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NEW HAMPSHIRE

BUSINESS FINANCE AUTHORITY

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December 21, 2016

Her Excellency, Governor Margaret Wood Hassan
and The Honorable Council

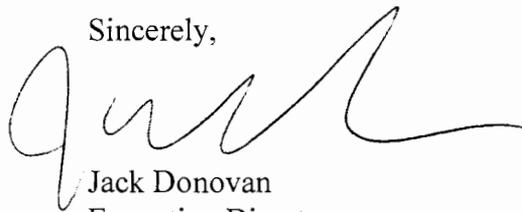
Dear Governor and Councilors:

On behalf of the Chairman and the Board of Directors of the Business Finance Authority (BFA), I am pleased to provide you with copies of the BFA's Fiscal Year 2016 financial statements for your review and acceptance.

In the past year, the BFA enabled ninety-six (96) New Hampshire businesses to access \$22,065,793 in financing. One Thousand three hundred eight (1,308) jobs were retained or created as a result of the BFA's programs.

If you have any questions or concerns regarding the BFA's programs or the enclosure, please do not hesitate to contact me.

Sincerely,



Jack Donovan
Executive Director

Enclosure

bfa/audittransmittaltoGandC

FINANCING FOR NEW HAMPSHIRE'S FUTURE

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**NEW HAMPSHIRE BUSINESS
FINANCE AUTHORITY**

WITH BLENDED PRESENTATION OF
COMPONENT UNIT NHBFA CDE, LLC

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Hampshire Business Finance Authority

We have audited the accompanying financial statements of the business-type activities of New Hampshire Business Finance Authority, a component unit of the State of New Hampshire, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions 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 auditor's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of New Business Finance Authority, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 9 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.

Carew + Wells, PLLC

Carew & Wells, PLLC
Certified Public Accountants

September 9, 2016

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Business Finance Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- Total assets increased slightly from \$54,655,580 to \$54,879,346. Among the BFA's principal assets are cash, notes receivable, investment in the Borealis Granite Fund, and repurchase agreements.
- Total operating income for fiscal year 2016 was \$2,437,834, down \$617,838 from the prior year primarily due to a \$311,764 reduction in pass through grant revenue. Continuing income (total operating income less grant revenue) was down \$304,774 from the prior year at \$2,194,034, as the BFA experienced the continued payoff of loans and guarantees.
- Total expenses for fiscal year 2016 were \$1,425,675, a \$278,458 decrease from the prior year as the BFA had lower interest expense and bad debt.
- Net income for the year was \$1,027,459, a \$346,379 decrease from FY 2015.
- The current portion of notes receivable decreased to \$3,885,789 from \$7,962,368, and notes receivable increased by \$3,829,578, to \$19,935,196, as the loans provided to finance the purchase of the former Freudenberg buildings in Laconia and Franklin were each extended for 5 years.
- Bad debt was \$110,356 in 2016, a \$105,876 decrease from the prior year as the BFA had historically low losses in the CAP program and did not set aside more in reserves for potential losses. Loan loss reserves are currently 16% of the guaranteed portion of outstanding liabilities and 8.65% of CAP balances.
- Net position increased from \$21,597,771 to \$22,625,230, or 42% of assets. Most of these net assets are the result of pass-through grants from the State Small Business Credit Initiative and Public Utilities Commission RGGI program and are currently restricted as to use.

USING THIS REPORT

One of the most important questions asked about the BFA's finances is, "Is the BFA better off or worse off as result of the year's activities?" The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, report information about the BFA and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

BFA's Summary Discussion of Net Position

The BFA's Statement of Net Position for fiscal years 2013 to 2016 are summarized below.

BFA Net Position Summary, 2016-2013

	2016	2015	2014	2013
<i>Current Assets</i>				
Cash and Equivalents	\$ 5,292,385	\$ 4,416,822	\$ 732,288	\$ 2,025,331
Repurchase Agreements	4,307,285	7,182,868	7,769,846	6,253,661
Accrued Interest	447,144	462,807	473,031	361,041
Current Portion – Notes Receivable	3,885,789	7,962,368	3,571,738	5,202,241
Grants Receivable	-	-	129,808	751,960
Other Current Assets	<u>141,156</u>	<u>123,513</u>	<u>109,109</u>	<u>26,465</u>
<i>Total Current Assets</i>	<u>14,073,759</u>	<u>20,148,378</u>	<u>12,785,820</u>	<u>14,620,699</u>
<i>Noncurrent Assets</i>				
Restricted Assets (Cash & Investments)	16,363,933	13,395,087	12,972,181	9,983,992
Property Held for Sale, net	-	500,000	505,755	-
Property & Equip (net of depreciation)	-	-	-	-
Bond Issuance Costs	-	-	-	132,648
Investment in CDE	6,458	6,497	6,538	5,867
Investment in Borealis Fund	4,500,000	4,500,000	4,500,000	4,500,000
Notes Receivable	<u>19,935,196</u>	<u>16,105,618</u>	<u>22,266,702</u>	<u>22,225,069</u>
<i>Total Noncurrent Assets</i>	<u>40,805,587</u>	<u>34,507,202</u>	<u>40,251,176</u>	<u>36,847,576</u>
<i>Total Assets</i>	<u>\$ 54,879,346</u>	<u>\$ 54,655,580</u>	<u>\$ 53,036,996</u>	<u>\$ 51,468,275</u>
<i>Current Liabilities</i>				
Accounts Payable	\$ 5,795	\$ 62,881	\$ 11,924	\$ -
Due to State of New Hampshire	27,000	27,000	27,000	27,000
Community Loan Fund	-	-	61,932	94,799
Accrued Vacation	20,647	31,887	33,494	34,477
Accrued Interest	34,723	25,000	25,000	25,491
Escrow Funds	<u>-</u>	<u>678,976</u>	<u>-</u>	<u>256,405</u>
<i>Total Current Liabilities</i>	<u>88,165</u>	<u>825,744</u>	<u>159,350</u>	<u>438,172</u>
<i>Noncurrent Liabilities</i>				
Loan Loss Reserve	9,448,792	9,628,515	10,123,241	9,324,718
Bonds Payable	<u>19,966,190</u>	<u>19,958,531</u>	<u>19,950,873</u>	<u>19,943,215</u>
<i>Total Noncurrent Liabilities</i>	<u>29,414,982</u>	<u>29,587,047</u>	<u>30,074,114</u>	<u>29,267,933</u>
<i>Deferred Revenues</i>	<u>2,750,969</u>	<u>2,645,018</u>	<u>2,579,659</u>	<u>2,476,368</u>
<i>Total Liabilities & Deferred Inflows</i>	32,254,116	33,057,809	32,813,123	32,182,473
<i>Net Position</i>	<u>22,625,230</u>	<u>21,597,771</u>	<u>20,223,873</u>	<u>19,285,802</u>
<i>Total Liabilities, Deferred Inflows & Net Position</i>	<u>\$ 54,879,346</u>	<u>\$ 54,655,580</u>	<u>\$ 53,036,996</u>	<u>\$ 51,468,275</u>

