

# ***New Hampshire Housing Finance Authority***

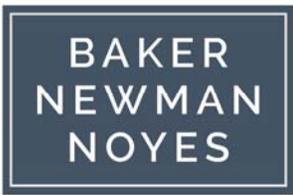
*Financial Statements and Management's  
Discussion and Analysis as of and for the  
Year Ended June 30, 2019 and  
Independent Auditors' Report*

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
New Hampshire Housing Finance Authority

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, 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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, 2019, 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 26, 2019

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2019

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 and the Authority continues to have significant capacity to issue tax-exempt bonds. Based on market conditions, 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/Service 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.

Multi-family housing has been financed through the issuance of bonds and the allocation of other resources as noted below. Since fiscal year 2013, the Authority has also sold 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 has been 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, 2019. The enclosed supplemental combining schedules found on pages 28 – 41 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, 2019 and 2018.

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2019

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

	<u>As of June 30</u>		<b>Increase</b>
	<u>2019</u>	<u>2018</u>	<b>(Decrease)</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 28,559	\$ 20,681	\$ 7,878
Investments	108,470	106,577	1,893
Loans receivable – net	452,422	487,170	(34,748)
Loans held for sale	14,652	19,829	(5,177)
Accrued interest receivable on mortgage and construction loans and loans held for sale	3,558	3,904	(346)
Real estate owned, net	4,637	4,799	(162)
Other assets	<u>38,066</u>	<u>36,144</u>	<u>1,922</u>
<b>Total assets</b>	<u>650,364</u>	<u>679,104</u>	<u>(28,740)</u>
<b>Liabilities</b>			
Bonds payable	451,750	494,093	(42,343)
Accrued interest payable	8,461	9,351	(890)
Notes payable	30,222	31,304	(1,082)
Accrued and other liabilities	<u>17,051</u>	<u>14,149</u>	<u>2,902</u>
<b>Total liabilities</b>	<u>507,484</u>	<u>548,897</u>	<u>(41,413)</u>
<b>Net Position</b>	<u>\$142,880</u>	<u>\$130,207</u>	<u>\$ 12,673</u>

Certain reclassifications have been made to the 2018 statement of net position amounts presented to conform to the 2019 presentation.

**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 \$28.7 million, or 4.2%, during the year ended June 30, 2019, primarily the net result of:

- Cash and cash equivalents increased by \$7.9 million as net cash provided by operating activities and investing activities exceeded cash used for noncapital financing activities and capital and related financing activities. See "Cash Flows" below.

## NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2019

- Investments increased by \$1.9 million, due primarily to an increase of \$4.5 million related to balances held in bond issues for debt service and other purposes, a decrease of \$3.2 million held awaiting new loan funding in the multi-family programs, and an increase of \$.6 million in the general funds.
- Loans receivable decreased by \$34.7 million as principal payments of \$73.9 million and foreclosures of \$4.1 million exceeded originations of loans held by the Authority of \$43.3 million. The principal payments received included \$46.1 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 \$5.2 million in connection with the secondary market business model. During the year ended June 30, 2019, \$182 million in loans were exchanged for Ginnie Mae securities and then sold and \$88.5 million in loans were sold to Fannie Mae. In addition, the Authority sold 100% participation interests in \$46.4 million of newly originated multi-family loans.

Total liabilities of the Authority decreased by \$41.4 million, or 7.5%, during the year ended June 30, 2019, primarily the net result of:

- Bonds outstanding decreased by \$42.3 million primarily due to the fact that redemptions, both scheduled and prior to scheduled maturity, of \$66.2 million exceeded new issuances of \$24.6 million. The Authority issued \$24.6 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 \$1.1 million decrease is due to a \$5.2 million increase in multi-family construction loans and a \$6.3 million decrease in single family loans held for sale.
- Accrued and other liabilities increased by \$2.9 million related primarily to a \$3.6 million increase in escrow funds held in connection with single family loans.

The net position of the Authority increased by \$12.7 million, or 9.7%, as a result of the excess of revenue over expenses for the year ended June 30, 2019 discussed in detail under "Discussion of Changes in the Operating Results for the Year Ended June 30, 2019 Compared to the Year Ended June 30, 2018."

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2019

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

	<u>As of June 30</u>		
	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
<b>Operating Revenue</b>			
Interest and fees on mortgage and construction loans and loans held for sale	\$ 29,473	\$ 31,373	\$ (1,900)
Gain on sale of loans and mortgage-backed securities	11,344	11,779	(435)
Investment income net of increase/decrease in fair value of investments	3,192	1,327	1,865
Housing management fees	5,163	5,134	29
Federal rental assistance programs	88,867	86,387	2,480
Grants and subsidies	12,842	9,759	3,083
Other	<u>5,707</u>	<u>4,482</u>	<u>1,225</u>
Total operating revenue	<u>156,588</u>	<u>150,241</u>	<u>6,347</u>
<b>Operating Expenses</b>			
Bond interest expense and debt financing costs	16,820	18,929	(2,109)
Administrative expenses	17,433	16,619	814
Loan origination expenses	3,629	3,933	(304)
Loan servicing expenses	2,443	2,117	326
Provision for loan losses	500	–	500
Federal rental assistance programs	88,260	86,619	1,641
Grants and subsidies	14,481	14,130	351
Other	<u>349</u>	<u>367</u>	<u>(18)</u>
Total operating expenses	<u>143,915</u>	<u>142,714</u>	<u>1,201</u>
<b>Change in net position</b>	12,673	7,527	5,146
<b>Net position, beginning of year</b>	<u>130,207</u>	<u>122,680</u>	<u>7,527</u>
<b>Net position, end of year</b>	<u>\$142,880</u>	<u>\$130,207</u>	<u>\$12,673</u>

**Discussion of Changes in the Operating Results for the Year Ended June 30, 2019 Compared to the Year Ended June 30, 2018**

The Authority's operating revenue consists primarily of interest and fees on mortgage and construction loans and loans held for sale, 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, 2019

The Authority's change in net position for the year ended June 30, 2019 was \$12.7 million compared to \$7.5 million for the year ended June 30, 2018. The \$5.2 million increase was the net effect of a \$6.4 million increase in operating revenue and a \$1.2 million increase in operating expenses. Significant changes leading to the \$5.2 million increase included:

