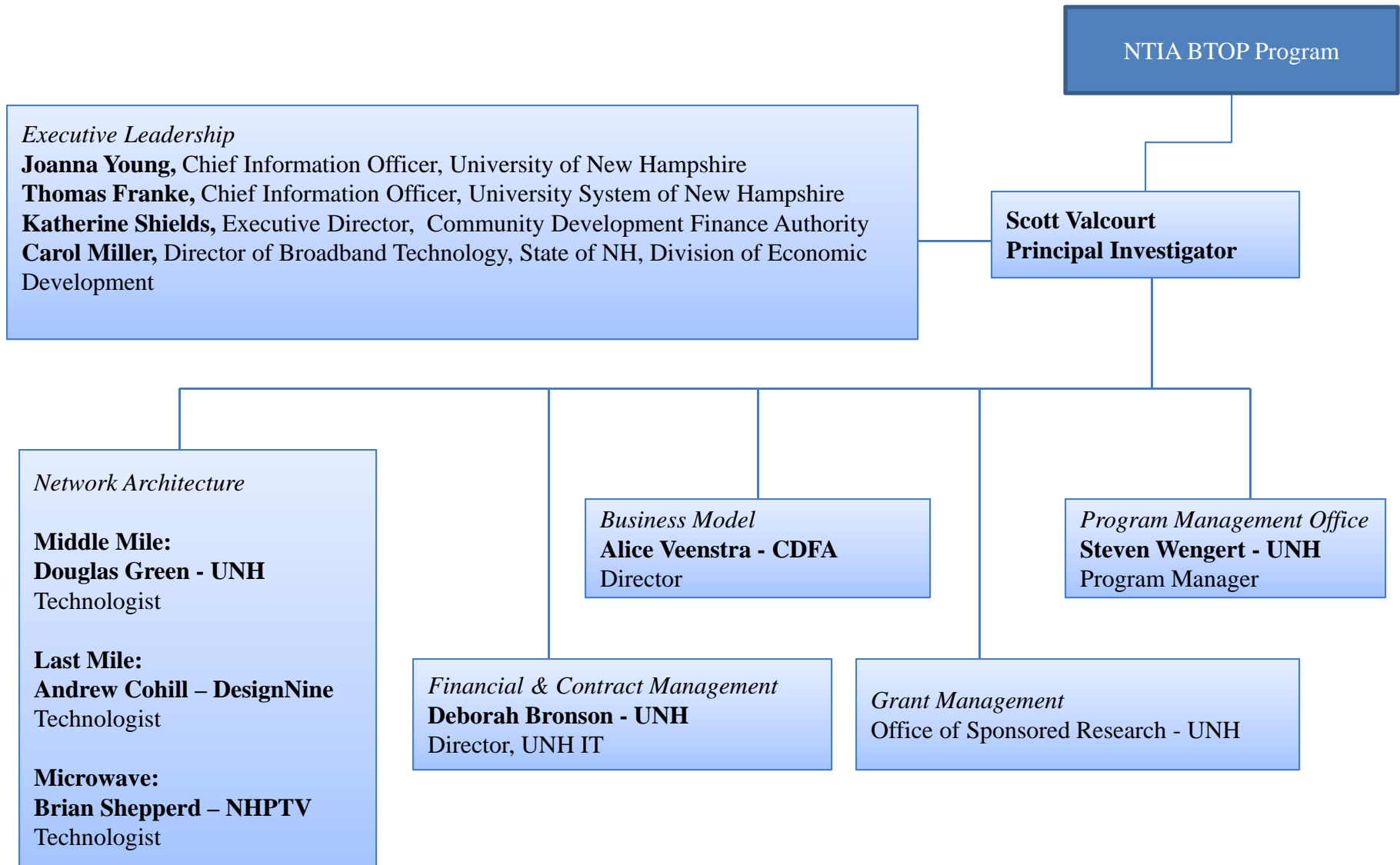


Network New Hampshire Now Program: Organization Chart



Network New Hampshire Now (#4248)

Management Team and Organization Chart

The Network New Hampshire Now team has been working as a unit for close to six months on the definition of the project concepts, with the time period after the release of the Round 2 NOFA being the most intense. Each member of this team has significant expertise in areas of the project that are required for success. The resumes and biographies of the team are included and highlight the major projects that each member has supported, though a few that are notable that this team has supported include:

- National Science Foundation (NSF) Experimental Program to Stimulate Competitive Research (EPSCoR) Research Infrastructure Improvement (RII) Track 2 project – This project builds a dark fiber pathway from Manchester, NH to Plymouth State University, Plymouth, NH and on to Dartmouth College, Hanover, NH known as the Big Green Panther fiber segment. The dark fiber pathway is an IRU of 12 fibers in a sheath that is dedicated to research and education (R&E) communication.
- National Institutes of Health (NIH) Centers of Biomedical Research Excellence (COBRE) project – This project is very similar to the NSF project in that a dark fiber pathway is being built from Manchester, NH to Keene State College, Keene, NH in support of Keene’s role as a biomedical partner institution (BPI) with Dartmouth College. The dark fiber pathway is an IRU of 12 fibers in a sheath that is dedicated to research and education (R&E) communication.
- The University of Maine System (UMS) and the University System of New Hampshire (USNH) partnered together to build and IRU fibers from Portland, ME to Portsmouth, NH to Cambridge, MA for the purpose of securing low-cost Internet access for the two public higher education systems. Sharing the fiber resources from Cambridge to Portsmouth, USNH and UMS instantly doubled Internet capacity and made future capacity increases a function of the network hardware and not the campus budget.

With such successes across New Hampshire, the University of New Hampshire-led team is key to ensuring continued success in the construction of middle mile fiber.

The organization chart is attached.

**NEW HAMPSHIRE COMMUNITY
DEVELOPMENT
FINANCE AUTHORITY**

FINANCIAL STATEMENTS

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2008 AND 2007**

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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MASON + RICH

PROFESSIONAL ASSOCIATION
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
New Hampshire Community Development Finance Authority

We have audited the accompanying financial statements of the New Hampshire Community Development Finance Authority, a component unit of the State of New Hampshire, as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the New Hampshire Community Development Finance Authority and are not intended to present fairly the financial position of the State of New Hampshire and the results of its operations and cash flows of its proprietary fund types and non-expendable trust funds in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Community Development Finance Authority, a component unit of the State of New Hampshire as of June 30, 2008 and 2007 and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2008, on our consideration of New Hampshire Community Development Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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The Management's Discussion and Analysis on pages 16-17 is not a required part of the basic financial statements but is supplementary information required by accounting principals generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and their presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Mason + Rich, P.A.

