

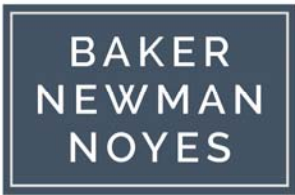
New Hampshire Housing Finance Authority

*Financial Statements and Management's
Discussion and Analysis as of and for the
Year Ended June 30, 2020 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, 2020, 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, 2020, 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 24, 2020

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2020

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, 2020. 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, 2020 and 2019.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2020

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

	<u>As of June 30</u>		<u>Increase</u>
	<u>2020</u>	<u>2019</u>	<u>(Decrease)</u>
Assets			
Cash and cash equivalents	\$ 28,857	\$ 28,559	\$ 298
Cash held in escrow	27,574	18,020	9,554
Investments	98,531	108,470	(9,939)
Loans receivable – net	429,166	452,422	(23,256)
Loans held for sale	18,287	14,652	3,635
Accrued interest receivable on mortgage and construction loans and loans held for sale	3,028	3,558	(530)
Real estate owned, net	1,088	4,637	(3,549)
Other assets	<u>21,113</u>	<u>20,046</u>	<u>1,067</u>
Total assets	<u>627,644</u>	<u>650,364</u>	<u>(22,720)</u>
Liabilities			
Bonds payable	395,908	451,750	(55,842)
Accrued interest payable	7,591	8,461	(870)
Notes payable	40,034	30,222	9,812
Accrued and other liabilities	<u>26,972</u>	<u>17,051</u>	<u>9,921</u>
Total liabilities	<u>470,505</u>	<u>507,484</u>	<u>(36,979)</u>
Net Position	<u>\$157,139</u>	<u>\$142,880</u>	<u>\$ 14,259</u>

Certain reclassifications have been made to the 2019 statement of net position amounts presented to conform to the 2020 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 \$22.7 million, or 3.5%, during the year ended June 30, 2020, primarily the net result of:

- Cash and cash equivalents increased by \$0.3 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, 2020

- Cash held in escrow increased by \$9.6 million, due primarily to a \$3.4 million increase in funds held for multi-family project disbursements and a \$5.6 million increase in escrow funds held in a single family program.
- Investments decreased by \$9.9 million, due primarily to a decrease of \$11.0 million held awaiting new loan funding in the multi-family bond programs and a decrease of \$1.4 million in the general funds, offset by an increase of \$2.5 million related to balances held in bond issues for debt service and other purposes.
- Loans receivable decreased by \$23.3 million as principal payments of \$76.5 million and foreclosures of \$2.5 million exceeded originations of loans held by the Authority of \$55.2 million. The principal payments received included \$52.0 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 \$3.6 million in connection with the secondary market business model. During the year ended June 30, 2020, \$183.8 million in loans were exchanged for Ginnie Mae securities and then sold and \$70.0 million in loans were sold to Fannie Mae.
- Net real estate owned decreased by \$3.6 million due to market conditions that enabled borrowers to avoid foreclosure and the Authority to dispose of foreclosed properties more easily, as well as a Federal moratorium on foreclosures during the fourth quarter of the fiscal year.

Total liabilities of the Authority decreased by \$37.0 million, or 7.3%, during the year ended June 30, 2020, primarily the net result of:

- Bonds outstanding decreased by \$55.8 million as redemptions, both scheduled and prior to scheduled maturity, of \$67.3 million exceeded new issuances of \$12.1 million. The Authority issued \$12.1 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 \$9.8 million increase is due to a \$5.8 million increase in multi-family construction loans and a \$4.0 million increase in single family loans held for sale.
- Accrued and other liabilities increased by \$9.9 million related primarily to a \$5.1 million increase in funds held in connection with multi-family project disbursements and a \$4.8 million increase in escrow funds held in connection with single family loans.

The net position of the Authority increased by \$14.3 million, or 10%, as a result of the excess of revenue over expenses for the year ended June 30, 2020 discussed in detail under "Discussion of Changes in the Operating Results for the Year Ended June 30, 2020 Compared to the Year Ended June 30, 2019."

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2020

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

	<u>As of June 30</u>		
	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Operating Revenue			
Interest and fees on mortgage and construction loans and loans held for sale	\$ 26,192	\$ 29,473	\$ (3,281)
Gain on sale of loans and mortgage-backed securities	13,642	11,344	2,298
Investment income net of increase/decrease in fair value of investments	2,861	3,192	(331)
Housing management fees	6,265	5,163	1,102
Federal rental assistance programs	93,083	88,867	4,216
Grants and subsidies	16,293	12,842	3,451
Other	<u>6,010</u>	<u>5,707</u>	<u>303</u>
Total operating revenue	<u>164,346</u>	<u>156,588</u>	<u>7,758</u>
Operating Expenses			
Bond interest expense and debt financing costs	15,431	16,820	(1,389)
Administrative expenses	18,938	17,433	1,505
Loan origination expenses	3,595	3,629	(34)
Loan servicing expenses	2,718	2,443	275
Provision for loan losses	500	500	–
Federal rental assistance programs	93,395	88,260	5,135
Grants and subsidies	15,154	14,481	673
Other	<u>356</u>	<u>349</u>	<u>7</u>
Total operating expenses	<u>150,087</u>	<u>143,915</u>	<u>6,172</u>
Change in net position	14,259	12,673	1,586
Net position, beginning of year	<u>142,880</u>	<u>130,207</u>	<u>12,673</u>
Net position, end of year	<u>\$157,139</u>	<u>\$142,880</u>	<u>\$14,259</u>

Discussion of Changes in the Operating Results for the Year Ended June 30, 2020 Compared to the Year Ended June 30, 2019

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, 2020

The Authority's change in net position for the year ended June 30, 2020 was \$14.3 million compared to \$12.7 million for the year ended June 30, 2019. The \$1.6 million increase was the net effect of a \$7.8 million increase in operating revenue and a \$6.2 million increase in operating expenses. Significant changes leading to the \$1.6 million increase included:

- A \$3.3 million decrease in interest and fees on mortgage and construction loans and loans held for sale consisting of a \$3.1 million decrease related to the declining bond financed single family loan portfolio and a \$0.2 million decrease related to multi-family loan activity funded by both bonds and the general funds.
- A \$2.3 million increase in gain on sale of loans and mortgage backed securities primarily due to increased profitability on sales of securities.
- A \$0.9 million decrease in the difference between revenues and expenses related to the timing of receipts and disbursements in federal rental assistance programs.
- A \$2.8 million increase in the difference between revenues and expenses related to grants and subsidies activity, as follows:

	<u>Year Ended June 30</u>	
	<u>2020</u>	<u>2019</u>
Grants and subsidies revenue	\$ 16,293	\$ 12,842
Grants and subsidies expense	<u>15,154</u>	<u>14,481</u>
Net grants and subsidies activity	<u>\$ 1,139</u>	<u>\$ (1,639)</u>

The \$2.8 million difference in net grants and subsidies activity is primarily due to a \$4.0 million increase in revenue over expenses related to the timing of program receipts and disbursements in two state funded programs offset by a \$1.2 million decrease in net program revenue due to timing of program receipts and disbursements in other grant programs.