- A \$1.9 million decrease in interest and fees on mortgage and construction loans and loans held for sale consisting of a \$3.6 million decrease related to the declining bond financed single family loan portfolio offset by a \$1.7 million increase related to increased multi-family loan activity funded by both bonds and the general funds.
- A \$1.9 million increase in net investment income due to a \$1.4 million increase in fair value of investments and an increase of investment balances in the multi-family bond programs.
- A \$1.2 million increase in other revenue related to an increase in servicing revenue.
- A \$2.1 million decrease in bond interest expense and debt financing costs due to decreased bond balances outstanding in the single family program offset by a \$1.2 million increase in the multi-family programs due to new bond issuance.
- A \$2.7 million increase in the difference between revenues and expenses related to grants and subsidies activity, as follows:

	<u>Year Ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Grants and subsidies revenue	\$ 12,842	\$ 9,759
Grants and subsidies expense	<u>14,481</u>	<u>14,130</u>
Net grants and subsidies activity	<u>\$ (1,639)</u>	<u>\$ (4,371)</u>

The \$2.7 million difference in net grants and subsidies activity is primarily due to a \$2.9 million increase in revenue over expenses related to the timing of program receipts and disbursements in a state funded multi-family program and a \$.8 million increase in net program revenue due to timing of program receipts and disbursements in other grant programs, all offset by a \$1.0 million decrease 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, 2019

### **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 \$7.9 million increase in cash and cash equivalents between June 30, 2018 and June 30, 2019. As evident in the Supplemental Combining Schedule of Cash Flows on pages 31 and 32, the increase in cash and cash equivalents is attributable primarily to the general funds, in which cash provided by operating activities, noncapital financing activities, and investing activities exceeded cash used for 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 \$451.8 million at June 30, 2019.

During the year ended June 30, 2019, the Authority issued \$24.6 million of multi-family bonds. Based on scheduled maturities, the Authority redeemed during the year \$15.2 million single family program bonds and \$1.1 million multi-family program bonds. The Authority also redeemed during the year ended June 30, 2019, prior to scheduled maturities, \$47.3 million of single family program bonds and \$2.6 million of multi-family program bonds. The bond redemptions prior to scheduled maturities resulted from the repayment of mortgage loans prior to scheduled maturities.

### **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, 2019.

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, 2019

(In thousands of dollars)

### ASSETS

#### Current assets:

Cash and cash equivalents	\$ 28,559
Cash held in escrow	18,020
Short-term investments	94,563
Accrued interest receivable on investments	173
Current portion of mortgage and construction loans receivable	29,520
Loans held for sale, at lower of cost or fair value	14,652
Accrued interest receivable on mortgage and construction loans and loans held for sale	3,558
Real estate owned, net	4,637
Other current assets	<u>7,347</u>
Total current assets	<u>201,029</u>

Long-term investments 13,907

#### Loans receivable:

Mortgage loans	437,416
Construction loans	16,836
Less allowance for possible losses	<u>(1,830)</u>
Loans receivable, net	452,422
Less current portion of loans receivable	<u>(29,520)</u>
Long term portion of loans receivable	<u>422,902</u>

#### Other assets:

Mortgage loan servicing rights, net	6,871
Property and equipment, net	4,155
Other	<u>1,500</u>
Total other assets	<u>12,526</u>

Total assets 650,364

### LIABILITIES

#### Current liabilities:

Current portion of bonds payable	30,606
Accrued interest payable	8,461
Notes payable	30,222
Current portion of accrued and other liabilities	<u>15,718</u>
Total current liabilities	85,007

#### Long-term liabilities:

Bonds payable, net of current portion	421,144
Accrued and other liabilities	<u>1,333</u>
Total long-term liabilities	<u>422,477</u>

Total liabilities 507,484

Commitments and contingent liabilities (Notes 8 and 12)

### NET POSITION

Invested in capital assets, net of related debt	4,155
Restricted	76,252
Unrestricted	<u>62,473</u>

Total net position \$ 142,880

See notes to financial statements.

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

Year Ended June 30, 2019

(In thousands of dollars)

**OPERATING REVENUE:**

Interest and fees on mortgage and construction loans and loans held for sale	\$ 29,473
Gain on sale of loans and mortgage-backed securities	11,344
Servicing revenue	5,038
Investment income	2,427
Increase in fair value of investments	765
Housing management fees	5,163
Federal rental assistance programs	88,867
Grants and subsidies	12,842
Other	<u>669</u>
 Total operating revenue	 <u>156,588</u>

**OPERATING EXPENSES:**

Bond interest expense and debt financing costs	16,820
Administrative expenses	17,433
Loan origination expenses	3,629
Loan servicing expenses	2,443
Provision for loan losses	500
Federal rental assistance programs	88,260
Grants and subsidies	14,481
Other	<u>349</u>
 Total operating expenses	 <u>143,915</u>

**CHANGE IN NET POSITION**

12,673

Net position, beginning of year

130,207

**NET POSITION, END OF YEAR**

\$142,880

See notes to financial statements.

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2019

(In thousands of dollars)

Cash flows from operating activities:	
Loan repayments received	\$ 73,972
Loan interest income and servicing revenue received	32,684
Proceeds from sale of loans and mortgage-backed securities	328,266
Federal rental assistance program receipts	88,867
Grants and subsidies receipts	12,842
Other receipts	15,039
Loan disbursements	(352,816)
Purchase of loan servicing rights	(1,827)
Payments to vendors	(8,748)
Payments to employees	(9,859)
Federal rental assistance program disbursements	(88,260)
Grants and subsidies disbursements	(14,481)
Other disbursements	<u>(7,610)</u>
Net cash provided by operating activities	68,069
Cash flows from noncapital financing activities:	
Proceeds from issuance of bonds	24,571
Principal repayment of bonds	(66,150)
Proceeds from notes payable	281,471
Repayment of notes payable	(282,553)
Interest paid	<u>(18,474)</u>
Net cash used for noncapital financing activities	(61,135)
Cash flows from capital and related financing activities:	
Additions to property and equipment	<u>(377)</u>
Net cash used for capital and related financing activities	(377)
Cash flows from investing activities:	
Purchase of investment securities	(128,871)
Proceeds from sale and maturities of investment securities	127,747
Investment income received	<u>2,445</u>
Net cash provided by investing activities	<u>1,321</u>
Net increase in cash and cash equivalents	7,878
Cash and cash equivalents, beginning of year	<u>20,681</u>
Cash and cash equivalents, end of year	<u>\$ 28,559</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2019