MASON + RICH PROFESSIONAL ASSOCIATION
Certified Public Accountants

September 5, 2008

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash	\$ 8,119,169	\$ 7,713,085
Community Development Investment Program Pledges Receivable	1,480,000	1,904,651
Community Development Block Grant	67,050	38,110
Downtown Resource Center Grants Receivable	1,800	-
Economic Development Initiative Grants Receivable	1,836	-
Accounts Receivable, Net Allowance for Bad Debt	8,614	17,110
Current Portion of Notes Receivable	175,084	171,474
Due from Affiliate	38,576	7,212
Prepaid Expenses	28,681	15,180
Investment in Land	28,657	-
	<u>9,949,467</u>	<u>9,866,822</u>
PROPERTY AND EQUIPMENT		
Property and Equipment	89,671	117,009
Less: Accumulated Depreciation	(86,398)	(74,886)
	<u>3,273</u>	<u>42,123</u>
OTHER ASSETS		
Community Development Investment Program Pledges Receivable	-	200,000
Notes Receivable, Net Current Portion and Allowance	1,188,880	1,090,955
Long-Term Investments	403,701	428,194
	<u>1,592,581</u>	<u>1,719,149</u>
	<u>9,949,467</u>	<u>9,866,822</u>
TOTAL ASSETS	\$ 11,545,321	\$ 11,628,094

(Continued on next page)

The Accompanying Notes are an Integral Part of These Financial Statements.

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007

LIABILITIES AND NET ASSETS

	2008	2007
<i>CURRENT LIABILITIES</i>		
Accounts Payable	95,542	123,377
CDBG Deferred Revenue	26,259	-
DRC Deferred Revenue	45,507	-
CDIP Deferred Revenue	295,999	405,930
Grants Payable	124,500	71,265
Projects Payable - Current	5,477,854	5,012,746
Raymond Property Deferred Revenue	190,000	-
<i>Total Current Liabilities</i>	6,255,661	5,613,318
<i>LONG-TERM LIABILITIES</i>		
CDIP Projects Payable	-	768,512
<i>Total Long-Term Liabilities</i>	-	768,512
<i>TOTAL LIABILITIES</i>	6,255,661	6,381,830
<i>NET ASSETS</i>		
Invested in Capital Assets	31,930	42,123
Unrestricted		
Board Designated	1,740,772	1,740,772
Undesignated	3,516,958	3,463,369
<i>TOTAL NET ASSETS</i>	5,289,660	5,246,264
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 11,545,321	\$ 11,628,094

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
REVENUES AND OTHER SUPPORT		
Community Development Block Grant Funds Received	\$ 9,669,491	\$ 11,606,598
Community Development Block Grant Administrative Fees - HUD	265,564	319,613
Community Development Block Grant Administrative Fees - State of NH	155,256	220,424
Community Development Investment Program Administrative Fees	986,172	1,031,011
Downtown Resource Center Revenue	102,258	281,478
Economic Development Initiative Grant Revenue	153,334	3,891
DADCo Service Fees	60,000	60,000
Housing Futures Fund Grant	75,000	75,000
Miscellaneous	<u>10,000</u>	<u>6,786</u>
Total Revenues and Other Support	<u>11,477,075</u>	<u>13,604,801</u>
OPERATING EXPENSES		
Salaries and Wages	851,474	878,544
Employee Benefits & Payroll Taxes	339,172	397,371
Office Expense	87,464	92,655
Travel	40,037	48,225
Occupancy	71,865	72,900
Professional Fees	234,077	170,318
Meetings and Events	65,475	75,439
Professional Development	8,383	7,072
Dues and Memberships	20,854	18,607
Depreciation	11,512	17,648
Bad Debts Expense (Recovery)	<u>(16,898)</u>	<u>27,057</u>
Total Operating Expenses	<u>1,713,415</u>	<u>1,805,836</u>
GRANT EXPENDITURES		
Community Development Block Grant - Economic Development Grants	3,317,605	5,547,299
Community Development Block Grant - Housing and Public Facilities Grants	5,805,273	5,454,443
Community Development Block Grant - Emergency Grants	253,921	526,335
Community Development Block Grant - Feasibility Grants	43,528	78,521
Community Development Block Grant - Technical Grants	80,000	43,500
Economic Development Initiative Program Grants	151,498	-
Downtown Resource Center Grants	18,000	-
Discretionary Program Grants	118,000	30,000
Housing Futures Grants	150,000	122,900
Training and Education Grants	5,000	6,750
North Country Self Help Initiative Grants	<u>20,000</u>	<u>35,000</u>
Total Grant Expenditures	<u>9,962,825</u>	<u>11,844,748</u>

(Continued on next page)

The Accompanying Notes are an Integral Part of These Financial Statements.

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
<i>NONOPERATING REVENUES (EXPENSES)</i>		
Income from Investment in 14 Dixon Ave Development Company, LLC	\$ (24,493)	\$ 300
Interest Income	275,559	324,000
Interest Expense	-	(1,845)
Property Taxes - Raymond Property	<u>(8,505)</u>	<u>(15,546)</u>
<i>Total Nonoperating Revenues (Expenses)</i>	<u>242,561</u>	<u>306,909</u>
<i>CHANGE IN NET ASSETS</i>	<u>43,396</u>	<u>261,126</u>
<i>Net Assets, Beginning of Year</i>	<u>5,246,264</u>	<u>4,985,138</u>
<i>Net Assets, End of Year</i>	<u><u>\$ 5,289,660</u></u>	<u><u>\$ 5,246,264</u></u>