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Assets - Total assets increased from \$54,655,580 to \$54,879,346. Among the BFA's principal assets are cash, notes receivable, investment in the Borealis Granite Fund, and repurchase agreements.

Cash increased from \$4,416,822 to \$5,292,385 and notes receivable (both current and long-term portions) decreased from \$24,067,986 to \$23,820,985 as the BFA experienced payoffs of its existing loans. The current portion of notes receivable decreased to \$3,885,789 from \$7,962,368 as the loans provide to finance the purchase of the former Freudenberg buildings in Laconia and Franklin were extended for 5 years.

Liabilities – The BFA's principal liabilities are bonds payable and loan loss reserve.

Bonds payable (including both the current and noncurrent portions) were virtually unchanged at \$19,966,190 as the BFA elected to not repay principal during the year.

The loan loss reserve slightly decreased to \$9,448,792. This reserve is maintained to absorb losses from defaulted loans and, after subtracting current year losses, stands at 16% of outstanding liabilities.

Deferred Inflows of Resources - Deferred revenues are the borrower and lender portions of the Capital Access Program reserves. Deferred revenues increased from \$2,645,018 to \$2,750,969 as banks drew less upon the reserves to cover CAP program losses.

Net Position – Net position increased from \$21,597,771 to \$22,625,230. Most of these net assets are the result of pass-through grants from the State Small Business Credit Initiative and Public Utilities Commission RGGI program and are currently restricted as to use.

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

BFA's Summary Discussion of Operating Revenues and Expenses

The BFA's Statement of Revenues, Expenses and Changes in Net Position for fiscal years 2013 to 2016 are summarized below.

BFA Operating Revenues and Expenses Summary, 2016-2013

	2016	2015	2014	2013
<i>Operating Revenues</i>				
Application Fees	\$ -	\$ -	\$ 800	\$ 1,400
Guarantee Fees	309,670	449,373	371,458	385,011
Rent of Leased Land and Buildings, Net	222,705	230,738	216,073	189,850
New Markets Tax Credit fees	297,074	297,074	414,911	150,000
Bond Service Fees	<u>134,373</u>	<u>249,635</u>	<u>67,422</u>	<u>137,167</u>
Total Operating Revenues	<u>963,822</u>	<u>1,226,820</u>	<u>1,070,664</u>	<u>863,428</u>
<i>Total Operating Expenses</i>	<u>1,165,908</u>	<u>1,155,737</u>	<u>1,100,348</u>	<u>1,122,152</u>
<i>Operating Income</i>	<u>(202,086)</u>	<u>71,083</u>	<u>(29,684)</u>	<u>(258,724)</u>
<i>Other Income & Expenses</i>				
Loan Program and Bank Interest	1,130,166	1,197,850	1,270,253	1,258,699
Interest Expense	(92,493)	(230,617)	(292,805)	(274,262)
Net Investment Income	15,300	22,359	20,441	19,366
Bad Debt Expense	(110,356)	(216,232)	(1,310,293)	(825,462)
Bad Debt Expense – Year End Adjustment	-	-	-	-
Pass Through State Grant	243,800	556,564	1,514,398	8,463,235
Other Income	82,557	63,149	14,204	270,806
Amortization on Loans Purchased at a Discount	11,289	11,289	11,289	11,289
Impairment Loss of FMV	-	(101,547)	-	-
Extraordinary Expenses, Foreclosure	(56,918)	-	(106,324)	-
Transfer to State of New Hampshire/EDCs	-	-	-	(32,000)
Total Other Income and Expense	<u>1,231,218</u>	<u>1,302,815</u>	<u>1,121,163</u>	<u>8,891,671</u>
<i>Net Income</i>	1,027,459	1,373,898	1,091,479	8,632,947
<i>Retained Earnings, Beginning of Year</i>	<u>21,597,771</u>	<u>20,223,873</u>	<u>19,132,394</u>	<u>10,652,855</u>
<i>Retained Earnings, End of Year</i>	<u>\$ 22,625,230</u>	<u>\$ 21,597,771</u>	<u>\$ 20,223,873</u>	<u>\$ 19,285,802</u>

Income – Total income for fiscal year 2016 was \$2,437,834. The BFA's principal sources of revenue were loan program interest, and guarantee and tax credit fees.

Loan program interest is income that is earned by the BFA from the reinvestment of bond proceeds and grant funds in loans, loan participations and reserve accounts. Income from this category decreased to \$1,130,166, despite an increase in notes receivable, as interest rates continued to decline.

Tax credit fees were unchanged at \$297,074, which represents the annual management fees for the BFA's \$65 million New Markets Tax Credit portfolio. Management fees run for the 7 year life of each New Markets investment. The first of the New Markets projects is scheduled to terminate in June 2017.