(In thousands of dollars)

Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ 12,673
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Amortization of servicing rights	1,249
Depreciation of property and equipment	362
Loan interest income converted to loan principal	(2,173)
Investment income, net	(3,192)
Bond interest expense and debt financing costs	16,820
Interest expense	(49)
Provision for loan losses	500
Changes in operating assets and liabilities:	
Loans receivable	32,590
Loans held for sale	5,488
Accrued interest – loans	346
Origination of mortgage servicing rights	(1,827)
Other assets	2,659
Accrued and other liabilities	<u>2,623</u>
Net cash provided by operating activities	\$ <u>68,069</u>
Supplemental disclosures of noncash information:	
Real estate acquired through foreclosure	\$ <u>4,069</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, 2019

(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, 2019

(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.

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(In thousands of dollars)

### 2. Summary of Significant Accounting Policies (Continued)

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. 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, 2019.

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, 2019

(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 loans 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 42 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, other assets and GNMA loss liabilities during fiscal 2019 is summarized as follows:

Balance – June 30, 2018	\$ <u>3,092</u>
Balance attributable to:	
Mortgage and construction loans	\$ 1,724
Real estate owned	908
Other liabilities – GNMA loss liability	<u>460</u>
Total	3,092
Provision for loan losses	500
Write-offs, net	<u>(508)</u>
Balance – June 30, 2019	\$ <u>3,084</u>

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(In thousands of dollars)

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

Balance attributable to:	
Mortgage and construction loans	\$ 1,830
Real estate owned	337
Other liabilities– GNMA loss liability	<u>917</u>
Total	<u>\$ 3,084</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, 2019, the Authority serviced \$725,399 of loans held in Ginnie Mae mortgage-backed securities and \$383,857 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, 2019, loans acquired from three originating lenders amounted to 59% of the sold loan volume, contributing 4% of the Authority's total operating revenue and 7% 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, 2019, the Authority serviced \$125,451 of multi-family mortgage loans for three investors.

### 4. Cash and Investments

Cash and Cash Equivalents – At June 30, 2019, the carrying amount of the Authority's bank deposits was \$28,559, such amount representing cash bank deposits. Bank balances of cash deposits held in the general funds totaled \$29,231. Of such deposits, \$250 was insured by the Federal Deposit Insurance Corporation, while deposits aggregating \$28,981 were uninsured.

Bank balances of cash deposits held in bond funds totaled \$397, and \$250 was insured by the Federal Deposit Insurance Corporation.

At June 30, 2019, the carrying amount of the Authority's restricted cash (cash held in escrow) was \$18,020. The restricted cash bank balance was \$18,112, which was uninsured.

A bank 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 \$46,270 of deposits as of June 30, 2019.

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(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, 2019 consist of the following investments with maturities of less than one year:

FHLMC obligations (at fair value)	\$ 1,000
FNMA obligations (at fair value)	553
Guaranteed investment contracts (at contract value)	60,274
Collateralized repurchase agreements (at contract value)	5,636
U.S. Treasury obligation money market funds (at fair value)	20,126
UST obligations (at fair value)	<u>6,974</u>
 Total	 <u>\$94,563</u>

*Long-Term Investments* – Long-term investments at June 30, 2019 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 2021 to 2046.

		<b>Investment Maturities</b>				
		<b>(In Years)</b>				
	<b><u>Rating</u></b>	<b><u>1 – 5</u></b>	<b><u>6 – 10</u></b>	<b><u>11 – 15</u></b>	<b><u>16 – 30</u></b>	<b><u>Total</u></b>
FFCB obligations	Aaa	\$ –	\$ 3,504	\$ –	\$ –	\$ 3,504
FHLB obligations	Aaa	2,446	3,567	–	–	6,013
FHLMC obligations	Aaa	–	–	1,631	–	1,631
FNMA obligations	Aaa	–	1,292	–	–	1,292
GNMA obligations	Aaa	–	–	–	1,120	1,120
UST obligations	Aaa	<u>347</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>347</u>
 Total		 <u>\$ 2,793</u>	<u>\$ 8,363</u>	<u>\$ 1,631</u>	<u>\$ 1,120</u>	<u>\$ 13,907</u>

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(In thousands of dollars)

### 4. Cash and Investments (Continued)

A net increase in fair value of short-term and long-term investments of \$765 was recorded during fiscal 2019.

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, 2019 includes amounts withdrawn from guaranteed investment contracts and collateralized repurchase agreements to satisfy July 1, 2019 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)	\$ 6,048
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**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(In thousands of dollars)

**5. Other Assets**

*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, 2019, 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	\$ 39,523
Transamerica Life Insurance Company	A1	5,364
Guaranteed investment contracts provided by:		
Natixis Funding Corporation	A1	20,236
U.S. Treasury obligation money market funds provided by:		
Fidelity Institutional Money Market Funds	Aaa-mf	17,445
FHLB obligations	Aaa	<u>6,013</u>
 Total		 <u>\$ 88,581</u>

Other assets at June 30, 2019 consist of the following:

	<u>Current</u>	<u>Long Term</u>
Accounts receivable	\$ 5,261	\$ –
Repurchased loans	1,045	–
Prepaid expenses	572	–
Fair value investment derivatives	2	–
Notes receivable	–	1,500
Accrued servicing revenue	<u>467</u>	<u>–</u>
 Total	 <u>\$ 7,347</u>	 <u>\$ 1,500</u>

**6. Mortgage Loan Servicing Rights**

During fiscal 2019, the Authority capitalized \$1,827 in connection with the purchase of servicing rights and recorded amortization of \$1,249. At June 30, 2019, mortgage loan servicing rights totaled \$6,871, net of accumulated amortization of \$25,566. Gross servicing rights totaled \$32,437.