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt of Community Development Block Grant Funds	\$ 9,666,810	\$ 11,606,598
Receipt of Interest on Deposits	275,559	324,001
Receipt of Community Development Investment Program Funds and Admin Fees	1,205,874	1,655,452
Receipt of Community Development Block Grant Administrative Fees	420,820	846,786
Receipt of Downtown Resource Center Revenue	145,965	145,143
Receipt of Deposit on Raymond Property Sale	191,495	136,335
Receipt of DADCo Service Fees	28,636	61,111
Receipt of Housing Futures Fund Grants	75,000	75,000
Payment to Employees for Services	(1,190,649)	(1,326,519)
Payment to Suppliers of Goods & Services	(512,413)	(324,435)
Payment for Community Development Block Grant Funds	(9,447,092)	(11,606,598)
Payment for Discretionary Program Grants	(118,000)	(196,747)
Payment for Housing Futures Fund Grants	(150,000)	(122,900)
Payment for Training and Education Grants	(5,000)	(6,750)
Payment for North Country Self Help Initiative	(20,000)	(35,000)
Payment for Program Expenses	(57,078)	(360,179)
Payment for Downtown Resource Center Grants	(18,000)	-
	<u>491,927</u>	<u>871,298</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments Collected on Notes Receivable	15,476	121,886
Proceeds from the sale of investments	(100,000)	0
Purchase of Property and Equipment	(1,319)	(1,650)
	<u>(85,843)</u>	<u>120,236</u>
<i>Net Cash Provided by (Used in) Investing Activities</i>		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	406,084	991,534
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,713,085</u>	<u>6,721,551</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,119,169</u>	<u>\$ 7,713,085</u>

(Continued on next page)

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY

**STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating Income	\$ 67,889	\$ 260,826
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	11,512	17,648
Grants Receivable	(32,576)	328,164
Accounts Receivable	(39,904)	10,172
Community Development Investment Program Pledges Receivable	624,651	1,232,795
Prepaid Expenses	(13,502)	5,474
Accounts Payable	(27,834)	7,060
Grants Payable	53,235	(361,397)
Deferred Revenues	151,862	(286,105)
Community Development Investment Program Projects Payable	<u>(303,406)</u>	<u>(343,339)</u>
Total Adjustments	<u>424,038</u>	<u>610,472</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 491,927</u>	<u>\$ 871,298</u>

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

A | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the New Hampshire Community Development 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 Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

Nature of Activities

The New Hampshire Community Development Finance Authority is a body politic and corporate authorized by Chapter 162-L of the Revised Statutes Annotated of New Hampshire. The Authority was created as a self-funded, nonprofit public instrumentality of the State of New Hampshire to foster and encourage economic development and affordable housing activities that benefit low and moderate-income citizens. The Authority accomplishes its mission by providing project funding, technical assistance, and financial support to nonprofit community development organizations, cooperatives, and other nonprofit groups that are engaged in these activities.

In June 1998, the legislature passed a bill giving the Authority the ability to accept donations of up to \$5 million dollars during state fiscal year in exchange for \$3.75 million in state tax credits for community development projects.

The Downtown Resource Center (originally know as the Main Street Program) was established as a delegate agency of the Authority in an agreement dated April 12, 1996. The mission and purpose of the Center is to establish a private, state-wide institution which is dedicated specifically to the community interest of maintaining, strengthening, and revitalizing the physical, economic, and cultural characteristics of the state's traditional and historic downtown urban and village centers.

Title 1 of the Housing and Community Development Act of 1974 authorized the Community Development Block Grant (CDBG) program, which is sponsored by the U.S. Department of Housing and Urban Development (HUD). The primary purpose of the CDBG program is the development of viable urban communities by providing decent housing, suitable living environments, and expanding economic development opportunities, principally for persons of low and moderate income.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Authority is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Authority routinely invests in short term repurchase agreements. The repurchase agreements, which have a maturity of three months or less, are considered to be cash equivalents. Cash activity related to the administration of Community Development Block Grants is segregated in a separate bank account.

Property and Equipment

Property and equipment is stated at cost. Depreciation expense is computed on the straight line method based on the estimated useful lives of the assets. Expenditures for maintenance, repairs, renewals and improvements, which do not materially extend the useful lives of the assets, are expensed.

Accounts and Notes Receivable

Accounts receivable and notes receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Authority provides for losses on receivables using the allowance method. The allowance is based on experience, collateral position, and other circumstances, which may affect the ability of the project to meet its obligations. Interest is accrued according to the terms of the promissory notes. Due to the community development mission of the Authority, the Authority makes every effort to restructure existing receivables to give the project the greatest chance of success. As a result, allowances on certain receivables are significant, however, actual default of receivables is rare.

Pledge Receivable

Pledge Agreements are obtained for all pledges and have no restrictions on the use of the pledge.

Credit Risk

The Authority may lend discretionary funds to a project as part of the Authority's Community Development Mission. Loans made to projects are often made as part of an overall package of grants and financing which are combined to provide monies to complete projects which the Authority has determined meet the goal of community development. As a result, the loans carry a higher level of credit risk than conventional financing methods. The Authority attempts to mitigate this risk by maintaining frequent contact with the project administrators, obtaining collateral, and establishing an adequate allowance for doubtful accounts.

Deferred Revenue

Income from the administration of Community Development Investment Program Tax Credits and Community Development Block Grants is deferred and recognized over the periods to which the income relates.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Authority to designate appropriate sums of unrestricted net assets for the purpose of meeting operating budget expenses. In addition, the Board of Directors has designated a sum of unrestricted net assets for the purpose of providing discretionary grants and loans.

Income Tax Status

The Authority is exempt from federal income tax under Section 509(a)(1) of the Internal Revenue Code.

Fund Accounting

The accounts of the Authority are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. All activities of the Authority are accounted for in the Enterprise Fund.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies.

B | CASH

The total amount of the Authority's cash, stated at fair value, consists of the following at June 30, 2008 and 2007:

	2008	2007
Cash	\$ 1,723,739	\$ 155,463
Money Market	<u>6,395,430</u>	<u>7,557,622</u>
Total	<u>\$ 8,119,169</u>	<u>\$ 7,713,085</u>

The total amounts of Authority deposits in financial institutions, per the bank statements, at June 30, 2008 was \$8,556,473, all of which was insured or collateralized.

C | ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts as of June 30, 2008 and 2007 are as follows:

	2008	2007
Notes Receivable	\$ 2,493,737	\$ 2,748,093
Accounts Receivable - Fees	<u>1,142</u>	<u>7,863</u>
	<u>\$ 2,494,879</u>	<u>\$ 2,755,956</u>

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

D | NOTES RECEIVABLE

Notes receivable consisted of the following at June 30, 2008 and 2007:

	2008	2007
Note receivable from Keene Economic Development. The note is being repaid from the proceeds of loans made to certain third parties. Principal only payments based on a schedule of loan repayments expected by the Company. Collateralized by land and buildings.	\$ 68,044	\$ 68,044
Note receivable from New Hampshire Stories. The note requires quarterly payments from the net operating income of the project. Collateralized by assets of Corporation. Bears interest of 3% per annum.	36,340	41,040
Note receivable from Southwest Community Services, Inc. The note requires quarterly payments from the net operating income generated by rental property. Collateralized by land and buildings.	32,089	32,089
Note receivable from New Hampshire Community Loan Fund. Annual principal payments only. Principal payments due June 2008, June 2009, August 2010 and March 2011, uncollateralized. Bears interest of 3% per annum.	600,000	600,000
Note receivable from Monadnock Business Ventures Inc. Project defaulted and \$240,000 was written off against allowance for bad debt, remaining fees due in 2009.	8,793	240,000
Note receivable from Hannah Grimes Market. The note does not bear interest and requires quarterly payments from the net operating income generated by rental property. Collateralized by land and buildings.	38,132	38,882
Note receivable from New Frontier Industries, Inc. The note requires quarterly payments from net operating income. Collateralized by land and buildings. Interest rate is .50% above Wall Street Journal Prime Rate.	1,900,000	1,900,000
Note receivable from Capital Hotel Company II, LLC. Quarterly principal payable over 10 years. Interest at 1%. Collateralized by land and buildings.	913,121	929,285
Note receivable from Troy Redevelopment Group, Inc. Principal and accrued interest due June, 2010. Interest at 5%. Collateralized by land.	100,000	-

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NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

	2008	2007
Note receivable from Seacoast Business Alliance. Principal and interest due in June 2006. Interest at 6.5%. Collateralized by land and buildings.	43,750	43,750
Note receivable from New Frontier Industries. Principal and interest due in June 2008. Interest at 4%. Uncollateralized.	<u>117,431</u>	<u>117,432</u>
	3,857,701	4,010,522
Allowance for doubtful accounts	<u>(2,493,737)</u>	<u>(2,748,093)</u>
Notes receivable, net of allowance	<u>\$ 1,363,964</u>	<u>\$ 1,262,429</u>
Current portion	\$ 175,084	\$ 171,474
Long-term portion	<u>1,188,880</u>	<u>1,090,955</u>
Total Notes Receivable	<u>\$ 1,363,964</u>	<u>\$ 1,262,429</u>

E | CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 28,657	\$ -	\$ (28,657)	\$ -
Equipment and Software	<u>88,352</u>	<u>1,319</u>	<u>-</u>	<u>89,671</u>
Total	117,009	1,319	(28,657)	89,671
Less Accum. Depreciation	<u>(74,886)</u>	<u>(11,512)</u>	<u>-</u>	<u>(86,398)</u>
Net Capital Assets	<u>\$ 42,123</u>	<u>\$ (10,193)</u>	<u>\$ (28,657)</u>	<u>\$ 3,273</u>

Depreciation expense for the year ended June 30, 2008 was \$11,512.

During the fiscal year ending June 30, 2008 the Authority determined that land previously held for use in the Authority's operations should be reclassified as an investment held for sale. The Authority entered into a purchase and sale agreement and has received a deposit on the sale in the amount of \$190,000 which is recorded as deferred revenue and will be recognized when the sale occurs in 2009.

F | NET ASSETS

The Authority's Board of Directors designated net assets for the following:

Discretionary Grants and Loans	\$ 1,740,772
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NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

G | OPERATING LEASES

The Authority leases office space from a related party. The terms of the lease are month to month. See Note J for additional disclosure.

H | EMPLOYEE BENEFIT PLANS

The Authority established a defined contribution pension plan under the provisions of Internal Revenue Code Section 401(a) and 457. Plan administration is performed by ICMA. All of the employees of the Authority are eligible to participate. The Section 401(a) Plan is an employer contribution plan only. A total contribution of 4% of gross wages is made each year. The Section 457 Plan employee contributions are voluntary with an employer match of up to \$1,800 annually. The Authority's contributions to the 401(a) plan for the year ended June 30, 2008 were \$21,381. Contributions to the 457 plan for the year ended June 30, 2008 were \$57,671.

I | RELATED PARTY TRANSACTIONS

By law, the Authority's Board of Directors must include representatives from community development organizations. It is the practice of the Board of Directors to recuse themselves from voting on potential related party transactions. These transactions have been detailed as follows:

Transaction	Relationship
Award \$31,250 in tax credits to Coastal Economic Development Corp.	A Board Member is affiliated with the Coastal Economic Development Corp.
Award \$625,000 in tax credits to Crotched Mountain Rehabilitation Center.	A Staff Member's Spouse works at the Crotched Mountain Rehabilitation Center.
Award tax credits to the Housing Futures Fund.	A Board Member is affiliated with Affordable Housing, Education and Development, Inc., another is affiliated with Belknap Merrimack CAP and a board member is associated with the housing partnership which are a potential recipients of a portion of this award.
Award \$20,000 Discretionary Grants to the North Country Council.	A Board Member is affiliated with the North Country Council.
Award \$275,000 in tax credits to the Regional Development Fund.	A Board Member is affiliated with Coastal Economic Development Corp which is a potential recipient of a portion of this award.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

J | RELATED ORGANIZATION

New Hampshire Community Development Finance Authority is the sole member of 14 Dixon Avenue Development Company, LLC (DADCo). As of June 30, 2008, the Authority's investment in DADCo was \$403,701. New Hampshire Community Development Finance Authority also paid DADCo \$72,060 under the office lease agreement.

This building is being subleased under a tenant at will agreement. The above rental expense is offset by \$12,960 in sublease rental income for the year ending June 30, 2008.

K | FINANCIAL STATEMENT PRESENTATION

Certain amounts in the 2007 financial statements have been classified to conform to the 2008 presentation.