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 \$0.3 million increase in cash and cash equivalents between June 30, 2019 and June 30, 2020. 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 and single family bond programs, in which cash used for operating activities and capital and related financing activities, exceeded cash provided by noncapital financing 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.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2020

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 \$395.9 million at June 30, 2020.

During the year ended June 30, 2020, the Authority issued \$12.1 million of multi-family bonds. Based on scheduled maturities, the Authority redeemed during the year \$14.1 million single family program bonds and \$8.8 million multi-family program bonds. The Authority also redeemed during the year ended June 30, 2020, prior to scheduled maturities, \$43.2 million of single family program bonds and \$1.2 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, 2020.

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

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

STATEMENT OF NET POSITION

June 30, 2020

(In thousands of dollars)

ASSETS

Current assets:

Cash and cash equivalents	\$ 28,857
Cash held in escrow	27,574
Short-term investments	89,490
Accrued interest receivable on investments	92
Current portion of mortgage and construction loans receivable	34,972
Loans held for sale, at lower of cost or fair value	18,287
Accrued interest receivable on mortgage and construction loans and loans held for sale	3,028
Real estate owned, net	1,088
Other current assets	<u>8,271</u>
Total current assets	<u>211,659</u>

Long-term investments

9,041

Loans receivable:

Mortgage loans	402,028
Construction loans	28,510
Less allowance for possible losses	<u>(1,372)</u>
Loans receivable, net	429,166
Less current portion of loans receivable	<u>(34,972)</u>
Long term portion of loans receivable	<u>394,194</u>

Other assets:

Mortgage loan servicing rights, net	7,181
Property and equipment, net	4,069
Other	<u>1,500</u>
Total other assets	<u>12,750</u>

Total assets

627,644

LIABILITIES

Current liabilities:

Current portion of bonds payable	24,055
Accrued interest payable	7,591
Notes payable	40,034
Current portion of accrued and other liabilities	<u>25,131</u>
Total current liabilities	<u>96,811</u>

Long-term liabilities:

Bonds payable, net of current portion	371,853
Accrued and other liabilities	<u>1,841</u>
Total long-term liabilities	<u>373,694</u>
Total liabilities	<u>470,505</u>

Commitments and contingent liabilities (Notes 8, 12 and 19)

NET POSITION

Invested in capital assets, net of related debt	4,069
Restricted	89,642
Unrestricted	<u>63,428</u>

Total net position

\$ 157,139

See notes to financial statements.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2020

(In thousands of dollars)

OPERATING REVENUE:

Interest and fees on mortgage and construction loans and loans held for sale	\$ 26,192
Gain on sale of loans and mortgage-backed securities	13,642
Servicing revenue	5,689
Investment income	1,981
Increase in fair value of investments	880
Housing management fees	6,265
Federal rental assistance programs	93,083
Grants and subsidies	16,293
Other	<u>321</u>
Total operating revenue	<u>164,346</u>

OPERATING EXPENSES:

Bond interest expense and debt financing costs	15,431
Administrative expenses	18,938
Loan origination expenses	3,595
Loan servicing expenses	2,718
Provision for loan losses	500
Federal rental assistance programs	93,395
Grants and subsidies	15,154
Other	<u>356</u>
Total operating expenses	<u>150,087</u>

CHANGE IN NET POSITION

14,259

Net position, beginning of year

142,880

NET POSITION, END OF YEAR

\$157,139

See notes to financial statements.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

(In thousands of dollars)

Cash flows from operating activities:	
Loan repayments received	\$ 76,463
Loan interest income and servicing revenue received	31,290
Proceeds from sale of loans and mortgage-backed securities	267,690
Federal rental assistance program receipts	93,083
Grants and subsidies receipts	16,293
Other receipts	43,207
Loan disbursements	(311,774)
Purchase of loan servicing rights	(1,709)
Payments to vendors	(8,809)
Payments to employees	(10,742)
Federal rental assistance program disbursements	(93,395)
Grants and subsidies disbursements	(15,154)
Other disbursements	<u>(36,218)</u>
Net cash provided by operating activities	<u>50,225</u>
Cash flows from noncapital financing activities:	
Proceeds from issuance of bonds	12,070
Principal repayment of bonds	(67,330)
Proceeds from notes payable	280,724
Repayment of notes payable	(270,912)
Interest paid	<u>(16,883)</u>
Net cash used for noncapital financing activities	<u>(62,331)</u>
Cash flows from capital and related financing activities:	
Additions to property and equipment	<u>(295)</u>
Net cash used for capital and related financing activities	<u>(295)</u>
Cash flows from investing activities:	
Purchase of investment securities	(93,597)
Proceeds from sale and maturities of investment securities	104,233
Investment income received	<u>2,063</u>
Net cash provided by investing activities	<u>12,699</u>
Net increase in cash and cash equivalents	298
Cash and cash equivalents, beginning of year	<u>28,559</u>
Cash and cash equivalents, end of year	<u>\$ 28,857</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2020

(In thousands of dollars)

Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ 14,259
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Amortization of servicing rights	1,399
Mortgage loan servicing rights capitalized	(1,709)
Depreciation of property and equipment	381
Loan interest income converted to loan principal	(1,175)
Investment income, net	(2,861)
Bond interest expense and debt financing costs	15,431
Provision for loan losses	500
Changes in operating assets and liabilities:	
Loans receivable	22,245
Loans held for sale	(3,635)
Accrued interest – loans	711
Other assets	(26,375)
Accrued and other liabilities	<u>31,054</u>
Net cash provided by operating activities	\$ <u>50,225</u>
Supplemental disclosures of noncash information:	
Real estate acquired through foreclosure	\$ <u>2,415</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, 2020

(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, 2020

(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, 2020

(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, 2020.