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(In thousands of dollars)

**7. Property and Equipment**

Property and equipment at June 30, 2019, consists of:

Land and building	\$ 6,696
Equipment	6,246
Furniture and fixtures	<u>602</u>
 Total	 13,544
 Less accumulated depreciation	 <u>(9,389)</u>
 Property and equipment – net	 <u>\$ 4,155</u>

Depreciation expense for the year ended June 30, 2019 was \$362.

**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 \$3 on these forward commitments, classified as investment derivative instruments, has been recorded in investment income. The \$(182) fair value is included in accrued and other liabilities and other assets on the statement of net position. In addition, the Authority has agreements with three forward commitment counterparties that require the delivery of collateral should the aggregate fair market value of outstanding forward commitments with a counterparty decline from the aggregate contract amount by more than \$1,250. As of June 30, 2019, the aggregate fair market value of forward commitment contracts containing such collateral provisions was \$27,460 compared to an aggregate contract amount of \$26,400, and no collateral was posted as of that date.

The Authority is subject to credit risk with respect to counterparties to the forward commitment contracts, summarized as follows at June 30, 2019, 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>
Bank of America Merrill Lynch	Aaa	1	\$ 692
Bank of New York Mellon Capital Markets	Aa2	8	5,100
Bank of Oklahoma	A2	12	10,400
Daiwa Capital Markets	Not Rated	10	10,900
Federal National Mortgage Association	Aaa	18	18,600
Jefferies Group LLC	Baa3	<u>2</u>	<u>1,100</u>
 Total		 <u>51</u>	 <u>\$46,792</u>

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(In thousands of dollars)

**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 1.70% to 5.70%. 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, 2019 was as follows:

Balance – June 30, 2018	\$ 494,093
Bond issuance	24,571
Amortization of bond premium and discount, net	(764)
Principal repayment	<u>(66,150)</u>
Balance – June 30, 2019	\$ <u>451,750</u>
Amount payable within one year	\$ <u>30,606</u>

Principal and interest payments due on outstanding bonds are as follows at June 30, 2019:

	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
Years ending June 30:			
2020	\$ 30,606	\$ 16,842	\$ 47,448
2021	17,530	16,382	33,912
2022	15,635	15,836	31,471
2023	15,990	15,283	31,273
2024	<u>16,275</u>	<u>14,693</u>	<u>30,968</u>
Subtotal, years ending 2020 – 2024	96,036	79,036	175,072
Years ending June 30:			
2025 – 2029	85,400	63,422	148,822
2030 – 2034	90,535	45,298	135,833
2035 – 2039	74,075	28,665	102,740
2040 – 2044	36,460	17,715	54,175
2045 – 2049	22,765	11,939	34,704
2050 – 2054	19,565	7,405	26,970
2055 – 2059	17,075	3,727	20,802
2060 – 2061	<u>7,955</u>	<u>451</u>	<u>8,406</u>
Total	449,866	\$ <u>257,658</u>	\$ <u>707,524</u>
Unamortized premium	1,966		
Unamortized discount	<u>(82)</u>		
Total bonds payable	\$ <u>451,750</u>		

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(In thousands of dollars)

### 9. Bonds Payable (Continued)

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 2019, the Authority redeemed, prior to stated maturity and in accordance with the terms of the bonds, \$47,255 of current interest single family bond program bonds and \$2,645 of current interest multi-family bonds.

### 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 (see note 18). 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, 2021. At June 30, 2019, \$26,458, with \$2,736 included in current portion of bonds payable, was outstanding with an interest rate of 3.324%, whereas \$13,542 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, 2020. There were no amounts outstanding on the line at June 30, 2019.

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, 2019.

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 \$7,512 as of June 30, 2019 to FHLB Boston to collateralize this advance.

### 11. Accrued and Other Liabilities

Accrued and other liabilities at June 30, 2019 consist of the following:

	<u>Current</u>	<u>Long-Term</u>
Accounts payable	\$ 3,443	\$ –
Funds held in escrow	11,307	1,083
Fair value investment derivatives	184	–
Accrued servicing fees	117	–
GNMA loss liability	<u>667</u>	<u>250</u>
Total	<u>\$15,718</u>	<u>\$1,333</u>

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(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, 2019, the Authority was committed to fund approximately \$37,692 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, 2019, the Authority met the minimum net worth requirement of \$5,285. 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 \$182,003 of mortgage loans during the year ended June 30, 2019 and held \$1,045 of repurchased loans in other assets at June 30, 2019.
- At June 30, 2019, the Authority was committed to fund approximately \$17,728 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, 2019, the Authority repurchased one delinquent Fannie Mae loan and \$18,742 was subject to 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 \$130,838.
- The Authority has authorized the funding of approximately \$33,939 from the general funds for the purchase of housing units and for other housing-related purposes. This total includes \$18,956 of construction loans expected to be funded from a bank line of credit.

# NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(In thousands of dollars)

### 12. Commitments and Contingent Liabilities (Continued)

- 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, 2019, these balances aggregated \$49,160. These balances are not included in the Authority's financial statements as they are maintained in separate accounts in the names of the developers.
- 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, 2019 are as follows:

Restricted for purpose of funding source	\$25,992
Restricted for purpose of bond issues:	
Single family bond programs	36,916
Multi-family bond programs	<u>13,344</u>
Total	<u>\$76,252</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 \$1,639 primarily due to \$4,226 in expenditure of discretionary resources to provide down-payment assistance to single family homeowners and \$2,587 of net program revenues due to the timing of program receipts and disbursements in grant programs.

### 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 2019 totaled \$8,699 while total payroll for fiscal 2019 totaled \$9,145. The Authority expensed and made contributions to the plan of \$629 for fiscal 2019, such amount representing 7.2% of covered payroll and including \$187 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, 2019

(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 \$93,917 for the year ended June 30, 2019.

**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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
United States government obligations	\$22,434	\$ -	\$ -	\$22,434
Investment derivative instruments	<u>—</u>	<u>—</u>	<u>(182)</u>	<u>(182)</u>
Total	<u>\$22,434</u>	<u>\$ —</u>	<u>\$(182)</u>	<u>\$22,252</u>

Money market funds and certain investments not subject to the fair value measurement requirement at June 30, 2019 include:

Collateralized repurchase agreements	\$ 5,636
Guaranteed investment contracts	60,274
Money market funds	<u>20,126</u>
Total	<u>\$86,036</u>

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(In thousands of dollars)

**18. Subsequent Events**

On July 17, 2019 the Authority redeemed, prior to scheduled maturity, its Multi-Family Housing Revenue Bonds, in the amount of \$1,230.