L | GRANT REVENUE AND EXPENDITURES

During 2008, the Authority was successful in recovering community development block grant funds (CDBG) which had previously been awarded to a project which failed to comply with the requirements of the award. The amount of the recovery was \$207,770. The Federal Agency advised the Authority not to include the recovery as part of Grant Revenues for grant reporting purposes but as program income. However, for financial statement reporting, the Authority did include the recovery and subsequent expenditures as grant revenue and expenditures. A reconciliation of these amounts is below:

Revenue:

CDBG Grant Funds Received Per Financial Statements	\$ 9,669,491
CDBG Administrative Fees Received	265,564
EDI Grant Revenue Received	153,334
Recovery of Prior Year Award	<u>(207,770)</u>
CDBG Grant Revenue Per Grant Reporting	<u>\$ 9,880,619</u>

Expenditures:

CDBG Economic Development Grants	\$ 3,317,605
CDBG Housing and Public Facilities Grants	5,805,273
CDBG Emergency Grants	253,921
CDBG Feasibility Grants	43,528
CDBG Technical Grants	80,000
EDI Program Grants	151,498
Other Operating Expenses	<u>337,932</u>
CDBG Grant Revenue Per Financial Statements	9,989,757
Expenses Paid From Recovered Award	<u>(109,138)</u>
CDBG Grant Expenditures Per Grant Reporting	<u>\$ 9,880,619</u>

SUPPLEMENTARY INFORMATION

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

In fiscal year ended June 30, 2008, CDFA provided \$9,962,800 in financial support to 83 projects across New Hampshire. The grants were spread across Housing, Public Facility, Economic Development and Downtown Development projects. For every CDFA dollar awarded in FY2008 we leveraged more than \$6.76 of funding from both the public and private sectors. These numbers reflect our determination to partner with other organizations to improve the lives of low and moderate income New Hampshire citizens, cultivate the economic base of communities, and create jobs.

Discussion of Changes in Balance Sheet

Cash balances increased to \$8,119,000 in 2008 reflecting donor's fulfillment of pledges for the Community Development Investment Program ("CDIP"). The donors contribute to fund projects for nonprofits and municipalities in exchange for tax credits used to offset New Hampshire state tax liabilities. Offsetting the increase in cash was a \$420,000 decrease in CDIP Pledges Receivable. CDIP Projects Payable increased reflecting net payouts during the year to projects that had received pledges.

Deferred revenues increased reflecting advance payments for CDBG administrative costs and Downtown Resource Center grants received for specific programs. CDFA owns a parcel of land in Raymond, NH. The parcel is currently under contract to be sold to a developer. CDFA has received a deposit of \$190,000 on the contract that is shown as deferred revenue pending the closing of the sale estimated to be in May, 2009.

Discussion of Results from Operations

CDFA earned a profit of \$43,396 in 2008 compared to a profit of \$261,126 in 2007. Key factors impacting the reduced profit was a \$118,000 increase in program grants paid to projects out of operating revenues and \$48,000 less in interest income from invested cash due to lower interest rates.

Revenues totaled \$11,477,000 in 2008, a decline of \$2.12 million the prior year. The majority of the decline, \$1.93 million, is the result of less payments being made to CDBG grantees which is due to the timing of grant payments and the continued attrition in the total CDBG award received from HUD. The decline impacts both revenues and grant expenditures equally as they are recognized on a cost reimbursement basis.

CDFA disbursed \$462,000 in other grants that assist in building capacity. The programs include the Economic Development Initiative funded by HUD, the Downtown Resource Center, the Housing Futures Fund, and other innovative projects unable to generate traditional financing.

CDFA earned \$1,407,000 in administrative fees in 2008, a decline of \$164,000 from the prior year. The majority of CDFA's administrative funding comes from fees collected for managing the CDIP state tax credit program and CDBG program. The CDIP fees are a percentage of the value of the contribution collected which varies on whether cash or property is received. CDBG administrative fees are paid on a cost reimbursement basis.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses declined \$92,000 as continued efforts to control costs resulted in savings in many expense lines. Employee salaries and benefits, which make up almost 70% of operating expenses, declined \$85,000 due to vacancies during the year and the number of staff being reduced by one position.

Additional Information

Inquiries for additional information may be directed to the Chief Financial Officer, Community Development Finance Authority, 14 Dixon Avenue, Suite 102, Concord, NH 03301 or at 603-226-2170.

**NEW HAMPSHIRE COMMUNITY
DEVELOPMENT
FINANCE AUTHORITY**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2007**

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MASON + RICH

PROFESSIONAL ASSOCIATION

Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
New Hampshire Community Development Finance Authority

We have audited the accompanying basic financial statements of the New Hampshire Community Development Finance Authority, a component unit of the State of New Hampshire, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the New Hampshire Community Development Finance Authority and are not intended to present fairly the financial position of the State of New Hampshire and the results of its operations and cash flows of its proprietary fund types and non-expendable trust funds in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Community Development Finance Authority, a component unit of the State of New Hampshire as of June 30, 2007 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2007, on our consideration of New Hampshire Community Development Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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The Management's Discussion and Analysis on pages 15-18 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and their presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Mason + Rich, P.A.

MASON + RICH PROFESSIONAL ASSOCIATION
Certified Public Accountants

October 11, 2007

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
BALANCE SHEET
AS OF JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 7,713,085
Pledges Receivable	1,904,651
Contract Receivable	38,110
Notes Receivable, Net	171,474
Accounts Receivable, Net	17,110
Other Receivables	7,212
Prepaid Expenses	<u>15,180</u>

TOTAL CURRENT ASSETS 9,866,822

NONCURRENT ASSETS

Pledges Receivable	200,000
Notes Receivable, Net	1,090,955
Investment in 14 Dixon Avenue Development Company LLC	<u>428,194</u>

TOTAL NONCURRENT ASSETS 1,719,149

Property, Equipment & Software

Land	28,657
Buildings, Improvements and Equipment	<u>88,352</u>
Total Property, Equipment, & Software	117,009
Less: Accumulated Depreciation	<u>(74,886)</u>
<i>Net Depreciated Value</i>	<u>42,123</u>

TOTAL ASSETS \$ 11,628,094

The Accompanying Notes are an Integral Part of These Financial Statements

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
BALANCE SHEET
AS OF JUNE 30, 2007

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 41,508
Accrued Payroll	81,869
Grants Payable	71,265
Projects Payable - Current	<u>5,012,746</u>

TOTAL CURRENT LIABILITIES 5,207,388

NONCURRENT LIABILITIES

Projects Payable	768,512
Deferred Revenue	<u>405,930</u>
<i>Total Noncurrent Liabilities</i>	<u>1,174,442</u>

TOTAL LIABILITIES 6,381,830

NET ASSETS

Invested in Capital Assets	42,123
Unrestricted Net Assets	<u>5,204,141</u>
<i>Total Net Assets</i>	<u>5,246,264</u>

