. (Standard & Poors)	A+	4	\$ 4,700
Bank of New York Mellon Capital Markets	Aa2	18	13,541
Bank of Oklahoma	A2	20	17,000
Federal National Mortgage Association	Aaa	24	21,101
Jefferies Group LLC	Baa3	<u>6</u>	<u>5,279</u>
Total		<u>72</u>	<u>\$61,621</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 1.75% to 5.875%. Interest paid on bonds of the Authority is generally exempt from Federal income taxes, except for certain bonds including eight series of Single Family Mortgage Acquisition Revenue Bonds.

Bonds payable activity for the year ended June 30, 2018 was as follows:

Balance – June 30, 2017	\$ 577,405
Bond issuance	106,155
Amortization of bond premium and discount, net	(1,081)
Principal repayment	<u>(188,386)</u>
Balance – June 30, 2018	<u>\$ 494,093</u>
Amount payable within one year	<u>\$ 28,870</u>

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

(In thousands of dollars)

**9. Bonds Payable (Continued)**

Principal and interest payments due on outstanding bonds are as follows at June 30, 2018:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2019	\$ 28,870	\$ 18,458	\$ 47,328
2020	19,730	17,975	37,705
2021	16,070	17,409	33,479
2022	16,580	16,854	33,434
2023	<u>17,515</u>	<u>16,253</u>	<u>33,768</u>
Subtotal, years ending 2019 – 2023	98,765	86,949	185,714
Years ending June 30:			
2024 – 2028	90,410	70,823	161,233
2029 – 2033	100,800	50,892	151,692
2034 – 2038	93,860	30,746	124,606
2039 – 2043	47,090	16,992	64,082
2044 – 2048	22,030	10,576	32,606
2049 – 2053	17,260	6,353	23,613
2054 – 2058	12,610	3,276	15,886
2059 – 2063	<u>8,620</u>	<u>677</u>	<u>9,297</u>
Total	491,445	<u>\$277,284</u>	<u>\$768,729</u>
Unamortized premium	2,732		
Unamortized discount	<u>(84)</u>		
Total bonds payable	<u>\$494,093</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 2018, the Authority redeemed, prior to stated maturity and in accordance with the terms of the bonds, \$169,459 of current interest single family bond program bonds.

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 one prior issue of Single Family Mortgage Acquisition Revenue Bonds issued in 2009. 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 22 years of \$1,320 and an economic gain of \$702, including issuance costs of \$265 related to the new debt.



# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

(In thousands of dollars)

### 9. Bonds Payable (Continued)

On November 30, 2017, the Authority issued \$27,000 of Single Family Mortgage Acquisition Revenue Refunding Bonds, 2017 Series C (Taxable). Bond issue proceeds were used to redeem four prior issues of Single Family Mortgage Acquisition Revenue Bonds issued in 2008. 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 22 years of \$3,870 and an economic gain of \$1,896 including issuance costs of \$317 related to the new debt.

### 10. Notes Payable and Credit Facilities

The Authority has a \$40,000 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. At the option of the Authority, this line of credit can be increased to as high as \$60 million for up to six months once within each calendar year. The bank holds collateral assignments in the related mortgages and notes related to each advance. 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, 2020. At June 30, 2018, \$24,804 was outstanding with an interest rate of 3.008%, whereas \$15,196 was unused with an interest rate of .125%.

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, 2019. There were no amounts outstanding on the line at June 30, 2018.

In connection with the bank lines of credit, the Authority has covenanted to maintain an unrestricted net position of \$35,000 and a minimum investment rating of A3 from Moody's Investor Services, Inc. The Authority was in compliance with these covenants as of and for the year ended June 30, 2018.

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 long-term investments valued at \$7,299 as of June 30, 2018 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, 2018 consist of the following:

	<u>Current</u>	<u>Long-Term</u>
Accounts payable	\$ 4,718	\$ -
Funds held in escrow	8,387	295
Fair value investment derivatives	185	-
Accrued servicing fees	<u>104</u>	<u>-</u>
Total	<u>\$13,394</u>	<u>\$ 295</u>