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The BFA receives one-time issuer fees of 0.25% to 0.75% on all new revenue bond issues. Fiscal year 2016 revenue from these fees totaled \$134,373, a decrease of \$115,262 from the previous year, as the BFA issued bonds for Pennichuck Water Works and several small manufacturers. Bond fees will be a secondary and inconsistent revenue source for the foreseeable future.

The BFA receives both closing and annual fees for the guarantees it provides for loans to businesses. These fees are typically one percent (1%) at closing and one percent (1%) annually in arrears. Guarantee fees were down \$139,703 in 2016 at \$309,670, as several large guarantees were released by the lenders.

Pass through grants from DRED for the State Small Business Credit Initiative decreased from \$556,564 in FY 2015 to \$243,800 this fiscal year. This was the last of the SSBCI monies the BFA is scheduled to receive.

Expenses – Total expenses for fiscal year 2016 were \$1,425,675, a \$278,458 decrease from the prior year. Principal expenses were interest expense, bad debt, project and professional fees, and salaries and benefits.

Interest expense declined to \$92,493 as all of the BFA's outstanding bonds are now variable rate (weekly adjustable).

Bad debt was \$110,356 in 2016, a \$105,876 decrease from the prior year as the BFA had historically low losses in the CAP program and did not set aside more in reserves for potential losses. Loan loss reserves are currently 16% of the guaranteed portion of outstanding liabilities and 8.65% of CAP balances.

Total operating expenses were essentially unchanged this year at \$1,165,908.

OPERATING OVERHEAD	2011	2012	2013	2014	2015	2016
Salaries & Benefits	\$ 626,039	\$ 638,007	\$ 667,950	\$ 549,359	\$ 644,000	\$ 645,422
Occupancy Costs	46,195	47,158	56,230	50,217	51,663	52,131
Professional Fees	73,734	78,036	107,121	106,669	50,909	25,337
Operating Expenses	64,238	43,227	40,221	38,459	44,565	56,753
Project Expense	<u>130,057</u>	<u>72,104</u>	<u>121,470</u>	<u>194,968</u>	<u>257,954</u>	<u>256,161</u>
Total	<u>\$ 940,263</u>	<u>\$ 878,532</u>	<u>\$ 938,425</u>	<u>\$ 939,672</u>	<u>\$ 1,049,091</u>	<u>\$ 1,035,804</u>
As % of Rev. & Int. Income	<u>39%</u>	<u>32%</u>	<u>39%</u>	<u>39%</u>	<u>44%</u>	<u>47%</u>

Net Income - Pursuant to Section 21 of the Act, the BFA intends its programs, including the new programs created by the Act, to operate in the aggregate, on a self-funding basis. The BFA had change in net assets of \$8,632,947, \$1,091,479, \$1,373,898, and \$1,027,459 for fiscal years 2013 - 2016, respectively. Most of the 2013 change in net assets is the result of pass-through grants and is restricted as to use.

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

THE PROGRAMS

Under RSA 162-A, the BFA, in addition to its other powers, has been given the power to establish and operate eight financing programs for the benefit of businesses and local or regional development organizations located in the State. A brief description of each of these initiatives is set forth below.

Capital Access Program (“CAP”): Under this program, the BFA may provide cash reserves for loans to small businesses at qualifying local banks. The BFA may, subject to the approval of the Governor and Council, establish a contractual relationship with a participating local bank. Under this contract, the BFA may contribute money to a fund to be held for the benefit of the participating local bank to secure the repayment of the principal of and interest on certain loans made by the local bank to small businesses located in the State. Once a contract with a local bank is entered into, the local bank may make qualifying loans without prior consent of the BFA. The BFA, the local bank and the borrower will then make contributions to the CAP fund. The BFA’s contribution will be an amount up to 10% of the principal amount of the loan. The local bank and the borrower must together contribute between three and four percent of the principal amount of the loan. The BFA maintains the CAP fund in the various participant banks as deposits, including such instruments as certificates of deposit. The BFA is entitled to any interest earnings on the CAP fund.

Secondary Market for Loans Made by Local Development Organizations: Under this program, the BFA, with the approval of the Governor and Council, may acquire for its own account, or for resale, loans made by local development organizations to businesses operating in the State. The BFA may also sell any such loans it acquires, and to facilitate such a sale may request that the Governor and Council award a State guarantee of up to 90% of the principal of and interest on the loans and reasonable collection expenses related to such loans.

Aid to Local or Regional Development Organizations: Under this program, the BFA may, upon the approval of the Governor and Council, expend or loan money to acquire, develop, redevelop, construct, reconstruct or expand real property for business use. This program is intended to provide flexible forms of credit assistance to local development organizations. Under this program, the BFA shall not make any expenditure or loan unless it is with the approval of, or in cooperation with, a local development organization. The expenditure or loan may, if authorized by the BFA, be repaid in property or services rather than cash.

Guarantee Asset Program (“GAP”): Under this program, the BFA may recommend that the Governor and Council award a guarantee of the State of up to 90% of the principal of and interest on certain loans made by a private lender to certain businesses operating in the State, provided that the terms of the loan meet certain requirements established by the Act. The BFA is required to establish a loan reserve as described below in the amount of 10% of any State guarantee.

Temporary Loans to Businesses: Under the program, the BFA, with the approval of the Governor and Council, may make short-term loans up to \$2 million to businesses. The maximum term of any loan under this program is three (3) years. The principal purpose of this program is to provide interim financing to businesses in anticipation of their obtaining tax-exempt or taxable revenue bond financing through the BFA. See “State Guarantee of Small Revenue Bonds” below.

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

State Guarantee of Small Revenue Bonds: Under New Hampshire Revised Statutes Annotated Chapter 162-I, the BFA has the power to issue revenue bonds and loan the proceeds of such bonds to businesses for capital projects. These revenue bonds are limited obligations of the BFA payable solely from the repayment of the loans to the beneficiary businesses. RSA 162-A authorizes the BFA to request the Governor and Council to award a State guarantee of the principal of and interest on up to \$15,000,000 (plus related collection costs and expenses) of such revenue bonds.