**TOTAL LIABILITIES AND
NET ASSETS** \$ 11,628,094

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**
FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUES

CDBG Grant Funds Received	\$ 11,606,598
Fees - Pledges	1,031,011
CDBG Administrative Grant	543,928
Contributions	237,835
NH Main Street Event Income	36,101
Miscellaneous	<u>149,030</u>
<i>Total Operating Revenue</i>	<u>13,604,503</u>

OPERATING EXPENSES

CDBG Grant Funds Expended	11,606,598
Payroll	887,625
Employee Benefits	407,305
Office Expenses	75,278
Travel and Conferences	40,650
Programs	360,179
Web Page Development and Maintenance	6,153
Occupancy	85,764
Professional Fees	130,738
Advertising	10,625
Depreciation	17,648
Bad Debts Expense	27,057
Miscellaneous	<u>12,352</u>
<i>Total Operating Expenses</i>	<u>13,667,972</u>

NONOPERATING REVENUES

Income From Investment in 14 Dixon Avenue Development Company LLC	300
Gain on Disposal of Asset	294
Interest	<u>324,001</u>
<i>Total Nonoperating Revenues</i>	<u>324,595</u>

INCREASE IN NET ASSETS 261,126

Net Assets, Beginning of Year

As Previously Reported	3,446,304
Prior Period Adjustment for Classification of Designated Funds	1,564,231
Prior Period Adjustment for CDBG Grant Fees	(34,834)
Prior Period Adjustment for Entries to Correct Cash	21,543
Prior Period Adjustment for Earnings in 14 Dixon Avenue Development Company LLC	<u>(12,106)</u>
As restated	4,985,138

Net Assets, End of Year **\$ 5,246,264**

The Accompanying Notes are an Integral Part of These Financial Statements

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

CDBG Program Funds and Administrative Fees	\$	846,786
CDIP Program Funds and Administrative Fees		1,655,452
CDBG Grant Money Received		11,606,598
Contributions		26,500
Program Revenues		329,978
Service Fee Income		61,111
Interest on Loans		324,001
Principal on Loans		121,886
Discretionary Grants		(361,397)
CDBG Grant Money Expended		(11,606,598)
Program Expenses		(360,179)
Payments to Employees for Services		(924,750)
Payments to Suppliers of Goods & Services		(324,435)
Payments for Employee Benefits		(401,769)

<i>Net Cash Provided (Used) by Operating Activities</i>		<u>993,184</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments		<u>(1,650)</u>
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<i>Net cash provided (used) by investing activities</i>		<u>(1,650)</u>
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NET INCREASE IN CASH		991,534
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<i>Cash and Equivalents, July 1, 2006</i>		<u>6,721,551</u>
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<i>Cash and Equivalents, June 30, 2007</i>	\$	<u>7,713,085</u>
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The Accompanying Notes are an Integral Part of these Financial Statements.

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

OPERATING INCOME	\$	260,826
<i>Adjustments to Reconcile Operating Income to Net</i>		
<i>Cash Provided (Used) by Operating Activities:</i>		
Depreciation		17,648
Miscellaneous Noncash Income		34,834
(Increase) Decrease in Accounts Receivable		10,172
(Increase) Decrease in Notes Receivable		(145,183)
(Increase) Decrease in Intergovernmental Receivable		293,342
(Increase) Decrease in Pledges Receivable		1,232,795
(Increase) Decrease in Prepaid Items		5,474
(Increase) Decrease in Allowance for Uncollectible		267,057
Increase (Decrease) in Accounts Payable		41,509
Increase (Decrease) in Grants Payable		(361,397)
Increase (Decrease) in Accrued Liabilities		(34,449)
Increase (Decrease) in Projects Payable		(343,339)
Increase (Decrease) in Deferred Revenue		<u>(286,105)</u>
<i>Total Adjustments</i>		<u>732,358</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u>993,184</u>

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

A | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the New Hampshire Community Development 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 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.

Nature of Activities

The New Hampshire Community Development Finance Authority is a body politic and corporate authorized by Chapter 162-L of the Revised Statutes Annotated of New Hampshire. The Authority was created as a self-funded, nonprofit public instrumentality of the State of New Hampshire to foster and encourage economic development and affordable housing activities that benefit low and moderate-income citizens. The Authority accomplishes its mission by providing project funding, technical assistance, and financial support to nonprofit community development organizations, cooperatives, and other nonprofit groups that are engaged in these activities.

In June 1998, the legislature passed a bill giving the Authority the ability to accept donations of up to \$5 million dollars during state fiscal year in exchange for \$3.75 million in state tax credits for community development projects.

The New Hampshire Main Street Center was established as a delegate agency of the Authority in an agreement dated April 12, 1996. The mission and purpose of the Center is to establish a private, state-wide institution which is dedicated specifically to the community interest of maintaining, strengthening, and revitalizing the physical, economic, and cultural characteristics of the state's traditional and historic downtown urban and village centers.

Title I of the Housing and Community Development Act of 1974 authorized the Community Development Block Grant (CDBG) program, which is sponsored by the U.S. Department of Housing and Urban Development (HUD). The primary purpose of the CDBG program is the development of viable urban communities by providing decent housing, suitable living environments, and expanding economic development opportunities, principally for persons of low and moderate income.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Authority is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority routinely invests in short term repurchase agreements. The repurchase agreements, which have a maturity of three months or less, are considered to be cash equivalents. Cash activity related to the administration of Community Development Block Grants is segregated in a separate bank account.

Property, Plant and Equipment

Property, Plant and equipment is stated at cost. Depreciation expense is computed on the straight line method based on the estimated useful lives of the assets. Expenditures for maintenance, repairs, renewals and improvements, which do not materially extend the useful lives of the assets, are expensed.

Accounts and Notes Receivable

Accounts receivable and notes receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Authority provides for losses on receivables using the allowance method. The allowance is based on experience, collateral position, and other circumstances, which may affect the ability of the project to meet its obligations. Interest is accrued according to the terms of the promissory notes. Due to the community development mission of the Authority, the Authority makes every effort to restructure existing receivables to give the project the greatest chance of success. As a result allowances on certain receivables are significant however actual default of receivables is rare.

Pledge Receivable

Pledge Agreements are obtained for all pledges and have no restrictions on the use of the pledge.