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

(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, 2018, the Authority was committed to fund approximately \$50,650 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, 2018, the Authority met the minimum net worth requirement of \$4,855. 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 \$162,862 of mortgage loans during the year ended June 30, 2018 and held \$1,369 of repurchased loans in other assets at June 30, 2018. The Allowance for Possible Losses described in Note 3 includes \$59 allocated to such repurchased loans.
- At June 30, 2018, the Authority was committed to fund approximately \$24,087 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, 2018, 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 \$97,740.
- The Authority has authorized the expenditure of approximately \$19,029 from the general funds for the purchase of housing units and for other housing-related purposes. This total includes \$18,337 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, 2018, these balances aggregated \$39,036. 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, 2018

(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, 2018 are as follows:

Restricted for purpose of funding source	\$ 22,038
Restricted for purpose of bond issues:	
Single family bond programs	31,227
Multi-family bond programs	<u>11,688</u>
Total	<u>\$ 64,953</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 expense exceeds grants and subsidies revenue by \$4,371 primarily due to 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 2018 totaled \$8,301 while total payroll for fiscal 2018 totaled \$8,656. The Authority expensed and made contributions to the plan of \$570 for fiscal 2018, such amount representing 7% of covered payroll and including \$151 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, 2018

(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 \$91,416 for the year ended June 30, 2018.

### 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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
United States government obligations	\$34,173	\$ –	\$ –	\$34,173
Investment derivative instruments	–	–	(179)	(179)
Total	<u>\$34,173</u>	<u>\$ –</u>	<u>\$ (179)</u>	<u>\$33,994</u>

Investments not subject to the fair value measurement requirement at June 30, 2018 include:

Collateralized repurchase agreements	\$ 6,249
Guaranteed investment contracts	56,385
Money market funds	<u>9,770</u>
Total	<u>\$72,404</u>

### 18. Subsequent Events

On August 1, 2018 the Authority redeemed, prior to scheduled maturity, its Single Family Mortgage Acquisition Revenue Bonds, in the amount of \$12,945.

**SUPPLEMENTAL COMBINING SCHEDULES**

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

**SUPPLEMENTAL COMBINING SCHEDULE OF STATEMENT OF NET POSITION**

June 30, 2018

(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>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 20,236	\$ 439	\$ 6	\$ -	\$ 20,681
Cash held in escrow	14,557	-	-	-	14,557
Short-term investments	517	53,135	35,784	-	89,436
Accrued interest receivable on investments	71	62	68	-	201
Current portion of mortgage and construction loans receivable	13,907	11,952	887	-	26,746
Loans held for sale, at lower of cost or market value	19,829	-	-	-	19,829
Accrued interest receivable on mortgage and construction loans and loans held for sale	151	3,301	452	-	3,904
Real estate owned, net	1,412	3,387	-	-	4,799
Other current assets	<u>9,156</u>	<u>2,034</u>	<u>-</u>	<u>(236)</u>	<u>10,954</u>
Total current assets	79,836	74,310	37,197	(236)	191,107
Long-term investments	8,276	7,345	1,520	-	17,141
Loans receivable:					
Mortgage loans	20,836	345,688	109,575	-	476,099
Construction loans	12,795	-	-	-	12,795
Less allowance for possible losses	<u>(778)</u>	<u>(1,406)</u>	<u>-</u>	<u>-</u>	<u>(2,184)</u>
Loans receivable, net	32,853	344,282	109,575	-	486,710
Less current portion of loans receivable	<u>(13,907)</u>	<u>(11,952)</u>	<u>(887)</u>	<u>-</u>	<u>(26,746)</u>
Long term portion of loans receivable	18,946	332,330	108,688	-	459,964
Other assets:					
Mortgage loan servicing rights, net	6,292	-	-	-	6,292
Property and equipment, net	4,140	-	-	-	4,140
Interfund receivables	<u>15,268</u>	<u>2,192</u>	<u>914</u>	<u>(18,374)</u>	<u>-</u>
Total other assets	<u>25,700</u>	<u>2,192</u>	<u>914</u>	<u>(18,374)</u>	<u>10,432</u>
Total assets	<u>132,758</u>	<u>416,177</u>	<u>148,319</u>	<u>(18,610)</u>	<u>678,644</u>

(Continued)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

SUPPLEMENTAL COMBINING SCHEDULE OF STATEMENT OF NET POSITION (CONTINUED)