Working Capital Loan Guarantee Program: Under this program, the BFA may recommend that the Governor and Council award a guarantee of the State of up to 75% of the maximum principal amount of a working capital line of credit made by a private lender to certain businesses operating in the State, provided that the terms of the loan meet certain requirements established by the Act. The BFA is required to establish a loan reserve in the amount of 10% of any State guarantee.

Business Loan Enhancement Program: This program enables lenders to provide eligible businesses operating in the State with up to 90% fixed asset financing. Under the program, the BFA may recommend that the Governor and Council award a State guarantee of that portion of a loan that exceeds the lender's lending guidelines, with the maximum guarantee being the lesser of \$250,000 or 20% of the project cost. The BFA is required to establish a loan reserve in the amount of 10% of any such State guarantee.

Business Energy Conservation Revolving Loan Fund: This program, which is funded by the Public Utilities Commission's Regional Greenhouse Gas Initiative, provides direct loans to businesses to improve energy efficiency in New Hampshire workplaces.

Collateral Shortfall Program: This program, which is financed by the State Small Business Credit Initiative, provides either supplemental collateral or subordinate debt to address collateral shortfalls that are inhibiting the expansion or refinancing of manufacturers or other value added companies.

State Guarantee of Bonds for Redevelopment District Projects in Unincorporated Areas: This program, which was approved by the 2015 Legislature, authorizes the BFA, subject to the approval of the Governor and Executive Council, to guarantee up to \$30 million in bonds for redevelopment district projects located in unincorporated areas. The redevelopment district must be approved by the County Commissioners and the district property must be assessed to pay the bond debt service.

The total amount of State guarantees that may be in force at any one time for the Secondary Market for Loans Made by Local Development Organizations Program, the Guarantee Asset Program, the Working Capital Loan Guarantee Program, the State Guarantee of Small Revenue Bonds Program, State Guarantee of Bonds for Redevelopment District Projects, and for the guarantee of general obligation bonds of the BFA (such as the 2002 Bonds) cannot exceed a unified contingent credit limit established by the Act. The limit increased May 1 of this year from \$95,000,000 plus interest to \$115 million plus interest, with \$30 million reserved for the Guarantee of Bonds for Redevelopment District Projects and \$85 million available for all other programs.

For any State guarantee awarded under the Guarantee of Loans to Small Businesses Program, the Secondary Market for Loans Made by Local Development Organizations Program, the Working Capital Loan Guarantee Program and the Guarantee Asset Program, the BFA must contribute to a loan guarantee reserve fund an amount equal to not less than 10% of the guaranteed portion of the principal of the guaranteed loans.

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
WITH BLENDED PRESENTATION OF COMPONENT UNIT NHBFA CDE LLC
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	NH BFA JUNE 30, 2016	NH BFA CDE, LLC DECEMBER 31, 2015	COMBINED TOTAL
ASSETS			
<i>CURRENT ASSETS</i>			
Cash and cash equivalents	\$ 4,980,386	\$ 311,999	\$ 5,292,385
Accounts receivable	66,499	52,486	118,985
Grants receivable	-	-	-
Advance to employee	1,100	-	1,100
Due (to) from component unit	-	-	-
Repurchase agreements	4,307,285	-	4,307,285
Prepaid expenses	21,071	-	21,071
Accrued interest receivable, notes receivable	236,030	-	236,030
Accrued interest receivable, investments	211,114	-	211,114
Current portion of notes receivable, net amortization	3,885,789	-	3,885,789
<i>Total Current Assets</i>	<u>13,709,274</u>	<u>364,485</u>	<u>14,073,759</u>
<i>RESTRICTED ASSETS</i>			
Cash and cash equivalents	12,366,170	650,000	13,016,170
Repurchase agreements, 10% RSA restriction	3,347,763	-	3,347,763
<i>Total Restricted Assets</i>	<u>15,713,933</u>	<u>650,000</u>	<u>16,363,933</u>
<i>CAPITAL ASSETS</i>			
Property and equipment	33,767	-	33,767
Less: accumulated depreciation	<u>(33,767)</u>	<u>-</u>	<u>(33,767)</u>
<i>Net Capital Assets</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>OTHER ASSETS</i>			
Notes receivable, net amortization and current portion	19,935,196	-	19,935,196
Property held for sale, net	-	-	-
Investment in Borealis Fund	4,500,000	-	4,500,000
Investment in Sub-CDE	<u>-</u>	<u>6,458</u>	<u>6,458</u>
<i>Total Other Assets</i>	<u>24,435,196</u>	<u>6,458</u>	<u>24,441,654</u>
TOTAL ASSETS	<u>\$ 53,858,403</u>	<u>\$ 1,020,943</u>	<u>\$ 54,879,346</u>

The accompanying notes are an integral part of these financial statements

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
WITH BLENDED PRESENTATION OF COMPONENT UNIT NHBFA CDE LLC
STATEMENT OF NET POSITION (CONTINUED)
AS OF JUNE 30, 2016