On August 1, 2019 the Authority redeemed, prior to scheduled maturity, its Single Family Mortgage Acquisition Revenue Bonds, in the amount of \$7,935.

On August 5, 2019, the Authority exercised the option to increase the available line of credit balance from \$40,000 to \$60,000 as described in Note 10.

## **SUPPLEMENTAL COMBINING SCHEDULES**

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2019

(In thousands of dollars)

	<b><u>General Funds</u></b>	<b><u>Single Family Bond Programs</u></b>	<b><u>Multi-Family Bond Programs</u></b>	<b><u>Eliminations</u></b>	<b><u>Total</u></b>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 28,162	\$ 397	\$ –	\$ –	\$ 28,559
Cash held in escrow	18,020	–	–	–	18,020
Short-term investments	1,417	57,391	35,755	–	94,563
Accrued interest receivable on investments	70	30	73	–	173
Current portion of mortgage and construction loans receivable	13,786	10,967	4,767	–	29,520
Loans held for sale, at lower of cost or fair value	14,652	–	–	–	14,652
Accrued interest receivable on mortgage and construction loans and loans held for sale	143	2,753	662	–	3,558
Real estate owned, net	2,135	2,502	–	–	4,637
Other current assets	<u>5,666</u>	<u>1,887</u>	<u>–</u>	<u>(206)</u>	<u>7,347</u>
Total current assets	84,051	75,927	41,257	(206)	201,029
Long-term investments	7,969	3,960	1,978	–	13,907
Loans receivable:					
Mortgage loans	19,259	288,545	129,612	–	437,416
Construction loans	16,836	–	–	–	16,836
Less allowance for possible losses	<u>(290)</u>	<u>(1,540)</u>	<u>–</u>	<u>–</u>	<u>(1,830)</u>
Loans receivable, net	35,805	287,005	129,612	–	452,422
Less current portion of loans receivable	<u>(13,786)</u>	<u>(10,967)</u>	<u>(4,767)</u>	<u>–</u>	<u>(29,520)</u>
Long term portion of loans receivable	22,019	276,038	124,845	–	422,902
Other assets:					
Mortgage loan servicing rights, net	6,871	–	–	–	6,871
Property and equipment, net	4,155	–	–	–	4,155
Interfund receivables	11,623	2,253	717	(14,593)	–
Other	<u>1,500</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,500</u>
Total other assets	<u>24,149</u>	<u>2,253</u>	<u>717</u>	<u>(14,593)</u>	<u>12,526</u>
Total assets	<u>138,188</u>	<u>358,178</u>	<u>168,797</u>	<u>(14,799)</u>	<u>650,364</u>

(Continued)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

SUPPLEMENTAL COMBINING SCHEDULE OF STATEMENT OF NET POSITION (CONTINUED)

June 30, 2019

(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	\$ 2,736	\$ 21,780	\$ 6,090	\$ -	\$ 30,606
Accrued interest payable	6	5,419	3,036	-	8,461
Notes payable	30,222	-	-	-	30,222
Current portion of accrued and other liabilities	<u>15,718</u>	<u>181</u>	<u>25</u>	<u>(206)</u>	<u>15,718</u>
Total current liabilities	48,682	27,380	9,151	(206)	85,007
Long-term liabilities:					
Bonds payable, net of current portion	-	275,946	145,198	-	421,144
Accrued and other liabilities	1,333	-	-	-	1,333
Interfund payables	<u>5,654</u>	<u>7,835</u>	<u>1,104</u>	<u>(14,593)</u>	<u>-</u>
Total long-term liabilities	<u>6,987</u>	<u>283,781</u>	<u>146,302</u>	<u>(14,593)</u>	<u>422,477</u>
Total liabilities	<u>55,669</u>	<u>311,161</u>	<u>155,453</u>	<u>(14,799)</u>	<u>507,484</u>
<b>Net Position</b>					
Invested in capital assets, net of related debt	4,155	-	-	-	4,155
Restricted	25,992	36,916	13,344	-	76,252
Unrestricted	<u>52,372</u>	<u>10,101</u>	<u>-</u>	<u>-</u>	<u>62,473</u>
Total net position	<u>\$ 82,519</u>	<u>\$ 47,017</u>	<u>\$ 13,344</u>	<u>\$ -</u>	<u>\$ 142,880</u>

(Concluded)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

Year Ended June 30, 2019

(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 mortgage and construction loans and loans held for sale	\$ 4,075	\$ 17,928	\$ 7,577	\$ (107)	\$ 29,473
Gain on sale of loans and mortgage-backed securities	11,344	-	-	-	11,344
Servicing revenue	6,537	-	-	(1,499)	5,038
Investment income	677	847	903	-	2,427
Increase in fair value of investments	335	208	222	-	765
Housing management fees	11,420	-	-	(6,257)	5,163
Federal rental assistance programs	88,867	-	-	-	88,867
Bond issuance fees	772	-	-	(772)	-
Grants and subsidies	12,842	-	-	-	12,842
Other	669	-	-	-	669
Total operating revenue	<u>137,538</u>	<u>18,983</u>	<u>8,702</u>	<u>(8,635)</u>	<u>156,588</u>
<b>Operating expenses:</b>					
Bond interest expense and debt financing costs	25	10,927	5,868	-	16,820
Administrative expenses	23,527	120	43	(6,257)	17,433
Loan origination expenses	3,629	-	-	-	3,629
Loan servicing expenses	2,439	1,176	327	(1,499)	2,443
Provision for loan losses	500	-	-	-	500
Federal rental assistance programs	88,260	-	-	-	88,260
Bond issuance fees	-	539	233	(772)	-
Grants and subsidies	14,588	-	-	(107)	14,481
Other	156	2	191	-	349
Total operating expenses	<u>133,124</u>	<u>12,764</u>	<u>6,662</u>	<u>(8,635)</u>	<u>143,915</u>
<b>Change in net position</b>	4,414	6,219	2,040	-	12,673
Net position, beginning of year	77,290	41,229	11,688	-	130,207
Interfund transfers, net	815	(431)	(384)	-	-
<b>Net position, end of year</b>	<u>\$ 82,519</u>	<u>\$ 47,017</u>	<u>\$ 13,344</u>	<u>\$ -</u>	<u>\$ 142,880</u>