June 30, 2018

(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>
<b>Liabilities</b>					
Current liabilities:					
Current portion of bonds payable	\$ -	\$ 27,790	\$ 1,080	\$ -	\$ 28,870
Accrued interest payable	-	6,551	2,800	-	9,351
Notes payable	31,304	-	-	-	31,304
Current portion of accrued and other liabilities	<u>13,393</u>	<u>216</u>	<u>21</u>	<u>(236)</u>	<u>13,394</u>
Total current liabilities	44,697	34,557	3,901	(236)	82,919
Long-term liabilities:					
Bonds payable, net of current portion	55	333,127	132,041	-	465,223
Accrued and other liabilities	295	-	-	-	295
Interfund payables	<u>10,421</u>	<u>7,264</u>	<u>689</u>	<u>(18,374)</u>	<u>-</u>
Total long-term liabilities	<u>10,771</u>	<u>340,391</u>	<u>132,730</u>	<u>(18,374)</u>	<u>465,518</u>
Total liabilities	<u>55,468</u>	<u>374,948</u>	<u>136,631</u>	<u>(18,610)</u>	<u>548,437</u>
<b>Net Position</b>					
Invested in capital assets, net of related debt	4,140	-	-	-	4,140
Restricted	22,038	31,227	11,688	-	64,953
Unrestricted	<u>51,112</u>	<u>10,002</u>	<u>-</u>	<u>-</u>	<u>61,114</u>
Total net position	<u>\$ 77,290</u>	<u>\$ 41,229</u>	<u>\$ 11,688</u>	<u>\$ -</u>	<u>\$ 130,207</u>

(Concluded)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

Year Ended June 30, 2018

(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>
<b>Operating revenue:</b>					
Interest and fees on loans	\$ 3,792	\$ 21,521	\$ 6,060	\$ -	\$ 31,373
Gain on sale of loans and mortgage backed securities	11,779	-	-	-	11,779
Servicing revenue	5,732	-	-	(1,662)	4,070
Investment income	449	963	523	-	1,935
Increase (decrease) in fair value of investments	(561)	(82)	35	-	(608)
Housing management fees	11,208	-	-	(6,074)	5,134
Federal rental assistance programs	86,387	-	-	-	86,387
Bond issuance fees	706	-	-	(706)	-
Grants and subsidies	9,759	-	-	-	9,759
Other	412	-	-	-	412
Total operating revenue	<u>129,663</u>	<u>22,402</u>	<u>6,618</u>	<u>(8,442)</u>	<u>150,241</u>
<b>Operating expenses:</b>					
Bond interest expense and debt financing costs	104	14,150	4,675	-	18,929
Administrative expenses	22,503	141	49	(6,074)	16,619
Loan origination expenses	3,933	-	-	-	3,933
Loan servicing expenses	2,111	1,409	259	(1,662)	2,117
Federal rental assistance programs	86,619	-	-	-	86,619
Bond issuance fees	-	589	117	(706)	-
Grants and subsidies	14,130	-	-	-	14,130
Other	156	1	210	-	367
Total operating expenses	<u>129,556</u>	<u>16,290</u>	<u>5,310</u>	<u>(8,442)</u>	<u>142,714</u>
<b>Change in net position</b>	107	6,112	1,308	-	7,527
Net position, beginning of year	72,708	40,121	9,851	-	122,680
Interfund transfers, net	<u>4,475</u>	<u>(5,004)</u>	<u>529</u>	<u>-</u>	<u>-</u>
<b>Net position, end of year</b>	<u>\$ 77,290</u>	<u>\$ 41,229</u>	<u>\$11,688</u>	<u>\$ -</u>	<u>\$ 130,207</u>