Operating Revenue and Expenses – The Authority's primary operation is to originate 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, 2020

(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 8.375%.

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 2020 is summarized as follows:

Balance – June 30, 2019	\$ <u>3,084</u>
Balance attributable to:	
Mortgage and construction loans	\$ 1,830
Real estate owned	337
Other liabilities – GNMA loss liability	<u>917</u>
Total	3,084
Provision for loan losses	500
Write-offs, net	<u>(442)</u>
Balance – June 30, 2020	\$ <u>3,142</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

(In thousands of dollars)

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

Balance attributable to:	
Mortgage and construction loans	\$ 1,372
Real estate owned	336
Other liabilities– GNMA loss liability	<u>1,434</u>
Total	<u>\$ 3,142</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, 2020, the Authority serviced \$770,043 of loans held in Ginnie Mae mortgage-backed securities and \$365,551 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, 2020, loans acquired from three originating lenders amounted to 64% of the sold loan volume, contributing 5.3% of the Authority's total operating revenue and 16.4% 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, 2020, the Authority serviced \$123,830 of multi-family mortgage loans for three investors.

4. Cash and Investments

Cash and Cash Equivalents – At June 30, 2020, the carrying amount of the Authority's bank deposits was \$28,857, such amount representing cash bank deposits. Bank balances of cash deposits held in the general funds totaled \$29,653. Of such deposits, \$250 was insured by the Federal Deposit Insurance Corporation, while deposits aggregating \$29,403 were uninsured.

Bank balances of cash deposits held in bond funds totaled \$626, and \$250 was insured by the Federal Deposit Insurance Corporation.

At June 30, 2020, the carrying amount of the Authority's restricted cash (cash held in escrow) was \$27,574. The restricted cash bank balance was \$27,691, 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 \$47,981 of deposits as of June 30, 2020.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

(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, 2020 consist of the following investments with maturities of less than one year:

FHLB obligations (at fair value)	\$ 1,521
Guaranteed investment contracts (at contract value)	56,397
Collateralized repurchase agreements (at contract value)	5,851
U.S. Treasury obligation money market funds (at fair value)	<u>25,721</u>
Total	<u>\$89,490</u>

Long-Term Investments – Long-term investments at June 30, 2020 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.

	Rating	Investment Maturities				Total
		(In Years)				
		<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>	<u>16 – 30</u>	
FFCB obligations	Aaa	\$ 809	\$ –	\$ –	\$ –	\$ 809
FHLB obligations	Aaa	2,113	1,674	–	–	3,787
FHLMC obligations	Aaa	–	–	1,786	–	1,786
FNMA obligations	Aaa	1,363	–	–	–	1,363
GNMA obligations	Aaa	–	–	–	944	944
UST obligations	Aaa	<u>352</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>352</u>
Total		<u>\$4,637</u>	<u>\$1,674</u>	<u>\$1,786</u>	<u>\$ 944</u>	<u>\$ 9,041</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

(In thousands of dollars)

4. Cash and Investments (Continued)

A net increase in fair value of short-term and long-term investments of \$880 was recorded during the year ended June 30, 2020.

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, 2020 includes amounts withdrawn from guaranteed investment contracts and collateralized repurchase agreements to satisfy July 1, 2020 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)	\$ 6,336
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NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

(In thousands of dollars)

4. Cash and Investments (Continued)

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, 2020, 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	\$40,545
Guaranteed investment contracts provided by:		
Natixis Funding Corporation	A1	16,875
U.S. Treasury obligation money market funds provided by:		
Fidelity Institutional Money Market Funds	Aaa-mf	19,106
FHLB obligations	Aaa	<u>5,308</u>
Total		<u>\$81,834</u>

5. Other Assets

Other assets at June 30, 2020 consist of the following:

	<u>Current</u>	<u>Long Term</u>
Accounts receivable	\$ 6,084	\$ –
Repurchased loans	1,017	–
Prepaid expenses	564	–
Fair value investment derivatives	66	–
Notes receivable	–	1,500
Accrued servicing revenue	<u>540</u>	<u>–</u>
Total	<u>\$8,271</u>	<u>\$1,500</u>

6. Mortgage Loan Servicing Rights

During the year ended June 30, 2020, the Authority capitalized \$1,709 in connection with the purchase of servicing rights and recorded amortization of \$1,399. At June 30, 2020, mortgage loan servicing rights totaled \$7,181, net of accumulated amortization of \$4,995. Gross servicing rights totaled \$12,176.

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

(In thousands of dollars)

7. Property and Equipment

Property and equipment at June 30, 2020, consists of:

Land and building	\$ 6,705
Equipment	6,341
Furniture and fixtures	<u>662</u>
Total	13,708
Less accumulated depreciation	<u>(9,639)</u>
Property and equipment – net	\$ <u>4,069</u>

Depreciation expense for the year ended June 30, 2020 was \$381.

8. Forward Commitments

The Authority sells forward commitments to deliver Ginnie Mae guaranteed mortgage-backed securities. Commitments are sold as mortgage loan reservations are taken to hedge against market fluctuations prior to loan origination and securitization. The Authority is subject to market value fluctuations in the event that mortgage loans are not originated as expected and the committed securities cannot be delivered. A net increase in fair value of \$183 on these forward commitments, classified as investment derivative instruments, has been recorded in investment income. The \$1 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 \$1,000. As of June 30, 2020, the aggregate fair market value of forward commitment contracts containing such collateral provisions was \$25,151 compared to an aggregate contract amount of \$23,778, 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, 2020, 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	\$ 700
Bank of New York Mellon Capital Markets	Aa2	4	4,100
Bank of Oklahoma	A2	14	11,578
Daiwa Capital Markets	Not Rated	11	8,100
Federal National Mortgage Association	Aaa	10	6,900
Jefferies Group LLC	Baa3	<u>12</u>	<u>11,432</u>
Total		<u>52</u>	\$ <u>42,810</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

(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, and one multi-family term bond payable in October 2020, with interest rates ranging from 1.35% to 6.00%. 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, 2020 was as follows:

Balance – June 30, 2019	\$ 451,750
Bond issuance	12,070
Amortization of bond premium and discount, net	(582)
Principal repayment	<u>(67,330)</u>
 Balance – June 30, 2020	 \$ <u>395,908</u>
 Amount payable within one year	 \$ <u>24,055</u>

Principal and interest payments due on outstanding bonds are as follows at June 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending June 30:			
2021	\$ 24,055	\$ 15,055	\$ 39,110
2022	14,030	14,548	28,578
2023	14,495	14,048	28,543
2024	14,885	13,515	28,400
2025	<u>15,165</u>	<u>12,939</u>	<u>28,104</u>
Subtotal, years ending 2021 – 2025	82,630	70,105	152,735
Years ending June 30:			
2026 – 2030	79,935	55,297	135,232
2031 – 2035	74,940	39,369	114,309
2036 – 2040	59,500	26,041	85,541
2041 – 2045	29,125	17,307	46,432
2046 – 2050	23,580	11,871	35,451
2051 – 2055	20,205	7,229	27,434
2056 – 2060	19,435	3,328	22,763
2061 – 2062	<u>5,255</u>	<u>181</u>	<u>5,436</u>
Total	394,605	\$ <u>230,728</u>	\$ <u>625,333</u>
Unamortized premium	1,384		
Unamortized discount	<u>(81)</u>		
Total bonds payable	\$ <u>395,908</u>		

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

(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 2020, the Authority redeemed, prior to stated maturity and in accordance with the terms of the bonds, \$43,210 of current interest single family bond program bonds and \$1,230 of current interest multi-family bonds.

10. Notes Payable and Credit Facilities

The Authority has a \$60,000 line of credit with a bank for the purpose of acquiring single family mortgage loans prior to the issuance of single family bonds or other secondary market disposition and for financing short-term construction loans for multi-family housing projects. The bank holds 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, 2022. At June 30, 2020, \$33,534 was outstanding with an interest rate of 2.15%, whereas \$26,466 was unused with an interest rate of 1.25%.

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, 2021. There were no amounts outstanding on the line at June 30, 2020.

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, 2020.

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 \$6,878 as of June 30, 2020 to FHLB Boston to collateralize this advance.

11. Accrued and Other Liabilities

Accrued and other liabilities at June 30, 2020 consist of the following:

	<u>Current</u>	<u>Long-Term</u>
Accounts payable	\$ 7,214	\$ -
Funds held in escrow	16,551	1,591
Fair value investment derivatives	65	-
Accrued servicing fees	117	-
GNMA loss liability	<u>1,184</u>	<u>250</u>
Total	<u>\$25,131</u>	<u>\$1,841</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

(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, 2020, the Authority was committed to fund approximately \$38,185 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, 2020, the Authority met the minimum net worth requirement of \$5,323. 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 \$183,767 of mortgage loans during the year ended June 30, 2020 and held \$1,017 of repurchased loans in other assets at June 30, 2020.
- At June 30, 2020, the Authority was committed to fund approximately \$4,497 of mortgage loans to be sold to Fannie Mae. The Authority sells mortgage loans to Fannie Mae on a nonrecourse basis although previously also sold loans on a risk-share basis. 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, 2020, the Authority repurchased one delinquent Fannie Mae loan and \$2,841 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 \$2,807 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 \$139,907.
- The Authority has authorized the funding of approximately \$18,441 from the general funds for the purchase of housing units and for other housing-related purposes. This total includes \$2,672 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, 2020, these balances aggregated \$48,871. 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, 2020

(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, 2020 are as follows:

Restricted for purpose of funding source	\$ 32,607
Restricted for purpose of bond issues:	
Single family bond programs	41,719
Multi-family bond programs	<u>15,316</u>
Total	<u>\$89,642</u>

14. Grants and Subsidies

The Authority receives and distributes grants and subsidies in support of a variety of housing-related initiatives. Grants and subsidies revenue exceeds grants and subsidies expense by \$1,139 primarily due to \$6,297 of revenue over expenses related to the timing of program receipts and disbursements in two state funded programs offset by a \$4,114 net program expense in the single-family lending program and a net expense of \$1,044 due to timing of program receipts and disbursements in other 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 the year ended June 30, 2020 totaled \$9,332 while total payroll for the year ended June 30, 2020 totaled \$9,895. The Authority expensed and made contributions to the plan of \$677 for the year ended June 30, 2020, such amount representing 7.25% of covered payroll and including \$212 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, 2020

(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, Federal CARES Act and special allocation programs and receives fees for these services. Total Federal funds administered by the Authority under these programs aggregated \$99,253 for the year ended June 30, 2020.

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
United States government obligations	\$10,562	\$ -	\$ -	\$10,562
Investment derivative instruments	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total	<u>\$10,562</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$10,563</u>

Money market funds and certain investments not subject to the fair value measurement requirement at June 30, 2020 include:

Collateralized repurchase agreements	\$ 5,851
Guaranteed investment contracts	56,397
Money market funds	<u>25,721</u>
Total	<u>\$87,969</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

(In thousands of dollars)

18. Subsequent Events

On July 14, 2020, the Authority issued \$21,765 of Multi-Family Housing Revenue Bonds, 2020 Series 1 (Taxable). Bond issue proceeds were used to redeem on August 13, 2020 Multi-Family Housing Revenue Bonds issued in 2002 through 2007. The bonds issued consisted of serial and term bonds with varying maturities and interest rates. The advanced refunding resulted in a decrease of debt service payments over the next 23 years of \$5,039 and an economic gain of \$4,257, including issuance costs of \$318.

On August 1, 2020, the Authority redeemed, prior to scheduled maturity, its Single Family Mortgage Acquisition Revenue Bonds, in the amount of \$7,160.

On September 1, 2020, the Authority redeemed, prior to scheduled maturity, its Single Family Mortgage Acquisition Revenue Bonds, in the amount of \$4,510.

19. Uncertainty Surrounding COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus disease a global pandemic (Pandemic) and on March 13, 2020, the President of the United States declared a national emergency and the Governor of New Hampshire (Governor) declared a state emergency with respect to the Pandemic. On March 27, 2020, the United States Congress enacted several bills related to the Pandemic, including the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act). Through provisions of the CARES Act and various executive and emergency orders of the Governor, both single family and multi-family mortgage loan borrowers have been provided various rights to payment forbearance and protection from foreclosure, and tenants have been provided with certain periods of eviction protection related to the nonpayment of rent.