	NH BFA JUNE 30, 2016	NH BFA CDE, LLC DECEMBER 31, 2015	COMBINED TOTAL
LIABILITIES			
<i>CURRENT LIABILITIES</i>			
<i>Current Liabilities Payable from Unrestricted Assets</i>			
Accounts payable	\$ 5,795	\$ -	\$ 5,795
Accrued remittance to State of New Hampshire	27,000	-	27,000
Accrued interest	34,723	-	34,723
Accrued employee compensation	20,647	-	20,647
<i>Total Current Liabilities Payable from Unrestricted Assets</i>	88,165	-	88,165
<i>Current Liabilities Payable from Restricted Assets</i>			
Escrow	-	-	-
Community Loan Fund	-	-	-
<i>Total Current Liabilities</i>	88,165	-	88,165
<i>LONG-TERM LIABILITIES</i>			
Loan loss reserve	9,448,792	-	9,448,792
Bonds payable, net of discount	19,966,190	-	19,966,190
<i>Total Long-Term Liabilities</i>	29,414,982	-	29,414,982
TOTAL LIABILITIES	29,503,147	-	29,503,147
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	2,698,960	52,009	2,750,969
NET POSITION			
Invested in Capital Assets	-	-	-
Restricted	27,723,281	-	27,723,281
Unrestricted	(6,066,985)	968,934	(5,098,051)
TOTAL NET POSITION	21,656,296	968,934	22,625,230
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET ASSETS	\$ 53,858,403	\$ 1,020,943	\$ 54,879,346

The accompanying notes are an integral part of these financial statements

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
WITH BLENDED PRESENTATION OF COMPONENT UNIT NHBFA CDE LLC
**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	NH BFA JUNE 30, 2016	NH BFA CDE, LLC DECEMBER 31, 2015	COMBINED TOTAL
<i>OPERATING REVENUES</i>			
Application fees	\$ -	\$ -	\$ -
Loan service fees	309,670	-	309,670
Rent of leased land and buildings, net	222,705	-	222,705
Bond service charge fees	134,373	-	134,373
New Market Tax Credit (NMTC) fees	-	297,074	297,074
Pass-through grant revenue from other state agencies	243,800	-	243,800
Other income	82,557	-	82,557
Amortization on loans purchased at a discount	11,289	-	11,289
Audit and tax fees, net	-	6,200	6,200
Income from loan programs and bank interest	1,130,166	-	1,130,166
<i>Total Operating Revenue</i>	<u>2,134,560</u>	<u>303,274</u>	<u>2,437,834</u>
<i>OPERATING EXPENSES</i>			
Salaries and wages	466,130	-	466,130
Employee benefits	179,292	-	179,292
Occupancy costs	52,131	-	52,131
Professional fees	20,837	4,500	25,337
Operating costs	56,753	-	56,753
Project fees	119,850	136,311	256,161
Miscellaneous	150	-	150
Bond and brokerage fees	122,296	-	122,296
Bad debt	110,356	-	110,356
Amortization	7,658	-	7,658
Depreciation	-	-	-
<i>Total Operating Expenses</i>	<u>1,135,453</u>	<u>140,811</u>	<u>1,276,264</u>
<i>NET OPERATING INCOME</i>	<u>999,107</u>	<u>162,463</u>	<u>1,161,570</u>
<i>NON-OPERATING REVENUES (EXPENSES)</i>			
Interest expense	(92,493)	-	(92,493)
Net investment income	15,152	148	15,300
Realized loss on sale of foreclosed asset	(56,918)	-	(56,918)
<i>Total Non-operating Revenues (Expenses)</i>	<u>(134,259)</u>	<u>148</u>	<u>(134,111)</u>
<i>INCREASE (DECREASE) IN NET ASSETS</i>	864,848	162,611	1,027,459
NET POSITION, beginning of year	<u>20,791,448</u>	<u>806,323</u>	<u>21,597,771</u>
NET POSITION, end of year	<u>\$ 21,656,296</u>	<u>\$ 968,934</u>	<u>\$ 22,625,230</u>

The accompanying notes are an integral part of these financial statements

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
 WITH BLENDED PRESENTATION OF COMPONENT UNIT NHBFA CDE LLC
STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	NH BFA JUNE 30, 2016	NH BFA CDE, LLC DECEMBER 31, 2015	COMBINED TOTAL
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>			
Receipts from customers	\$ 676,153	\$ 303,275	\$ 979,428
Net disbursements for programs	808,041	-	808,041
Interest received on loan programs	1,145,829	-	1,145,829
Receipt of grant revenue	243,800	-	243,800
Loss on loan programs	(290,080)	-	(290,080)
Net transfers (to) from repurchase agreements	(472,180)	-	(472,180)
Payments to suppliers	(409,226)	(180,811)	(590,037)
Payments to employees	(657,387)	-	(657,387)
Net due (to) from component unit	111,398	(111,398)	-
Other receipts	82,557	-	82,557
<i>Net Cash Provided (Used) in Operating Activities</i>	<u>1,238,905</u>	<u>11,066</u>	<u>1,249,971</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>			
Community Loan Fund, fiduciary funds	-	-	-
Escrow Funds	(678,976)	-	(678,976)
Interest paid on noncapital financing	(82,770)	-	(82,770)
<i>Net Cash Provided (Used) in Noncapital Financing Activities</i>	<u>(761,746)</u>	<u>-</u>	<u>(761,746)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>			
Interest and dividends	15,152	148	15,300
Investment in property held for sale, net	(6,918)	-	(6,918)
Net transfers (to) from invest in NH BFA CDE, LLC	-	39	39
<i>Net Cash Provided (Used) in Investing Activities</i>	<u>8,234</u>	<u>187</u>	<u>8,421</u>
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	485,393	11,253	496,646
CASH AND CASH EQUIVALENTS, beginning of year	<u>16,861,163</u>	<u>950,746</u>	<u>17,811,909</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 17,346,556</u>	<u>\$ 961,999</u>	<u>\$ 18,308,555</u>
<i>Shown As:</i>			
Cash and cash equivalents	\$ 4,980,386	\$ 311,999	\$ 5,292,385
Restricted assets, cash and cash equivalents	12,366,170	650,000	13,016,170
	<u>\$ 17,346,556</u>	<u>\$ 961,999</u>	<u>\$ 18,308,555</u>