**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

**SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS**

Year Ended June 30, 2018

(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	\$ 40,650	\$ 65,348	\$ 693	\$ -	\$ 106,691
Loan interest income and servicing revenue received	9,287	22,224	5,424	(1,662)	35,273
Proceeds from sale of loans and mortgage-backed securities	298,427	-	-	-	298,427
Federal rental assistance program receipts	86,387	-	-	-	86,387
Grants and subsidies receipts	9,759	-	-	-	9,759
Other receipts	22,209	6,207	351	(17,525)	11,242
Loan disbursements	(334,666)	-	(34,828)	-	(369,494)
Purchase of loan servicing rights	(2,004)	-	-	-	(2,004)
Payments to vendors	(14,086)	(142)	(259)	6,074	(8,413)
Payments to employees	(9,361)	-	-	-	(9,361)
Federal rental assistance program disbursements	(86,619)	-	-	-	(86,619)
Grants and subsidies disbursements	(14,160)	-	-	-	(14,160)
Other disbursements	(12,012)	(8,608)	(499)	13,113	(8,006)
Net cash provided by (used for) operating activities	<u>(6,189)</u>	<u>85,029</u>	<u>(29,118)</u>	<u>-</u>	<u>49,722</u>
Cash flows from noncapital financing activities:					
Proceeds from issuance of bonds	55	46,920	59,180	-	106,155
Principal repayment of bonds	(1,967)	(185,399)	(1,020)	-	(188,386)
Proceeds from notes payable	328,504	-	-	-	328,504
Repayment of notes payable	(319,417)	-	-	-	(319,417)
Interest paid	(103)	(17,633)	(3,410)	-	(21,146)
Net cash provided by (used for) noncapital financing activities	<u>7,072</u>	<u>(156,112)</u>	<u>54,750</u>	<u>-</u>	<u>(94,290)</u>
Cash flows from capital and related financing activities:					
Additions to property and equipment	(361)	-	-	-	(361)
Net cash used for capital and related financing activities	<u>(361)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(361)</u>
Cash flows from investing activities:					
Purchase of investment securities	(4,405)	(128,249)	(77,941)	-	(210,595)
Proceeds from sale and maturities of investment securities	-	194,561	51,860	-	246,421
Investment income received	419	918	455	-	1,792
Net cash provided by (used for) investing activities	<u>(3,986)</u>	<u>67,230</u>	<u>(25,626)</u>	<u>-</u>	<u>37,618</u>
Net increase (decrease) in cash and cash equivalents	(3,464)	(3,853)	6	-	(7,311)
Cash and cash equivalents, beginning of year	<u>23,700</u>	<u>4,292</u>	<u>-</u>	<u>-</u>	<u>27,992</u>
Cash and cash equivalents, end of year	<u>\$ 20,236</u>	<u>\$ 439</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 20,681</u>

(Continued)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

**SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS (CONTINUED)**

Year Ended June 30, 2018

(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 (used for) operating activities:					
Change in net position	\$ 107	\$ 6,112	\$ 1,308	\$ –	\$ 7,527
Adjustments to reconcile change in net position to net cash provided by (used for) operating activities:					
Amortization of servicing rights	1,116	–	–	–	1,116
Depreciation of property and equipment	349	–	–	–	349
Loan interest income converted to loan principal	(253)	–	(555)	–	(808)
Investment income, net	111	(880)	(558)	–	(1,327)
Bond interest expense and debt financing costs	104	14,150	4,675	–	18,929
Interest expense	(36)	–	–	–	(36)
Other noncash loan-related expenses	(172)	–	–	–	(172)
Changes in operating assets and liabilities:					
Loans receivable	8	65,348	(34,135)	–	31,221
Loans held for sale	(7,376)	–	–	–	(7,376)
Accrued interest – loans	16	703	(81)	–	638
Mortgage loan servicing rights capitalized	(2,004)	–	–	–	(2,004)
Other assets	(7,401)	6,071	(462)	4,176	2,384
Accrued and other liabilities	5,904	(2,782)	335	(4,176)	(719)
Interfund transfers	<u>3,338</u>	<u>(3,693)</u>	<u>355</u>	<u>–</u>	<u>–</u>
Net cash provided by (used for) operating activities	<u>\$ (6,189)</u>	<u>\$ 85,029</u>	<u>\$ (29,118)</u>	<u>\$ –</u>	<u>\$ 49,722</u>
Supplemental disclosures of noncash information:					
Real estate acquired through foreclosure	<u>\$ –</u>	<u>\$ 5,318</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 5,318</u>

(Concluded)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2018

(In thousands of dollars)

	<u>2006 – 2017</u>	<u>2009 – 2017</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 403	\$ 36	\$ 439
Short-term investments	37,905	15,230	53,135
Accrued interest receivable on investments	59	3	62
Current portion of mortgage and construction loans receivable	9,126	2,826	11,952
Accrued interest receivable on loans	2,475	826	3,301
Real estate owned, net	2,311	1,076	3,387
Other current assets	<u>1,362</u>	<u>672</u>	<u>2,034</u>
Total current assets	53,641	20,669	74,310
Long-term investments	6,695	650	7,345
Loans receivable:			
Mortgage loans	240,342	105,346	345,688
Less allowance for possible losses	<u>(1,187)</u>	<u>(219)</u>	<u>(1,406)</u>
Loans receivable, net	239,155	105,127	344,282
Less current portion of loans receivable	<u>(9,126)</u>	<u>(2,826)</u>	<u>(11,952)</u>
Long term portion of loans receivable	230,029	102,301	332,330
Other assets:			
Interfund receivables	<u>2,156</u>	<u>36</u>	<u>2,192</u>
Total other assets	<u>2,156</u>	<u>36</u>	<u>2,192</u>
Total assets	<u>292,521</u>	<u>123,656</u>	<u>416,177</u>