Whereas of the date of these financial statements there has been no material adverse effect on the Authority's operations, the Pandemic is an ongoing situation. The Authority cannot predict the duration or extent of the Pandemic; the duration or expansion of any foreclosure or eviction moratorium affecting the Authority's ability to foreclose and collect on delinquent mortgage loans; the number of loans that will be in forbearance or default as a result of the Pandemic and subsequent federal, state or local responses thereto; whether or to what extent the Authority or other government agencies may provide additional deferrals, forbearances, or other changes to payments on mortgage loans; or the effect of the Pandemic on the local economy or real estate markets and whether such effect might adversely impact the Authority or its operations.

SUPPLEMENTAL COMBINING SCHEDULES

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF STATEMENT OF NET POSITION

June 30, 2020

(In thousands of dollars)

	<u>General Funds</u>	<u>Single Family Bond Programs</u>	<u>Multi-Family Bond Programs</u>	<u>Eliminations</u>	<u>Total</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 28,231	\$ 626	\$ –	\$ –	\$ 28,857
Cash held in escrow	27,574	–	–	–	27,574
Short-term investments	2,687	62,262	24,541	–	89,490
Accrued interest receivable on investments	35	14	43	–	92
Current portion of mortgage and construction loans receivable	21,120	9,812	4,040	–	34,972
Loans held for sale, at lower of cost or fair value	18,287	–	–	–	18,287
Accrued interest receivable on mortgage and construction loans and loans held for sale	153	2,244	631	–	3,028
Real estate owned, net	1,032	56	–	–	1,088
Other current assets	<u>6,649</u>	<u>1,792</u>	<u>–</u>	<u>(170)</u>	<u>8,271</u>
Total current assets	<u>105,768</u>	<u>76,806</u>	<u>29,255</u>	<u>(170)</u>	<u>211,659</u>
Long-term investments	<u>5,286</u>	<u>1,617</u>	<u>2,138</u>	<u>–</u>	<u>9,041</u>
Loans receivable:					
Mortgage loans	17,584	235,280	149,164	–	402,028
Construction loans	28,510	–	–	–	28,510
Less allowance for possible losses	<u>(235)</u>	<u>(1,137)</u>	<u>–</u>	<u>–</u>	<u>(1,372)</u>
Loans receivable, net	45,859	234,143	149,164	–	429,166
Less current portion of loans receivable	<u>(21,120)</u>	<u>(9,812)</u>	<u>(4,040)</u>	<u>–</u>	<u>(34,972)</u>
Long term portion of loans receivable	<u>24,739</u>	<u>224,331</u>	<u>145,124</u>	<u>–</u>	<u>394,194</u>
Other assets:					
Mortgage loan servicing rights, net	7,181	–	–	–	7,181
Property and equipment, net	4,069	–	–	–	4,069
Interfund receivables	33,154	2,369	791	(36,314)	–
Other	<u>1,500</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,500</u>
Total other assets	<u>45,904</u>	<u>2,369</u>	<u>791</u>	<u>(36,314)</u>	<u>12,750</u>
Total assets	\$ <u>181,697</u>	\$ <u>305,123</u>	\$ <u>177,308</u>	\$ <u>(36,484)</u>	\$ <u>627,644</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF STATEMENT OF NET POSITION (CONTINUED)

June 30, 2020

(In thousands of dollars)

	<u>General Funds</u>	<u>Single Family Bond Programs</u>	<u>Multi-Family Bond Programs</u>	<u>Eliminations</u>	<u>Total</u>
Liabilities					
Current liabilities:					
Current portion of bonds payable	\$ -	\$ 20,210	\$ 3,845	\$ -	\$ 24,055
Accrued interest payable	-	4,418	3,173	-	7,591
Notes payable	40,034	-	-	-	40,034
Current portion of accrued and other liabilities	<u>25,100</u>	<u>178</u>	<u>23</u>	<u>(170)</u>	<u>25,131</u>
Total current liabilities	65,134	24,806	7,041	(170)	96,811
Long-term liabilities:					
Bonds payable, net of current portion	-	219,669	152,184	-	371,853
Accrued and other liabilities	1,841	-	-	-	1,841
Interfund payables	<u>24,807</u>	<u>8,740</u>	<u>2,767</u>	<u>(36,314)</u>	<u>-</u>
Total long-term liabilities	<u>26,648</u>	<u>228,409</u>	<u>154,951</u>	<u>(36,314)</u>	<u>373,694</u>
Total liabilities	<u>91,782</u>	<u>253,215</u>	<u>161,992</u>	<u>(36,484)</u>	<u>470,505</u>
Net Position					
Invested in capital assets, net of related debt	4,069	-	-	-	4,069
Restricted	32,607	41,719	15,316	-	89,642
Unrestricted	<u>53,239</u>	<u>10,189</u>	<u>-</u>	<u>-</u>	<u>63,428</u>
Total net position	<u>\$ 89,915</u>	<u>\$ 51,908</u>	<u>\$ 15,316</u>	<u>\$ -</u>	<u>\$ 157,139</u>

(Concluded)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

Year Ended June 30, 2020

(In thousands of dollars)

	<u>General Funds</u>	<u>Single Family Bond Programs</u>	<u>Multi-Family Bond Programs</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenue:					
Interest and fees on mortgage and construction loans and loans held for sale	\$ 3,463	\$ 14,833	\$ 8,196	\$ (300)	\$ 26,192
Gain on sale of loans and mortgage-backed securities	13,642	-	-	-	13,642
Servicing revenue	6,970	-	-	(1,281)	5,689
Investment income	531	800	650	-	1,981
Increase in fair value of investments	506	112	262	-	880
Housing management fees	12,874	-	-	(6,609)	6,265
Federal rental assistance programs	93,083	-	-	-	93,083
Bond issuance fees	677	-	-	(677)	-
Grants and subsidies	16,293	-	-	-	16,293
Other	321	-	-	-	321
Total operating revenue	<u>148,360</u>	<u>15,745</u>	<u>9,108</u>	<u>(8,867)</u>	<u>164,346</u>
Operating expenses:					
Bond interest expense and debt financing costs	36	9,093	6,302	-	15,431
Administrative expenses	25,380	118	49	(6,609)	18,938
Loan origination expenses	3,595	-	-	-	3,595
Loan servicing expenses	2,714	974	311	(1,281)	2,718
Provision for loan losses	500	-	-	-	500
Federal rental assistance programs	93,395	-	-	-	93,395
Bond issuance fees	-	405	272	(677)	-
Grants and subsidies	15,454	-	-	(300)	15,154
Other	154	-	202	-	356
Total operating expenses	<u>141,228</u>	<u>10,590</u>	<u>7,136</u>	<u>(8,867)</u>	<u>150,087</u>
Change in net position	7,132	5,155	1,972	-	14,259
Net position, beginning of year	82,519	47,017	13,344	-	142,880
Interfund transfers, net	<u>264</u>	<u>(264)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u>\$ 89,915</u>	<u>\$ 51,908</u>	<u>\$ 15,316</u>	<u>\$ -</u>	<u>\$ 157,139</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS

Year Ended June 30, 2020

(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	\$ 20,893	\$ 50,796	\$ 4,774	\$ -	\$ 76,463
Loan interest income and servicing revenue received	10,452	15,396	7,023	(1,581)	31,290
Proceeds from sale of loans and mortgage-backed securities	267,690	-	-	-	267,690
Federal rental assistance program receipts	93,083	-	-	-	93,083
Grants and subsidies receipts	16,293	-	-	-	16,293
Other receipts	42,973	5,855	1,665	(7,286)	43,207
Loan disbursements	(288,651)	-	(23,123)	-	(311,774)
Purchase of loan servicing rights	(1,709)	-	-	-	(1,709)
Payments to vendors	(15,726)	(118)	(251)	7,286	(8,809)
Payments to employees	(10,742)	-	-	-	(10,742)
Federal rental assistance program disbursements	(93,395)	-	-	-	(93,395)
Grants and subsidies disbursements	(15,454)	-	-	300	(15,154)
Other disbursements	(34,680)	(2,159)	(660)	1,281	(36,218)
Net cash provided by (used for) operating activities	<u>(8,973)</u>	<u>69,770</u>	<u>(10,572)</u>	<u>-</u>	<u>50,225</u>
Cash flows from noncapital financing activities:					
Proceeds from issuance of bonds	1,240	-	10,830	-	12,070
Principal repayment of bonds	(3,976)	(57,265)	(6,089)	-	(67,330)
Proceeds from notes payable	280,724	-	-	-	280,724
Repayment of notes payable	(270,912)	-	-	-	(270,912)
Interest paid	(42)	(10,676)	(6,165)	-	(16,883)
Net cash provided by (used for) noncapital financing activities	<u>7,034</u>	<u>(67,941)</u>	<u>(1,424)</u>	<u>-</u>	<u>(62,331)</u>
Cash flows from capital and related financing activities:					
Additions to property and equipment	(295)	-	-	-	(295)
Net cash used for capital and related financing activities	<u>(295)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(295)</u>
Cash flows from investing activities:					
Purchase of investment securities	(3,258)	(73,349)	(16,990)	-	(93,597)
Proceeds from sale and maturities of investment securities	4,994	70,933	28,306	-	104,233
Investment income received	567	816	680	-	2,063
Net cash provided by investing activities	<u>2,303</u>	<u>(1,600)</u>	<u>11,996</u>	<u>-</u>	<u>12,699</u>
Net increase in cash and cash equivalents	69	229	-	-	298
Cash and cash equivalents, beginning of year	<u>28,162</u>	<u>397</u>	<u>-</u>	<u>-</u>	<u>28,559</u>
Cash and cash equivalents, end of year	\$ <u>28,231</u>	\$ <u>626</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>28,857</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2020

(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	\$ 7,132	\$ 5,155	\$ 1,972	\$ –	\$ 14,259
Adjustments to reconcile change in net position to net cash provided by (used for) operating activities:					
Amortization of servicing rights	1,399	–	–	–	1,399
Mortgage loan servicing rights capitalized	(1,709)	–	–	–	(1,709)
Depreciation of property and equipment	381	–	–	–	381
Loan interest income converted to loan principal	29	–	(1,204)	–	(1,175)
Investment income, net	(1,037)	(912)	(912)	–	(2,861)
Bond interest expense and debt financing costs	36	9,093	6,302	–	15,431
Provision for loan losses	500	–	–	–	500
Changes in operating assets and liabilities:					
Loans receivable	(10,075)	50,669	(18,349)	–	22,245
Loans held for sale	(3,635)	–	–	–	(3,635)
Accrued interest – loans	(10)	690	31	–	711
Other assets	(30,909)	4,437	(73)	170	(26,375)
Accrued and other liabilities	28,661	902	1,661	(170)	31,054
Interfund transfers	<u>264</u>	<u>(264)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net cash provided by (used for) operating activities	<u>\$ (8,973)</u>	<u>\$ 69,770</u>	<u>\$ (10,572)</u>	<u>\$ –</u>	<u>\$ 50,225</u>
Supplemental disclosures of noncash information:					
Real estate acquired through foreclosure	<u>\$ –</u>	<u>\$ 2,415</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 2,415</u>

(Concluded)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2020

(In thousands of dollars)

	<u>1995</u>	<u>2009</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 601	\$ 25	\$ 626
Short-term investments	48,977	13,285	62,262
Accrued interest receivable on investments	14	–	14
Current portion of mortgage and construction loans receivable	7,574	2,238	9,812
Accrued interest receivable on loans	1,683	561	2,244
Real estate owned, net	(152)	208	56
Other current assets	<u>1,377</u>	<u>415</u>	<u>1,792</u>
Total current assets	<u>60,074</u>	<u>16,732</u>	<u>76,806</u>
Long-term investments	<u>1,132</u>	<u>485</u>	<u>1,617</u>
Loans receivable:			
Mortgage loans	163,774	71,506	235,280
Less allowance for possible losses	<u>(940)</u>	<u>(197)</u>	<u>(1,137)</u>
Loans receivable, net	162,834	71,309	234,143
Less current portion of loans receivable	<u>(7,574)</u>	<u>(2,238)</u>	<u>(9,812)</u>
Long term portion of loans receivable	<u>155,260</u>	<u>69,071</u>	<u>224,331</u>
Other assets:			
Interfund receivables	<u>2,118</u>	<u>251</u>	<u>2,369</u>
Total other assets	<u>2,118</u>	<u>251</u>	<u>2,369</u>
Total assets	<u>\$218,584</u>	<u>\$ 86,539</u>	<u>\$305,123</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2020