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

**SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS**

Year Ended June 30, 2019

(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	\$ 16,241	\$ 53,085	\$ 4,646	\$ -	\$ 73,972
Loan interest income and servicing revenue received	9,870	18,476	5,944	(1,606)	32,684
Proceeds from sale of loans and mortgage-backed securities	328,266	-	-	-	328,266
Federal rental assistance program receipts	88,867	-	-	-	88,867
Grants and subsidies receipts	12,842	-	-	-	12,842
Other receipts	21,082	6,267	619	(12,929)	15,039
Loan disbursements	(329,493)	(62)	(23,261)	-	(352,816)
Purchase of loan servicing rights	(1,827)	-	-	-	(1,827)
Payments to vendors	(14,649)	(122)	(234)	6,257	(8,748)
Payments to employees	(9,859)	-	-	-	(9,859)
Federal rental assistance program disbursements	(88,260)	-	-	-	(88,260)
Grants and subsidies disbursements	(14,588)	-	-	107	(14,481)
Other disbursements	(12,193)	(2,648)	(940)	8,171	(7,610)
Net cash provided by (used for) operating activities	<u>6,299</u>	<u>74,996</u>	<u>(13,226)</u>	<u>-</u>	<u>68,069</u>
Cash flows from noncapital financing activities:					
Proceeds from issuance of bonds	2,681	-	21,890	-	24,571
Principal repayment of bonds	-	(62,425)	(3,725)	-	(66,150)
Proceeds from notes payable	281,471	-	-	-	281,471
Repayment of notes payable	(282,553)	-	-	-	(282,553)
Interest paid	(19)	(12,825)	(5,630)	-	(18,474)
Net cash provided by (used for) noncapital financing activities	<u>1,580</u>	<u>(75,250)</u>	<u>12,535</u>	<u>-</u>	<u>(61,135)</u>
Cash flows from capital and related financing activities:					
Additions to property and equipment	(377)	-	-	-	(377)
Net cash used for capital and related financing activities	<u>(377)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(377)</u>
Cash flows from investing activities:					
Purchase of investment securities	(366)	(78,664)	(49,841)	-	(128,871)
Proceeds from sale and maturities of investment securities	112	78,001	49,634	-	127,747
Investment income received	678	875	892	-	2,445
Net cash provided by investing activities	<u>424</u>	<u>212</u>	<u>685</u>	<u>-</u>	<u>1,321</u>
Net increase (decrease) in cash and cash equivalents	7,926	(42)	(6)	-	7,878
Cash and cash equivalents, beginning of year	<u>20,236</u>	<u>439</u>	<u>6</u>	<u>-</u>	<u>20,681</u>
Cash and cash equivalents, end of year	<u>\$ 28,162</u>	<u>\$ 397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,559</u>

(Continued)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

Year Ended June 30, 2019

(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	\$ 4,414	\$ 6,219	\$ 2,040	\$ —	\$ 12,673
Adjustments to reconcile change in net position to net cash provided by (used for) operating activities:					
Amortization of servicing rights	1,249	—	—	—	1,249
Depreciation of property and equipment	362	—	—	—	362
Loan interest income converted to loan principal	(750)	—	(1,423)	—	(2,173)
Investment income, net	(1,012)	(1,055)	(1,125)	—	(3,192)
Bond interest expense and debt financing costs	25	10,927	5,868	—	16,820
Interest expense	(49)	—	—	—	(49)
Provision for loan losses	500	—	—	—	500
Changes in operating assets and liabilities:					
Loans receivable	(1,818)	53,023	(18,615)	—	32,590
Loans held for sale	5,488	—	—	—	5,488
Accrued interest – loans	8	548	(210)	—	346
Origination of mortgage servicing rights	(1,827)	—	—	—	(1,827)
Other assets	1,065	5,178	197	(3,781)	2,659
Accrued and other liabilities	(2,122)	538	426	3,781	2,623
Interfund transfers	<u>766</u>	<u>(382)</u>	<u>(384)</u>	<u>—</u>	<u>—</u>
Net cash provided by (used for) operating activities	<u>\$ 6,299</u>	<u>\$ 74,996</u>	<u>\$ (13,226)</u>	<u>\$ —</u>	<u>\$ 68,069</u>
Supplemental disclosures of noncash information:					
Real estate acquired through foreclosure	<u>\$ —</u>	<u>\$ 4,069</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,069</u>

(Concluded)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2019

(In thousands of dollars)

	<u>1995</u>	<u>2009</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 372	\$ 25	\$ 397
Short-term investments	42,936	14,455	57,391
Accrued interest receivable on investments	29	1	30
Current portion of mortgage and construction loans receivable	8,434	2,533	10,967
Accrued interest receivable on loans	2,067	686	2,753
Real estate owned, net	1,373	1,129	2,502
Other current assets	<u>1,064</u>	<u>823</u>	<u>1,887</u>
Total current assets	56,275	19,652	75,927
Long-term investments	3,385	575	3,960
Loans receivable:			
Mortgage loans	201,291	87,254	288,545
Less allowance for possible losses	<u>(1,347)</u>	<u>(193)</u>	<u>(1,540)</u>
Loans receivable, net	199,944	87,061	287,005
Less current portion of loans receivable	<u>(8,434)</u>	<u>(2,533)</u>	<u>(10,967)</u>
Long term portion of loans receivable	191,510	84,528	276,038
Other assets:			
Interfund receivables	<u>2,195</u>	<u>58</u>	<u>2,253</u>
Total other assets	<u>2,195</u>	<u>58</u>	<u>2,253</u>
Total assets	<u>253,365</u>	<u>104,813</u>	<u>358,178</u>

(Continued)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2019

(In thousands of dollars)