The accompanying notes are an integral part of these financial statements

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
 WITH BLENDED PRESENTATION OF COMPONENT UNIT NHBFA CDE LLC
STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	NH BFA JUNE 30, 2016	NH BFA CDE, LLC DECEMBER 31, 2015	COMBINED TOTAL
<i>RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>			
Net operating income	\$ 999,107	\$ 162,463	\$ 1,161,570
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Amortization	7,658	-	7,658
Loan loss reserve	(179,724)	-	(179,724)
Foreclosed property sold & financed through TLB program	450,000	-	450,000
(Increase) decrease in operating assets:			
Accounts receivable	3,205	-	3,205
Grants receivable	-	-	-
Advance to employee	(725)	-	(725)
Due to (from) component unit	111,397	(111,397)	-
Repurchase agreements	(472,180)	-	(472,180)
Prepaid expense	(20,124)	-	(20,124)
Accrued interest receivable, notes receivable	2,217	-	2,217
Accrued interest receivable, investments	13,446	-	13,446
Notes receivable	246,996	-	246,996
Increase (decrease) in operating liabilities:			
Accounts payable	(17,079)	(40,000)	(57,079)
Accrued payroll	(11,240)	-	(11,240)
Deferred revenue	105,951	-	105,951
<i>Total Adjustments</i>	239,798	(151,397)	88,401
<i>Net Cash Provided (Used) in Operating Activities</i>	\$ 1,238,905	\$ 11,066	\$ 1,249,971

The accompanying notes are an integral part of these financial statements

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

A | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the New Hampshire Business Finance Authority (the “Authority”) is presented to assist in understanding the financial statements. These accounting policies conform to generally accepted accounting principles in the United States of America as applicable to governmental units. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

A-1. FINANCIAL REPORTING ENTITY

Purpose

The Authority was created by the General Court in May 1992 when RSA 162-A was repealed and reenacted to expand and modify the powers of the Authority. The Authority is a component unit of the State of New Hampshire. Its purpose is to provide for the preservation, establishment and redevelopment of business and industry and encourage orderly development, create or preserve employment opportunities, protect the physical environment, preserve or increase the social welfare or economic prosperity of the State or its political subdivisions and promote the general welfare of the State’s citizens.

Entity

For financial reporting purposes, the Authority’s reporting includes all component units for which the Authority is financially accountable due to the nature and significance of their relationship with the Authority; such that exclusion would cause the Authority’s financial statement to be misleading or incomplete. Component units are either blended or discretely presented depending on the nature of the unit’s operations. The nature and relationship of the Authority’s component units are as follows:

NH BFA CDE, LLC (the “LLC”)

In 2008, the Authority created NH BFA CDE, LLC (the LLC), a calendar year-end entity, for the purpose of establishing the New Markets Tax Credit Program as part of the Community Renewal Tax Relief Act of 2000. Per the Articles of Agreement, management of the LLC is by the Authority as they are a 100% owner. The Authority exercises considerable control over the LLC, therefore it has been included as part of the Authority’s financial reporting entity through a blended presentation of its calendar year-end activity.

Financial statements for NH BFA CDE, LLC can be obtained by contacting the Authority at 2 Pillsbury Street, Suite 201, Concord, NH 03301.

A-2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Measurement Focus & Basis of Accounting

As a proprietary (enterprise-type) fund, the Authority’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Financial Statement Presentation

The Authority’s funds are enterprise funds. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges. The measurement of financial activity focuses on net income similar to the private sector.

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Reporting Periods

The accompanying financial statements are presented as of June 30, 2016, and for the year then ended, except for the NH BFA CDE, LLC which is as of December 31, 2015.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

A-3. ASSETS, LIABILITIES AND EQUITY

Cash Equivalents

For the purposes of the Statements of Net Assets and Cash Flows, the Authority considers all highly liquid investments (including restricted assets), including certificates of deposit, to be cash equivalents.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and a periodic review of aged invoices. Major receivable balances include fees, grant revenues, notes and the associated accrued interest.

Restricted Assets

Restricted assets include cash and investments that are restricted as to their use either as imposed by law or externally imposed by grantors. Restricted assets are held for the Authority's loan guarantees.

Capital Assets

Property, equipment and land are accounted for as capital assets and recorded at cost. Depreciation of all exhaustible capital assets (property and equipment) is recorded as an expense in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Although still in use, the cost of assets that are fully depreciated and the related accumulated depreciation are eliminated from the accounts. Depreciation of most property and equipment is provided using the straight-line method based on the following estimated useful lives:

Equipment	5-10 years
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There was no depreciation expense for the year ended June 30, 2016 as all capital assets have been fully depreciated as of June 30, 2013.

Property Held for Sale

Property held for sale includes the assets acquired in the foreclosure of a loan administered by the Authority and held for sale. The asset is valued at the estimated fair value less costs to sell as of the date of the foreclosure. Costs to sell do not include delinquent property taxes as these are not directly related to the sale of the property. These costs are recognized in the financial statement as extraordinary expenses in the year they are paid by the Authority. The difference between the asset's basis and the outstanding loan balance is recognized as an adjustment to the loan guarantee loss reserves.

Bond Issue Discounts

Bond issue discount on the bonds are being amortized over the 20 year life of the bonds. Discounts on note receivables are being amortized over the life of the notes; 6 to 14.2 years.

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Accrued Employee Compensation

The Authority accrues a liability for leave time that its employees have earned and which is vested with the employees. Sick leave is not vested and, therefore, not included in this calculation.

Deferred Revenues

Deferred revenues at June 30, 2016 were \$2,750,969. These amounts consist of the \$2,698,960 in lenders and borrowers portions for loan guarantee fees for the Capital Access Program (CAP). The fees have been deposited into the Authority's bank accounts and are considered deferred until the loan defaults or the bank withdraws from the program. An additional \$52,009 has been received in advance for asset management fees related to a Sub-CDE.