(In thousands of dollars)

	<u>1995</u>	<u>2009</u>	<u>Total</u>
Liabilities			
Current liabilities:			
Current portion of bonds payable	\$ 14,900	\$ 5,310	\$ 20,210
Accrued interest payable	2,998	1,420	4,418
Current portion of accrued and other liabilities	<u>133</u>	<u>45</u>	<u>178</u>
Total current liabilities	18,031	6,775	24,806
Long-term liabilities:			
Bonds payable, net of current portion	148,466	71,203	219,669
Interfund payables	<u>7,765</u>	<u>975</u>	<u>8,740</u>
Total long-term liabilities	<u>156,231</u>	<u>72,178</u>	<u>228,409</u>
Total liabilities	<u>174,262</u>	<u>78,953</u>	<u>253,215</u>
Net Position			
Restricted	34,133	7,586	41,719
Unrestricted	<u>10,189</u>	<u>—</u>	<u>10,189</u>
Total net position	<u>\$ 44,322</u>	<u>\$ 7,586</u>	<u>\$ 51,908</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, 2020

(In thousands of dollars)

	<u>1995</u>	<u>2009</u>	<u>Total</u>
Operating revenue:			
Interest and fees on mortgage and construction loans	\$ 11,107	\$ 3,726	\$ 14,833
Investment income	637	163	800
Increase in fair value of investments	<u>97</u>	<u>15</u>	<u>112</u>
Total operating revenue	<u>11,841</u>	<u>3,904</u>	<u>15,745</u>
Operating expenses:			
Bond interest expense and debt financing costs	6,128	2,965	9,093
Administrative expenses	74	44	118
Loan servicing expenses	678	296	974
Bond issuance fees	<u>405</u>	<u>—</u>	<u>405</u>
Total operating expenses	<u>7,285</u>	<u>3,305</u>	<u>10,590</u>
Change in net position	4,556	599	5,155
Net position, beginning of year	39,976	7,041	47,017
Interfund transfers, net	<u>(210)</u>	<u>(54)</u>	<u>(264)</u>
Net position, end of year	<u>\$44,322</u>	<u>\$ 7,586</u>	<u>\$51,908</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

SUPPLEMENTAL COMBINING SCHEDULE OF CASH FLOWS – SINGLE FAMILY BOND PROGRAMS

Year Ended June 30, 2020

(In thousands of dollars)

	<u>1995</u>	<u>2009</u>	<u>Total</u>
Cash flows from operating activities:			
Loan repayments received	\$ 35,992	\$ 14,804	\$ 50,796
Loan interest income received	11,491	3,905	15,396
Other receipts	3,592	2,263	5,855
Payments to vendors	(74)	(44)	(118)
Other disbursements	<u>(1,607)</u>	<u>(552)</u>	<u>(2,159)</u>
Net cash provided by operating activities	<u>49,394</u>	<u>20,376</u>	<u>69,770</u>
Cash flows from noncapital financing activities:			
Principal repayment of bonds	(38,910)	(18,355)	(57,265)
Interest paid	<u>(7,216)</u>	<u>(3,460)</u>	<u>(10,676)</u>
Net cash used for noncapital financing activities	<u>(46,126)</u>	<u>(21,815)</u>	<u>(67,941)</u>
Cash flows from investing activities:			
Purchase of investment securities	(52,686)	(20,663)	(73,349)
Proceeds from sale and maturities of investment securities	48,995	21,938	70,933
Investment income received	<u>652</u>	<u>164</u>	<u>816</u>
Net cash provided by (used for) investing activities	<u>(3,039)</u>	<u>1,439</u>	<u>(1,600)</u>
Net increase in cash and cash equivalents	229	–	229
Cash and cash equivalents, beginning of year	<u>372</u>	<u>25</u>	<u>397</u>
Cash and cash equivalents, end of year	<u>\$ 601</u>	<u>\$ 25</u>	<u>\$ 626</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

Year Ended June 30, 2020

(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	\$ 4,556	\$ 599	\$ 5,155
Adjustments to reconcile change in net position to net cash provided by operating activities:			
Investment income, net	(734)	(178)	(912)
Bond interest expense and debt financing costs	6,128	2,965	9,093
Changes in operating assets and liabilities:			
Loans receivable	35,879	14,790	50,669
Accrued interest – loans	496	194	690
Other assets	2,408	2,029	4,437
Accrued and other liabilities	871	31	902
Interfund transfers	<u>(210)</u>	<u>(54)</u>	<u>(264)</u>
Net cash provided by operating activities	\$ <u>49,394</u>	\$ <u>20,376</u>	\$ <u>69,770</u>
Supplemental disclosures of noncash information:			
Real estate acquired through foreclosure	\$ <u>1,526</u>	\$ <u>889</u>	\$ <u>2,415</u>

(Concluded)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

June 30, 2020

(In thousands of dollars)