(Continued)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2018

(In thousands of dollars)

	<u>2006 – 2017</u>	<u>2009 – 2017</u>	<u>Total</u>
<b>Liabilities</b>			
Current liabilities:			
Current portion of bonds payable	\$ 19,925	\$ 7,865	\$ 27,790
Accrued interest payable	4,454	2,097	6,551
Current portion of accrued and other liabilities	<u>150</u>	<u>66</u>	<u>216</u>
Total current liabilities	24,529	10,028	34,557
Long-term liabilities:			
Bonds payable	227,140	105,987	333,127
Interfund payables	<u>6,024</u>	<u>1,240</u>	<u>7,264</u>
Total long-term liabilities	<u>233,164</u>	<u>107,227</u>	<u>340,391</u>
Total liabilities	<u>257,693</u>	<u>117,255</u>	<u>374,948</u>
<b>Net Position</b>			
Restricted	24,826	6,401	31,227
Unrestricted	<u>10,002</u>	<u>–</u>	<u>10,002</u>
Total net position	<u>\$ 34,828</u>	<u>\$ 6,401</u>	<u>\$ 41,229</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, 2018

(In thousands of dollars)

	<u>2006– 2017</u>	<u>2009 – 2017</u>	<u>Total</u>
<b>Operating revenue:</b>			
Interest and fees on mortgage and construction loans	\$ 16,158	\$ 5,363	\$ 21,521
Investment income	776	187	963
Decrease in fair value of investments	<u>(61)</u>	<u>(21)</u>	<u>(82)</u>
Total operating revenue	<u>16,873</u>	<u>5,529</u>	<u>22,402</u>
<b>Operating expenses:</b>			
Bond interest expense and debt financing costs	9,609	4,541	14,150
Administrative expenses	90	51	141
Loan servicing expenses	981	428	1,409
Bond issuance fees	589	–	589
Other	<u>1</u>	<u>–</u>	<u>1</u>
Total operating expenses	<u>11,270</u>	<u>5,020</u>	<u>16,290</u>
<b>Change in net position</b>	5,603	509	6,112
Net position, beginning of year	34,222	5,899	40,121
Interfund transfers, net	<u>(4,997)</u>	<u>(7)</u>	<u>(5,004)</u>
<b>Net position, end of year</b>	<u>\$ 34,828</u>	<u>\$ 6,401</u>	<u>\$ 41,229</u>

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

**SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS – SINGLE FAMILY BOND PROGRAMS**

Year Ended June 30, 2018

(In thousands of dollars)

	<u>2006 – 2017</u>	<u>2009 – 2017</u>	<u>Total</u>
Cash flows from operating activities:			
Loan repayments received	\$ 45,761	\$ 19,587	\$ 65,348
Loan interest income received	16,703	5,521	22,224
Other receipts	4,434	1,773	6,207
Payments to vendors	(91)	(51)	(142)
Other disbursements	<u>(8,023)</u>	<u>(585)</u>	<u>(8,608)</u>
Net cash provided by operating activities	58,784	26,245	85,029
Cash flows from noncapital financing activities:			
Proceeds from issuance of bonds	27,000	19,920	46,920
Principal repayment of bonds	(143,454)	(41,945)	(185,399)
Interest paid	<u>(12,362)</u>	<u>(5,271)</u>	<u>(17,633)</u>
Net cash used for noncapital financing activities	(128,816)	(27,296)	(156,112)
Cash flows from investing activities:			
Purchase of investment securities	(100,588)	(27,661)	(128,249)
Proceeds from sale and maturities of investment securities	165,998	28,563	194,561
Investment income received	<u>733</u>	<u>185</u>	<u>918</u>
Net cash provided by investing activities	<u>66,143</u>	<u>1,087</u>	<u>67,230</u>
Net increase (decrease) in cash and cash equivalents	(3,889)	36	(3,853)
Cash and cash equivalents, beginning of year	<u>4,292</u>	<u>—</u>	<u>4,292</u>
Cash and cash equivalents, end of year	<u>\$ 403</u>	<u>\$ 36</u>	<u>\$ 439</u>