Loan Loss Reserve

The Authority has established reserves to absorb probable losses from defaulted loans under its programs. The total loan loss reserve includes both the minimum balance required by statute and the additional amounts allowed by statute, for which management has determined are necessary for the adequate protection of both the Authority and the State of New Hampshire for all programs administered by the Authority. In addition to the reserve for probable losses from defaulted loans held directly by the Authority, the total loan loss reserve includes amounts for the following guarantee programs:

Guarantee Loss Reserves

The Authority is a guarantor of loans under various programs approved by the State of New Hampshire. The reserve is maintained at a level to absorb probable losses from defaulted loans. Management determines the adequacy of the reserve based upon reviews of guaranteed loans, current economic conditions, the risk characteristics of the various loans and other pertinent factors. The current year's loss reserve is based on sixteen percent (16%) of the outstanding guaranteed loans.

Capital Access Program (CAP) Loss Reserves

The Authority is a guarantor of loans under the Capital Access Program approved by the State of New Hampshire. A separate reserve is maintained at a level to absorb probable losses from this program. Management determines the adequacy of the reserve based upon reviews of guaranteed loans, current economic conditions, the risk characteristics of the various loans and other pertinent factors. The current year's loss reserve is based on nine percent (9%) of the outstanding CAP bank loan portfolios.

A-4. REVENUES, EXPENDITURES AND EXPENSES

Operating Revenue and Expenses

As a proprietary fund, the Authority's operating revenues and expenses are those that result from providing services and producing and delivering good and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Other Income

Other income is derived from billings to outside agencies.

Income Taxes

The Authority is exempt from income taxes under Internal Revenue Code Section 115 and, therefore, a provision for income taxes is not required.

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

B | STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a component unit of the State of New Hampshire, the Authority is subject to various federal, state and local laws and contractual regulations. In accordance with State law, the Authority deposits funds in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state. Those deposits include money market accounts, certificates of deposit, repurchase agreements and other types of interest bearing accounts as permitted by state law. Balances may be collateralized if those balances are deemed to be significant in relation to the equity position of the federally insured bank. Acceptable collateral includes certain United States Government or Government Agency securities, certain State or political subdivision debt obligations or surety bonds.

C | CASH AND CASH EQUIVALENTS

The Authority's policies regarding deposits of cash are discussed in Note B. The table below presents Cash and Cash Equivalents as of June 30, 2016:

Cash	\$	5,292,385
Restricted Cash		13,016,170
Total Cash	\$	18,308,555

Custodial Credit Risk

Deposits at banks are covered by the Federal Depository Insurance Corporation (FDIC). Non-interest bearing accounts are fully insured, regardless of the balance of the account. Interest bearing accounts are insured up to \$250,000 at each institution. In addition, the Authority has obtained a Letter of Credit further collateralizing \$700,000 held at one bank as additional coverage for the amount required by RSA to be segregated for loan loss guarantees. Further, Eastern bank has changed their collateral program and invests the sweep account at multiple banks to ensure FDIC coverage for the entire balance.

At June 30, 2016 deposits are carried at cost plus accrued interest. The balances which are both uninsured and uncollateralized are as follows:

	Balance in Financial Statements	Balance Held in Bank	Insured Balances	Uninsured & Uncollateralized
Total cash	\$ 18,308,555	\$ 17,961,502	\$ 14,655,701	\$ 3,305,801

Certificates of Deposit

Certificates of deposit totaling \$2,393,154 are included in cash in the accompanying financial statements. The certificates bear interest ranging from .20% to .90% and have maturities ranging from six months to five years.

D | REPURCHASE AGREEMENTS

Repurchase agreements as of June 30, 2016, were \$7,655,048. These repurchase agreements are held with various banks who are participating in the Guarantee Asset Program (GAP). Investments do not exceed 30% of the guaranteed portion of the loan and are invested for up to twelve (12) months. As of June 30, 2016, \$3,347,763 in repurchase agreements are restricted to comply with RSA 162-A:11 (10% guarantee fund).

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

E | RESTRICTED ASSETS

Restricted assets were \$16,363,933 at June 30, 2016. Restricted assets consisted of \$13,016,170 of cash restricted for the following: the Capital Asset Program (CAP) including the Authority's, lenders', and borrower's portions; the unexpended balance of the PUC revolving loan fund; the unexpended balance of SSBCI revolving loan fund; cash restricted for New Markets Tax Credit projects; and the 10% loss reserve for state guarantees as required by RSA as well as \$3,347,763 in repurchase agreements to satisfy the 10% RSA restriction..

F | CAPITAL ASSETS

There were no additions or retirements to capital assets in the fiscal year ended June 30, 2016. Capital assets remain fully depreciated.

G | NOTES RECEIVABLE

Notes receivable (including both the current and long-term portions), net of amortization, at June 30, 2016 was \$23,820,985. Notes receivable consisted of loans made under the Authority's programs, including secondary market loans, loans made to local economic development organizations, PUC Business Energy Loans, SSBCI Loans and Temporary Business Loans.

H | LONG TERM DEBT

Bonds payable are comprised of the following individual issues:

	2016
\$10,000,000 2002 Series A Bonds due in 2020 with an optional redemption schedule of \$100,000 in November 2003, \$1,500,000 in November 2004, \$1,400,000 through November 2007, \$1,300,000 through November 2010, and \$300,000 November 2011. Variable interest rate swapped at initial rate of 2.00%.	\$ 10,000,000
\$10,000,000 2002 Series B Bonds due in 2020 with an optional redemption schedule of \$600,000 in November 2011, \$900,000 through November 2014, \$1,000,000 through November 2016, \$1,100,000 through November 2018, \$1,200,000 in November 2019, and \$1,300,000 in November 2020. The initial variable interest rate was 1.4975%.	10,000,000
Total	20,000,000
Discount on Bonds	(33,810)
	\$ 19,966,190

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

H | LONG TERM DEBT (CONTINUED)