Credit Risk

The Authority may lend discretionary funds to a project as part of the Authority's Community Development Mission. Loans made to projects are often made as part of an overall package of grants and financing which are combined to provide monies to complete projects which the Authority has determined meet the goal of community development. As a result the loans carry a higher level of credit risk than conventional financing methods. The Authority attempts to mitigate this risk by maintaining frequent contact with the project administrators, obtaining collateral, and establishing an adequate allowance for doubtful accounts.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Deferred Revenue

Income from the administration of Community Development Investment Program Tax Credits and Community Development Block Grants is deferred and recognized over the periods to which the income relates.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Authority to designate appropriate sums of unrestricted net assets for the purpose of meeting operating budget expenses. In addition the Board of Directors has designated a sum of unrestricted net assets for the purpose of providing discretionary grants and loans.

Income Tax Status

The Authority is exempt from federal income tax under Section 509(a)(1) of the Internal Revenue Code.

Fund Accounting

The accounts of the Authority are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. All activities of the Authority are accounted for in the Enterprise Fund.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies.

B | CASH

The total amount of the Authority's cash, stated at fair value, consists of the following at June 30, 2007:

	<u>2007</u>
Cash	\$ 155,463
Money Market	<u>7,557,622</u>
Total	<u>\$ 7,713,085</u>

The total amounts of Authority deposits in financial institutions, per the bank statements, at June 30, 2007 was \$7,964,406 all of which was insured or collateralized.

C | ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts as of June 30, 2007 is as follows:

	<u>2007</u>
Notes Receivable	\$ 2,748,093
Accounts Receivable - Fees	\$ 7,863

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

D | NOTES RECEIVABLE

Notes receivable consisted of the following at June 30, 2007

Note receivable from Keene Economic Development. The note is being repaid from the proceeds of loans made to certain third parties. Principal only payments based on a schedule of loan repayments expected by the Company. Collateralized by land and buildings.	\$ 68,044
Note Receivable from New Hampshire Stories. The note requires quarterly payments from the net operating income of the project. Collateralized by assets of Corporation. Bears interest of 3% per annum.	41,040
Note receivable from Southwest Community Services, Inc. The note requires quarterly payments from the net operating income generated by rental property. Collateralized by land and buildings.	32,089
Note receivable from New Hampshire Community Loan Fund. Annual principal payments only. Principal payments due June 2008, June 2009, August 2010 and March 2011, Uncollateralized. Bears interest of 3% per annum.	600,000
Note receivable from Monadnock Business Ventures Inc. Principal payments will be deferred for 24 months, after which Monadnock Business Ventures will provide CDFR full financial statements for review to determine repayment schedule. Loan is secured by land and building. This loan bears no interest.	240,000
Note receivable from Hannah Grimes Market. The note does not bear interest and requires quarterly payments from the net operating income generated by rental property. Collateralized by land and buildings.	38,882
Note receivable from New Frontier Industries, Inc. The note requires quarterly payments from net operating income. Collateralized by land and buildings. Interest rate is .50% above Wall Street Journal Prime Rate.	1,900,000
Note receivable from Capital Hotel Company II, LLC. Quarterly principal payable over 10 years. Interest at 1%. Collateralized by land and buildings.	929,285

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

	2007
Note receivable from Seacoast Business Alliance. Principal and interest due in June 2006. Interest at 6.5%. Collateralized by land and buildings.	43,750
Note receivable from New Frontier Industries. Principal and interest due in June 2008. Interest at 4%. Uncollateralized.	<u>117,432</u>
	4,010,522
Allowance for doubtful accounts	<u>(2,748,093)</u>
Notes receivable, net of allowance	<u>\$ 1,262,429</u>
Current portion	\$ 171,474
Long-term portion	<u>1,090,955</u>
	<u>\$ 1,262,429</u>

E | CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 28,657	\$ -	\$ -	\$ 28,657
Equipment and Software	<u>154,175</u>	<u>1,650</u>	<u>(67,473)</u>	<u>88,352</u>
Total	182,832	1,650	(67,473)	117,009
Less Accum. Depreciation	<u>(124,711)</u>	<u>(17,648)</u>	<u>67,473</u>	<u>(74,886)</u>
Net Capital Assets	<u>\$ 58,121</u>	<u>\$ (15,998)</u>	<u>\$ -</u>	<u>\$ 42,123</u>

Depreciation expense for the year ended June 30, 2007 was \$17,648.

F | NET ASSETS

The Authority's Board of Directors designated net assets for the following:

Discretionary Grants and Loans	\$ 1,740,772
--------------------------------	--------------

G | OPERATING LEASES

The Authority leases office space from a related party. The terms of the lease are month to month.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

H | EMPLOYEE BENEFIT PLANS

The Authority established a defined contribution pension plan under the provisions of Internal Revenue Code Section 401(a) and 457. Plan administration is performed by ICMA. All of the employees of the Authority are eligible to participate. The Section 401(a) Plan is an employer contribution plan only. A total contribution of 4% of gross wages is made each year. The Section 457 Plan employee contributions are voluntary with an employer match of up to \$1,524 annually. The Authority's contributions to the 401(a) plan for the year ended June 30, 2007 were \$19,509. Contributions to the 457 plan for the year ended June 30, 2007 were \$ 27,701.

I | PRIOR PERIOD ADJUSTMENTS

A classification error resulting in an overstatement of previously reported deferred revenues was discovered during the current year. Accordingly, an adjustment of \$1,564,231 was made during 2007 to reclassify deferred revenues as of the beginning of the year. A corresponding entry was made to record previously unreported net assets. The effect of the restatement on net assets for 2007 is an increase of \$1,564,231.

Certain errors resulting in the overstatement of previously reported CDBG Project Receivables were discovered during the current year. Accordingly an adjustment of \$34,834 was made during 2007 to reduce the receivable as of the beginning of the year. A corresponding entry was made to reduce previously reported net assets. The effect of the restatement on net assets for 2007 is a decrease of \$34,834.

Certain errors resulting in the overstatement of previously reported deferred revenues were discovered during the current year. Accordingly an adjustment of \$21,543 was made during 2007 to reduce the balance of deferred revenues as of the beginning of the year. A corresponding entry was made to record previously unreported net assets. The effect of the restatement on net assets for 2007 is an increase of \$21,543.