(Continued)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

Year Ended June 30, 2018

(In thousands of dollars)

	<u>2006 – 2017</u>	<u>2009 – 2017</u>	<u>Total</u>
Reconciliation of change in net position to net cash provided by operating activities:			
Change in net position	\$ 5,603	\$ 509	\$ 6,112
Adjustments to reconcile change in net position to net cash provided by operating activities:			
Investment income, net	(714)	(166)	(880)
Bond interest expense and debt financing costs	9,609	4,541	14,150
Changes in operating assets and liabilities:			
Loans receivable	45,761	19,587	65,348
Accrued interest – loans	545	158	703
Other assets	4,396	1,675	6,071
Accrued and other liabilities	(2,763)	(19)	(2,782)
Interfund transfers	<u>(3,653)</u>	<u>(40)</u>	<u>(3,693)</u>
Net cash provided by operating activities	<u>\$ 58,784</u>	<u>\$ 26,245</u>	<u>\$ 85,029</u>
Supplemental disclosures of noncash information:			
Real estate acquired through foreclosure	<u>\$ 4,635</u>	<u>\$ 683</u>	<u>\$ 5,318</u>

(Concluded)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2018

(In thousands of dollars)

	<u>2002 – 2013</u>	<u>2004</u>	<u>2010</u>	<u>2017</u>	<u>Total</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ –	\$ –	\$ –	\$ 6	\$ 6
Short-term investments	7,148	3,251	1,771	23,614	35,784
Accrued interest receivable on investments	–	–	–	68	68
Current portion of mortgage and construction loans receivable	452	235	200	–	887
Accrued interest receivable on mortgage and construction loans	<u>220</u>	<u>78</u>	<u>64</u>	<u>90</u>	<u>452</u>
Total current assets	7,820	3,564	2,035	23,778	37,197
Long-term investments	–	–	–	1,520	1,520
Loans receivable:					
Mortgage loans	43,453	15,039	15,701	35,382	109,575
Less current portion of loans receivable	<u>(452)</u>	<u>(235)</u>	<u>(200)</u>	<u>–</u>	<u>(887)</u>
Long term portion of loans receivable	<u>43,001</u>	<u>14,804</u>	<u>15,501</u>	<u>35,382</u>	<u>108,688</u>
Other assets:					
Interfund receivables	<u>342</u>	<u>130</u>	<u>117</u>	<u>325</u>	<u>914</u>
Total other assets	<u>342</u>	<u>130</u>	<u>117</u>	<u>325</u>	<u>914</u>
Total assets	<u>51,163</u>	<u>18,498</u>	<u>17,653</u>	<u>61,005</u>	<u>148,319</u>
<b>Liabilities</b>					
Current liabilities:					
Current portion of bonds payable	590	290	200	–	1,080
Accrued interest payable	1,092	347	250	1,111	2,800
Current portion of accrued and other liabilities	<u>10</u>	<u>3</u>	<u>3</u>	<u>5</u>	<u>21</u>
Total current liabilities	1,692	640	453	1,116	3,901
Long-term liabilities:					
Bonds payable, net of current portion	42,441	14,810	15,610	59,180	132,041
Interfund payables	<u>465</u>	<u>139</u>	<u>54</u>	<u>31</u>	<u>689</u>
Total long-term liabilities	<u>42,906</u>	<u>14,949</u>	<u>15,664</u>	<u>59,211</u>	<u>132,730</u>
Total liabilities	<u>44,598</u>	<u>15,589</u>	<u>16,117</u>	<u>60,327</u>	<u>136,631</u>
<b>Net Position</b>					
Total net position – restricted	\$ <u>6,565</u>	\$ <u>2,909</u>	\$ <u>1,536</u>	\$ <u>678</u>	\$ <u>11,688</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, 2018

(In thousands of dollars)