	<u>1995</u>	<u>2009</u>	<u>Total</u>
<b>Liabilities</b>			
Current liabilities:			
Current portion of bonds payable	\$ 15,100	\$ 6,680	\$ 21,780
Accrued interest payable	3,662	1,757	5,419
Current portion of accrued and other liabilities	<u>126</u>	<u>55</u>	<u>181</u>
Total current liabilities	18,888	8,492	27,380
Long-term liabilities:			
Bonds payable	187,600	88,346	275,946
Interfund payables	<u>6,901</u>	<u>934</u>	<u>7,835</u>
Total long-term liabilities	<u>194,501</u>	<u>89,280</u>	<u>283,781</u>
Total liabilities	<u>213,389</u>	<u>97,772</u>	<u>311,161</u>
<b>Net Position</b>			
Restricted	29,875	7,041	36,916
Unrestricted	<u>10,101</u>	<u>—</u>	<u>10,101</u>
Total net position	<u>\$ 39,976</u>	<u>\$ 7,041</u>	<u>\$ 47,017</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, 2019

(In thousands of dollars)

	<u>1995</u>	<u>2009</u>	<u>Total</u>
<b>Operating revenue:</b>			
Interest and fees on mortgage and construction loans	\$ 13,440	\$ 4,488	\$ 17,928
Investment income	671	176	847
Increase in fair value of investments	<u>191</u>	<u>17</u>	<u>208</u>
 Total operating revenue	 <u>14,302</u>	 <u>4,681</u>	 <u>18,983</u>
<b>Operating expenses:</b>			
Bond interest expense and debt financing costs	7,385	3,542	10,927
Administrative expenses	76	44	120
Loan servicing expenses	819	357	1,176
Bond issuance fees	539	–	539
Other	<u>2</u>	<u>–</u>	<u>2</u>
 Total operating expenses	 <u>8,821</u>	 <u>3,943</u>	 <u>12,764</u>
 <b>Change in net position</b>	 5,481	 738	 6,219
Net position, beginning of year	34,828	6,401	41,229
Interfund transfers, net	<u>(333)</u>	<u>(98)</u>	<u>(431)</u>
 <b>Net position, end of year</b>	 <u>\$ 39,976</u>	 <u>\$ 7,041</u>	 <u>\$ 47,017</u>

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

Year Ended June 30, 2019

(In thousands of dollars)

	<u>1995</u>	<u>2009</u>	<u>Total</u>
Cash flows from operating activities:			
Loan repayments received	\$ 36,085	\$ 17,000	\$ 53,085
Loan interest income received	13,848	4,628	18,476
Other receipts	5,302	965	6,267
Loan disbursements	(62)	–	(62)
Payments to vendors	(78)	(44)	(122)
Other disbursements	<u>(1,755)</u>	<u>(893)</u>	<u>(2,648)</u>
Net cash provided by operating activities	53,340	21,656	74,996
Cash flows from noncapital financing activities:			
Principal repayment of bonds	(43,825)	(18,600)	(62,425)
Interest paid	<u>(8,717)</u>	<u>(4,108)</u>	<u>(12,825)</u>
Net cash used for noncapital financing activities	(52,542)	(22,708)	(75,250)
Cash flows from investing activities:			
Purchase of investment securities	(56,712)	(21,952)	(78,664)
Proceeds from sale and maturities of investment securities	55,182	22,819	78,001
Investment income received	<u>701</u>	<u>174</u>	<u>875</u>
Net cash provided by (used for) investing activities	<u>(829)</u>	<u>1,041</u>	<u>212</u>
Net decrease in cash and cash equivalents	(31)	(11)	(42)
Cash and cash equivalents, beginning of year	<u>403</u>	<u>36</u>	<u>439</u>
Cash and cash equivalents, end of year	\$ <u>372</u>	\$ <u>25</u>	\$ <u>397</u>

(Continued)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

Year Ended June 30, 2019

(In thousands of dollars)

	<u>1995</u>	<u>2009</u>	<u>Total</u>
Reconciliation of change in net position to net cash provided by operating activities:			
Change in net position	\$ 5,481	\$ 738	\$ 6,219
Adjustments to reconcile change in net position to net cash provided by operating activities:			
Investment income, net	(862)	(193)	(1,055)
Bond interest expense and debt financing costs	7,385	3,542	10,927
Changes in operating assets and liabilities:			
Loans receivable	36,023	17,000	53,023
Accrued interest – loans	408	140	548
Other assets	4,386	792	5,178
Accrued and other liabilities	852	(314)	538
Interfund transfers	<u>(333)</u>	<u>(49)</u>	<u>(382)</u>
Net cash provided by operating activities	<u>\$ 53,340</u>	<u>\$ 21,656</u>	<u>\$ 74,996</u>
Supplemental disclosures of noncash information:			
Real estate acquired through foreclosure	<u>\$ 3,026</u>	<u>\$ 1,043</u>	<u>\$ 4,069</u>

(Concluded)

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

June 30, 2019

(In thousands of dollars)

	<u>2002-2013</u>	<u>2004</u>	<u>2010-1</u>	<u>2017-2019</u>	<u>Total</u>
<b>Assets</b>					
Current assets:					
Short-term investments	\$ 7,322	\$ 4,696	\$ 2,076	\$ 21,661	\$ 35,755
Accrued interest receivable on investments	1	-	-	72	73
Current portion of mortgage and construction loans receivable	451	231	210	3,875	4,767
Accrued interest receivable on mortgage and construction loans	<u>222</u>	<u>71</u>	<u>63</u>	<u>306</u>	<u>662</u>
Total current assets	7,996	4,998	2,349	25,914	41,257
Long-term investments	-	-	-	1,978	1,978
Loans receivable:					
Mortgage loans	40,411	13,679	15,501	60,021	129,612
Less current portion of loans receivable	<u>(451)</u>	<u>(231)</u>	<u>(210)</u>	<u>(3,875)</u>	<u>(4,767)</u>
Long term portion of loans receivable	<u>39,960</u>	<u>13,448</u>	<u>15,291</u>	<u>56,146</u>	<u>124,845</u>
Other assets:					
Interfund receivables	<u>251</u>	<u>87</u>	<u>77</u>	<u>302</u>	<u>717</u>
Total other assets	<u>251</u>	<u>87</u>	<u>77</u>	<u>302</u>	<u>717</u>
Total assets	<u>48,207</u>	<u>18,533</u>	<u>17,717</u>	<u>84,340</u>	<u>168,797</u>
<b>Liabilities</b>					
Current liabilities:					
Current portion of bonds payable	580	1,510	200	3,800	6,090
Accrued interest payable	1,016	340	247	1,433	3,036
Current portion of accrued and other liabilities	<u>8</u>	<u>3</u>	<u>2</u>	<u>12</u>	<u>25</u>
Total current liabilities	1,604	1,853	449	5,245	9,151
Long-term liabilities:					
Bonds payable, net of current portion	39,218	13,300	15,410	77,270	145,198
Interfund payables	<u>630</u>	<u>203</u>	<u>95</u>	<u>176</u>	<u>1,104</u>
Total long-term liabilities	<u>39,848</u>	<u>13,503</u>	<u>15,505</u>	<u>77,446</u>	<u>146,302</u>
Total liabilities	<u>41,452</u>	<u>15,356</u>	<u>15,954</u>	<u>82,691</u>	<u>155,453</u>
<b>Net Position</b>					
Total net position – restricted	\$ <u>6,755</u>	\$ <u>3,177</u>	\$ <u>1,763</u>	\$ <u>1,649</u>	\$ <u>13,344</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, 2019