As of fiscal year end June 30, 2016, the Authority did not make any of the optional redemptions on the 2002 Series A Bonds. In addition, the Authority does not plan to redeem principal in fiscal year ending 2016. All maturities of long term debt are due November 1, 2020. The remaining, related interest costs have been estimated based on the current variable interest rate and assuming no optional redemptions, are made. A schedule summarizing the debt to maturity requirements follows:

	Principal	Interest	Total
For the year ended, June 30			
2017	\$ -	\$ 274,262	\$ 274,262
2018	-	274,262	274,262
2019	-	274,262	274,262
2020	-	274,262	274,262
2021	20,000,000	17,788	20,017,788
Total service requirements	<u>\$ 20,000,000</u>	<u>\$ 1,114,836</u>	<u>\$ 21,114,836</u>

I | NET POSITION

Investment in Capital Assets

Investment in capital assets represents the capital asset balances in the statement of net position less accumulated depreciation and any outstanding balance of capital related debt attributable to the acquisition, construction or improvement of those assets. Investment in capital assets at June 30, 2016 was \$0.

Restricted Component of Net Position

The restricted component of net position represents amounts that are restricted as to use of the funds as externally imposed by grantors, contributors, laws or regulations. The total amount of restricted funds at June 30, 2016 was \$27,723,281. Current funds are restricted for the following purposes:

	2016
10% Reserve requirement per RSA	\$ 3,347,763
Other long-term notes receivable purposes	21,049,967
PUC Grant	3,325,551
Total	<u>\$ 27,723,281</u>

Unrestricted Component of Net Position

The unrestricted component of net position represents the remaining balance not attributable to investment in capital assets or restricted. The unrestricted component of net position was a deficit of \$5,098,051.

The Authority has further designated a portion of the unrestricted component of net position by formal action of the Authority's Board of Directors, the highest level of decision-making authority before such commitments are presented to Governor and Council. To establish and modify or rescind the committed fund balance, the Board of Directors of the Authority must make a motion and have the majority members of the Board of Directors approve the motion. The total amount of designated funds at June 30, 2016 was \$6,812,601. Current funds are designated for the following purposes:

	2016
Capital Access Program Restricted Cash	\$ 6,536,905
Designated for Local Economic Development Fund	275,696
Total	<u>\$ 6,812,601</u>

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

J | RETIREMENT PLAN

The Authority started a defined contribution pension plan on October 1, 1997, through ICMA Retirement Corporation covering all employees. Each employee is required to participate and to contribute 5% of gross earnings of each participant's earnings. As of June 30, 2016, the Authority's contribution percentage was 10.86%. The contribution requirements for the year ended June 30, 2016 amounted to \$75,804 which consisted of \$51,842 from the Authority and \$23,962 from employees. The Authority's portion is recorded under employee benefits.

K | OPERATING LEASES

Office Space

The Authority signed an operating lease for office space commencing February 2006 with an unrelated party. The lease commenced July 1, 2006 and was extended through May 31, 2019. The base amount of the lease is \$27,420 which increases by the lesser of the change in the Consumer Price Index (CPI) over the preceding twelve months or 3.5% over the prior year's rent. Future payments have been calculated using a 3.5% annual increase.

Rent expense was \$31,959 for the fiscal year ended June 30, 2016, and is recorded under occupancy costs.

Minimum future rental expense under this lease agreement is as follows:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 32,115
2018	\$ 33,239
2019	\$ 34,236

L | INDUSTRIAL DEVELOPMENT REVENUE AND RECOVERY ZONE FACILITY BONDS

During 2016, the Authority was a sponsor of \$28,076,653 in industrial facility, pollution control and other new issue revenue bonds. Since 1972 bonds totaling \$3,606,057,527 have been issued. The Authority merely acts as sponsor of the bonds. Neither the credit of the State nor the Authority is involved in any way, nor does the issuance of the bonds obligate the State of New Hampshire to raise money by taxation.

M | UNIFIED CONTINGENT CREDIT LIMIT

The total amount of State guarantees (RSA 162 A:22) in force under all the Authority's programs shall not exceed \$95 million plus interest.

Total state guarantees in force and committed at year end amounted to \$54,484,991 at June 30, 2016. Guarantees of \$20,000,000, at June 30, 2016, were related to long-term debt issued by the Authority with the balance being guarantees of bank loans on bonds under RSA 162:A:7a, A:8, A:13 and 13a and RSA 162-I:9-b. An additional \$607,642 in loans purchased under RSA 162:A:10 were outstanding as of June 30, 2016.

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

N | RELATED PARTY TRANSACTION

A company whose Executive Director was formerly on the Board of Directors of the Authority, benefited from a loan guaranteed by the Authority. The loan, in the form of a line of credit was not to exceed \$250,000, closed on March 28, 2011. The balance of the loan at June 30, 2016 was \$147,435.

O | CONTINGENCIES

The Assistant Inspector General conducted an audit of the SSCBI grant program and issued an interim briefing of those results, dated November 6, 2014. In that briefing, several recommendations were made which may affect the Authority's previous expenditures under this program. The briefing recommended disallowing \$12,968 of allocable audit fees charged to the program as these indirect costs were not made under an approved cost allocation plan. In addition, the briefing identified two loans made through the Authority's participation in the Borealis Granite Fund, L.P., that were not in compliance with SSBCI related party transactions prohibitions. The briefing recommended that these funds, totaling \$736,962, be returned to Treasury. The Authority has reviewed the briefing and disagrees that these funds were not in compliance with SSBCI guidelines given a revised guideline issued June 20, 2014. The Assistant Inspector General has failed to issue a final report or determination on the matter as they are requesting additional guidance on the application of the related party transaction prohibitions.

Given the Authority believes these transactions were in compliance with the guidelines issued, June 20, 2014 and that fact that the Assistant Inspector General has not completed their report pending their own research, no liability has been accrued for these items as of June 30, 2016.

P | SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 9, 2016, the date which the financial statements were available to be issued, and has not evaluated subsequent events after that date. There have been no subsequent events which management has determined require disclosure in these financial statements.