	<u>2002 – 2013</u>	<u>2004</u>	<u>2010</u>	<u>2017</u>	<u>Total</u>
<b>Operating revenue:</b>					
Interest and fees on mortgage and construction loans	\$ 3,003	\$ 945	\$ 773	\$ 1,339	\$ 6,060
Investment income	208	118	33	164	523
Other	<u>—</u>	<u>—</u>	<u>—</u>	<u>35</u>	<u>35</u>
Total operating revenue	<u>3,211</u>	<u>1,063</u>	<u>806</u>	<u>1,538</u>	<u>6,618</u>
<b>Operating expenses:</b>					
Bond interest expense and debt financing costs	2,191	698	501	1,285	4,675
Administrative expenses	34	3	5	7	49
Loan servicing expenses	109	38	39	73	259
Bond issuance fees	87	30	—	—	117
Other	<u>110</u>	<u>37</u>	<u>39</u>	<u>24</u>	<u>210</u>
Total operating expenses	<u>2,531</u>	<u>806</u>	<u>584</u>	<u>1,389</u>	<u>5,310</u>
<b>Change in net position</b>	680	257	222	149	1,308
Net position, beginning of year	5,885	2,652	1,314	—	9,851
Interfund transfers, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>529</u>	<u>529</u>
<b>Net position, end of year</b>	<u>\$ 6,565</u>	<u>\$ 2,909</u>	<u>\$ 1,536</u>	<u>\$ 678</u>	<u>\$ 11,688</u>

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

Year Ended June 30, 2018

(In thousands of dollars)

	<u>2002 – 2013</u>	<u>2004</u>	<u>2010</u>	<u>2017</u>	<u>Total</u>
Cash flows from operating activities:					
Loan repayments received	\$ 282	\$ 222	\$ 189	\$ –	\$ 693
Loan interest income received	3,010	946	774	694	5,424
Other receipts	205	68	42	36	351
Loan disbursements	–	–	–	(34,828)	(34,828)
Payments to vendors	(144)	(40)	(44)	(31)	(259)
Other disbursements	<u>(268)</u>	<u>(107)</u>	<u>(82)</u>	<u>(42)</u>	<u>(499)</u>
Net cash provided by (used for) operating activities	3,085	1,089	879	(34,171)	(29,118)
Cash flows from noncapital financing activities:					
Proceeds from issuance of bonds	–	–	–	59,180	59,180
Principal repayment of bonds	(565)	(275)	(180)	–	(1,020)
Interest paid	<u>(2,201)</u>	<u>(705)</u>	<u>(504)</u>	<u>–</u>	<u>(3,410)</u>
Net cash provided by (used for) noncapital financing activities	(2,766)	(980)	(684)	59,180	54,750
Cash flows from investing activities:					
Purchase of investment securities	(3,337)	(1,212)	(917)	(72,475)	(77,941)
Proceeds from sale and maturities of investment securities	2,810	985	689	47,376	51,860
Investment income received	<u>208</u>	<u>118</u>	<u>33</u>	<u>96</u>	<u>455</u>
Net cash used for investing activities	<u>(319)</u>	<u>(109)</u>	<u>(195)</u>	<u>(25,003)</u>	<u>(25,626)</u>
Net increase in cash and cash equivalents	–	–	–	6	6
Cash and cash equivalents, beginning of year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Cash and cash equivalents, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 6</u>	<u>\$ 6</u>

(Continued)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

Year Ended June 30, 2018

(In thousands of dollars)

	<u><b>2002 – 2013</b></u>	<u><b>2004</b></u>	<u><b>2010</b></u>	<u><b>2017</b></u>	<u><b>Total</b></u>
Reconciliation of change in net position to net cash provided by (used for) operating activities:					
Change in net position	\$ 680	\$ 257	\$ 222	\$ 149	\$ 1,308
Adjustments to reconcile change in net position to net cash provided by (used for) operating activities:					
Loan interest income converted to loan principal	–	–	–	(555)	(555)
Investment income, net	(208)	(118)	(33)	(199)	(558)
Bond interest expense and debt financing costs	2,191	698	501	1,285	4,675
Changes in operating assets and liabilities:					
Loans receivable	282	222	189	(34,828)	(34,135)
Accrued interest – loans	7	1	1	(90)	(81)
Other assets	(56)	(35)	(41)	(330)	(462)
Accrued and other liabilities	189	64	40	42	335
Interfund transfers	–	–	–	<u>355</u>	<u>355</u>
Net cash provided by (used for) operating activities	<u>\$ 3,085</u>	<u>\$ 1,089</u>	<u>\$ 879</u>	<u>\$ (34,171)</u>	<u>\$ (29,118)</u>

(Concluded)