(In thousands of dollars)

	<u>2002-2013</u>	<u>2004</u>	<u>2010-1</u>	<u>2017-2019</u>	<u>Total</u>
<b>Operating revenue:</b>					
Interest and fees on mortgage and construction loans	\$ 2,823	\$ 927	\$ 765	\$ 3,062	\$ 7,577
Investment income	238	129	39	497	903
Increase in fair value of investments	<u>—</u>	<u>—</u>	<u>—</u>	<u>222</u>	<u>222</u>
Total operating revenue	<u>3,061</u>	<u>1,056</u>	<u>804</u>	<u>3,781</u>	<u>8,702</u>
<b>Operating expenses:</b>					
Bond interest expense and debt financing costs	2,161	685	495	2,527	5,868
Administrative expenses	28	2	5	8	43
Loan servicing expenses	107	37	39	144	327
Bond issuance fees	85	30	—	118	233
Other	<u>106</u>	<u>34</u>	<u>38</u>	<u>13</u>	<u>191</u>
Total operating expenses	<u>2,487</u>	<u>788</u>	<u>577</u>	<u>2,810</u>	<u>6,662</u>
<b>Change in net position</b>	574	268	227	971	2,040
Net position, beginning of year	6,565	2,909	1,536	678	11,688
Interfund transfers, net	<u>(384)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(384)</u>
<b>Net position, end of year</b>	<u>\$ 6,755</u>	<u>\$ 3,177</u>	<u>\$ 1,763</u>	<u>\$ 1,649</u>	<u>\$ 13,344</u>

**NEW HAMPSHIRE HOUSING FINANCE AUTHORITY**

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

Year Ended June 30, 2019

(In thousands of dollars)

	<b><u>2002 – 2013</u></b>	<b><u>2004</u></b>	<b><u>2010</u></b>	<b><u>2017 – 2019</u></b>	<b><u>Total</u></b>
Cash flows from operating activities:					
Loan repayments received	\$ 3,041	\$ 1,360	\$ 200	\$ 45	\$ 4,646
Loan interest income received	2,821	934	766	1,423	5,944
Other receipts	256	107	81	175	619
Loan disbursements	–	–	–	(23,261)	(23,261)
Payments to vendors	(134)	(36)	(43)	(21)	(234)
Other disbursements	<u>(577)</u>	<u>(67)</u>	<u>(40)</u>	<u>(256)</u>	<u>(940)</u>
Net cash provided by (used for) operating activities	5,407	2,298	964	(21,895)	(13,226)
Cash flows from noncapital financing activities:					
Proceeds from issuance of bonds	–	–	–	21,890	21,890
Principal repayment of bonds	(3,235)	(290)	(200)	–	(3,725)
Interest paid	<u>(2,235)</u>	<u>(692)</u>	<u>(498)</u>	<u>(2,205)</u>	<u>(5,630)</u>
Net cash provided by (used for) noncapital financing activities	(5,470)	(982)	(698)	19,685	12,535
Cash flows from investing activities:					
Purchase of investment securities	(6,087)	(2,429)	(1,005)	(40,320)	(49,841)
Proceeds from sale and maturities of investment securities	5,913	984	700	42,037	49,634
Investment income received	<u>237</u>	<u>129</u>	<u>39</u>	<u>487</u>	<u>892</u>
Net cash provided by (used for) investing activities	<u>63</u>	<u>(1,316)</u>	<u>(266)</u>	<u>2,204</u>	<u>685</u>
Net decrease in cash and cash equivalents	–	–	–	(6)	(6)
Cash and cash equivalents, beginning of year	<u>–</u>	<u>–</u>	<u>–</u>	<u>6</u>	<u>6</u>
Cash and cash equivalents, end of year	<u>\$ –</u>	<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, 2019

(In thousands of dollars)

	<u>2002 – 2013</u>	<u>2004</u>	<u>2010</u>	<u>2017 – 2019</u>	<u>Total</u>
Reconciliation of change in net position to net cash provided by (used for) operating activities:					
Change in net position	\$ 574	\$ 268	\$ 227	\$ 971	\$ 2,040
Adjustments to reconcile change in net position to net cash provided by (used for) operating activities:					
Loan interest income converted to loan principal	–	–	–	(1,423)	(1,423)
Investment income, net	(238)	(129)	(39)	(719)	(1,125)
Bond interest expense and debt financing costs	2,161	685	495	2,527	5,868
Changes in operating assets and liabilities:					
Loans receivable	3,041	1,360	200	(23,216)	(18,615)
Accrued interest – loans	(2)	7	1	(216)	(210)
Other assets	91	43	40	23	197
Accrued and other liabilities	164	64	40	158	426
Interfund transfers	<u>(384)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(384)</u>
Net cash provided by (used for) operating activities	<u>\$ 5,407</u>	<u>\$ 2,298</u>	<u>\$ 964</u>	<u>\$ (21,895)</u>	<u>\$ (13,226)</u>

(Concluded)