	<u>2002-2013</u>	<u>2004</u>	<u>2010-1</u>	<u>2017-2020</u>	<u>Total</u>
Assets					
Current assets:					
Short-term investments	\$ 7,921	\$ 3,714	\$ 2,353	\$ 10,553	\$ 24,541
Accrued interest receivable on investments	-	-	-	43	43
Current portion of mortgage and construction loans receivable	620	246	220	2,954	4,040
Accrued interest receivable on mortgage and construction loans	<u>189</u>	<u>70</u>	<u>62</u>	<u>310</u>	<u>631</u>
Total current assets	<u>8,730</u>	<u>4,030</u>	<u>2,635</u>	<u>13,860</u>	<u>29,255</u>
Long-term investments	-	-	-	2,138	2,138
Loans receivable:					
Mortgage loans	39,956	13,448	15,291	80,469	149,164
Less current portion of loans receivable	<u>(620)</u>	<u>(246)</u>	<u>(220)</u>	<u>(2,954)</u>	<u>(4,040)</u>
Long term portion of loans receivable	<u>39,336</u>	<u>13,202</u>	<u>15,071</u>	<u>77,515</u>	<u>145,124</u>
Other assets:					
Interfund receivables	<u>284</u>	<u>87</u>	<u>77</u>	<u>343</u>	<u>791</u>
Total other assets	<u>284</u>	<u>87</u>	<u>77</u>	<u>343</u>	<u>791</u>
Total assets	<u>48,350</u>	<u>17,319</u>	<u>17,783</u>	<u>93,856</u>	<u>177,308</u>
Liabilities					
Current liabilities:					
Current portion of bonds payable	615	285	220	2,725	3,845
Accrued interest payable	1,000	307	243	1,623	3,173
Current portion of accrued and other liabilities	<u>7</u>	<u>3</u>	<u>3</u>	<u>10</u>	<u>23</u>
Total current liabilities	<u>1,622</u>	<u>595</u>	<u>466</u>	<u>4,358</u>	<u>7,041</u>
Long-term liabilities:					
Bonds payable, net of current portion	38,604	13,015	15,190	85,375	152,184
Interfund payables	<u>844</u>	<u>265</u>	<u>136</u>	<u>1,522</u>	<u>2,767</u>
Total long-term liabilities	<u>39,448</u>	<u>13,280</u>	<u>15,326</u>	<u>86,897</u>	<u>154,951</u>
Total liabilities	<u>41,070</u>	<u>13,875</u>	<u>15,792</u>	<u>91,255</u>	<u>161,992</u>
Net Position					
Total net position – restricted	<u>\$ 7,280</u>	<u>\$ 3,444</u>	<u>\$ 1,991</u>	<u>\$ 2,601</u>	<u>\$ 15,316</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, 2020

(In thousands of dollars)

	<u>2002-2013</u>	<u>2004</u>	<u>2010-1</u>	<u>2017-2020</u>	<u>Total</u>
Operating revenue:					
Interest and fees on mortgage and construction loans	\$ 2,640	\$ 845	\$ 755	\$ 3,956	\$ 8,196
Investment income	222	140	44	244	650
Increase in fair value of investments	<u>—</u>	<u>—</u>	<u>—</u>	<u>262</u>	<u>262</u>
Total operating revenue	<u>2,862</u>	<u>985</u>	<u>799</u>	<u>4,462</u>	<u>9,108</u>
Operating expenses:					
Bond interest expense and debt financing costs	2,007	620	489	3,186	6,302
Administrative expenses	26	2	5	16	49
Loan servicing expenses	101	34	38	138	311
Bond issuance fees	85	29	—	158	272
Other	<u>118</u>	<u>33</u>	<u>39</u>	<u>12</u>	<u>202</u>
Total operating expenses	<u>2,337</u>	<u>718</u>	<u>571</u>	<u>3,510</u>	<u>7,136</u>
Change in net position	525	267	228	952	1,972
Net position, beginning of year	<u>6,755</u>	<u>3,177</u>	<u>1,763</u>	<u>1,649</u>	<u>13,344</u>
Net position, end of year	<u>\$ 7,280</u>	<u>\$ 3,444</u>	<u>\$ 1,991</u>	<u>\$ 2,601</u>	<u>\$ 15,316</u>

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

Year Ended June 30, 2020

(In thousands of dollars)

	<u>2002-2013</u>	<u>2004</u>	<u>2010</u>	<u>2017-2020</u>	<u>Total</u>
Cash flows from operating activities:					
Loan repayments received	\$ 454	\$ 231	\$ 210	\$ 3,879	\$ 4,774
Loan interest income received	2,673	846	756	2,748	7,023
Other receipts	215	62	42	1,346	1,665
Loan disbursements	–	–	–	(23,123)	(23,123)
Payments to vendors	(144)	(35)	(44)	(28)	(251)
Other disbursements	<u>(220)</u>	<u>(63)</u>	<u>(38)</u>	<u>(339)</u>	<u>(660)</u>
Net cash provided by (used for) operating activities	<u>2,978</u>	<u>1,041</u>	<u>926</u>	<u>(15,517)</u>	<u>(10,572)</u>
Cash flows from noncapital financing activities:					
Proceeds from issuance of bonds	–	–	–	10,830	10,830
Principal repayment of bonds	(579)	(1,510)	(200)	(3,800)	(6,089)
Interest paid	<u>(2,023)</u>	<u>(653)</u>	<u>(493)</u>	<u>(2,996)</u>	<u>(6,165)</u>
Net cash provided by (used for) noncapital financing activities	<u>(2,602)</u>	<u>(2,163)</u>	<u>(693)</u>	<u>4,034</u>	<u>(1,424)</u>
Cash flows from investing activities:					
Purchase of investment securities	(3,215)	(1,184)	(971)	(11,620)	(16,990)
Proceeds from sale and maturities of investment securities	2,616	2,166	694	22,830	28,306
Investment income received	<u>223</u>	<u>140</u>	<u>44</u>	<u>273</u>	<u>680</u>
Net cash provided by (used for) investing activities	<u>(376)</u>	<u>1,122</u>	<u>(233)</u>	<u>11,483</u>	<u>11,996</u>
Net change in cash and cash equivalents	–	–	–	–	–
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>\$ –</u>	<u>\$ –</u>

(Continued)

NEW HAMPSHIRE HOUSING FINANCE AUTHORITY

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

Year Ended June 30, 2020

(In thousands of dollars)

	<u>2002-2013</u>	<u>2004</u>	<u>2010</u>	<u>2017-2020</u>	<u>Total</u>
Reconciliation of change in net position to net cash provided by (used for) operating activities:					
Change in net position	\$ 525	\$ 267	\$ 228	\$ 952	\$ 1,972
Adjustments to reconcile change in net position to net cash provided by (used for) operating activities:					
Loan interest income converted to loan principal	–	–	–	(1,204)	(1,204)
Investment income, net	(222)	(140)	(44)	(506)	(912)
Bond interest expense and debt financing costs	2,007	620	489	3,186	6,302
Changes in operating assets and liabilities:					
Loans receivable	454	231	210	(19,244)	(18,349)
Accrued interest – loans	33	1	1	(4)	31
Other assets	(32)	–	–	(41)	(73)
Accrued and other liabilities	<u>213</u>	<u>62</u>	<u>42</u>	<u>1,344</u>	<u>1,661</u>
Net cash provided by (used for) operating activities	<u>\$ 2,978</u>	<u>\$ 1,041</u>	<u>\$ 926</u>	<u>\$ (15,517)</u>	<u>\$ (10,572)</u>

(Concluded)