A classification error resulting in the overstatement of previously reported related party note receivables was discovered during the current year. Accordingly, an adjustment of \$440,000 was made during 2007 to reclassify the balance as an investment. Additionally a corresponding entry was made to record previously unreported net assets resulting from the investment. The effect of the restatement on net assets for 2007 is a decrease of \$12,106.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

J | RELATED PARTY TRANSACTIONS

By law, the Authority’s Board of Directors must include representatives from community development organizations. It is the practice of the Board of Directors to recuse themselves from voting on potential related party transactions. These transactions have been detailed as follows:

Transaction	Relationship
Award \$300,000 to Regional Development Corp.	A Board Member is affiliated with the Coastal Economic Development Corp which is a potential recipient of a portion of this award.
Amend Promissory Note for Coastal Economic Development Corp.	A Board Member is affiliated with the Coastal Economic Development Corp.
Award up to \$625,000 in tax credits to Northern Community Investment Corp.	A Board Member is affiliated with Coos Economic Development Corp which is a potential recipient of a portion of this award.
Award \$875,000 in tax credits to Children’s Museum of Portsmouth.	A Board Member’s Spouse works at the Children’s Museum of Portsmouth.
Award \$350,000 in tax credits to Webster Farm Revitalization.	A Board Member is affiliated with the Capital Region Development Council which is a potential recipient of a portion of this award.
Award \$312,500 in tax credits to the Housing Futures Fund.	A Board Member is affiliated with Affordable Housing, Education and Development, Inc. which is a potential recipient of a portion of this award.
Award \$300,000 in tax credits to the Regional Development Fund.	A Board Member is affiliated with the Coastal Economic Development Corp which is a potential recipient of a portion of this award.
Award \$112,500 in tax credits to Affordable Housing, Education and Development, Inc.	A Board Member is affiliated with Affordable Housing, Education and Development, Inc.

K | RELATED ORGANIZATION

New Hampshire Community Development Finance Authority is the sole member of 14 Dixon Avenue Development Company, LLC (DADCo). As of December 31, 2006, the Authority’s investment in DADCo was \$428,194. New Hampshire Community Development Finance Authority also paid DADCo \$76,183 under the office lease agreement.

This building is being subleased under a tenant at will agreement. The above rental expense will be offset by \$12,960 in sublease rental income for the year ending June 30, 2007

SUPPLEMENTARY INFORMATION

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

Over the past year, CDFA approved 62 projects and programs having a total value of more than \$95 million. For every CDFA dollar awarded, we were able to leverage over \$4.44 of funding from both the public and private sectors. These numbers reflect our determination to partner with other organizations to improve the lives of low and moderate income New Hampshire citizens, cultivate the economic base of communities, and create jobs.

Discussion of Change in Audit Firms and Financial Statement Presentation

There was a change in auditors for the FY 2007 audit with the Board of Directors hiring Mason & Rich PA, CPAs as CDFA's new auditors. The change in auditors has brought a fresh look at our financial statements and how we have traditionally reported certain types of transactions in light of GASB requirements.

As part of performing a new audit engagement, Mason + Rich P.A. is required by Generally Accepted Auditing Standards (GAAS) to contact our predecessor auditor for specific purposes. Despite several attempts by Mason + Rich P.A. and by our Executive Director to arrange a meeting, the former auditor was uncooperative and unusually restrictive about the information that would be available. Additionally, Mason + Rich P.A. found several errors in the presentation of previously reported financial information as well as errors in beginning balances. As a result, Mason + Rich P.A. elected to present single year financial statements.

In order to provide a context under which to discuss CDFA's performance during the year, management has restated the 2006 financial statements to reflect the reporting standards used for the 2007 presentation, however they do not reflect the prior period adjustments as identified by Mason + Rich, P.A. *Please note that Mason + Rich, P.A. has not reviewed the information presented below.*

Consolidated Balance Sheet	2007 As Audited	2006 Restated	2006 As Audited
Assets:			
Cash	\$ 7,713,085	\$ 6,721,551	\$ 6,721,551
Pledges Receivable	1,904,651	3,336,581	3,336,581
Contracts Receivable	38,110	366,445	12,149,247
Other Current Assets	210,976	75,866	75,866
Noncurrent Assets	1,719,149	1,803,585	1,803,585
Fixed Assets (Net of Depreciation)	<u>42,123</u>	<u>57,518</u>	<u>58,120</u>
Total Assets	<u>\$ 11,628,094</u>	<u>\$ 12,361,546</u>	<u>\$ 24,144,950</u>
Liabilities:			
Projects Payable (Current & Noncurrent)	\$ 5,852,523	\$ 6,124,596	\$ 17,470,134
Other Current Liabilities	123,377	1,226,415	1,664,281
Deferred Grant	-	-	1,564,231
Other Noncurrent Liabilities	<u>405,930</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 6,381,830</u>	<u>\$ 7,351,011</u>	<u>\$ 20,698,646</u>

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Balance Sheet	2007 As Audited	2006 Restated	2006 As Audited
Net Assets:			
Invested in Capital Assets	\$ 42,123	\$ 58,120	\$ 58,120
Unrestricted Net Assets	<u>5,204,141</u>	<u>4,952,415</u>	<u>3,388,184</u>
Total Net Assets	<u>5,246,264</u>	<u>5,010,535</u>	<u>3,446,304</u>
Total Liabilities & Net Assets	<u>\$ 11,628,094</u>	<u>\$ 12,361,546</u>	<u>\$ 24,144,950</u>

There are two major changes presented in CDFA's Balance Sheet for FY2007. The first change brings our financial statements into compliance with Governmental GAAP and Government Accounting Standards Board ("GASB") Statements.

CDFA administers the Community Development Block Grant program for all but the five entitlement communities in New Hampshire. A part of the administration of the program requires CDFA to serve as an intermediary to receive funds from HUD and disburse those funds to approved projects. GASB standards require us to reflect these transactions on our Balance Sheet (above) and Income Statement (below) when the grantee has satisfied all eligibility requirements for reimbursement.

The result of our presenting the Balance Sheet in compliance with GASB Standards was a reduction to the Contracts Receivable of \$7.6 million and an offsetting reduction in Projects Payable. These amounts represent awards made to grantees that have not yet met the eligibility requirements for reimbursement and therefore should not be recognized on the Financial Statements.

GASB also requires that project inflows and outflows made to grantees be reported as revenues and expenses. Thus, Project Revenue and Project Expense lines have been included in this year's Income Statement presentation to reflect the \$12.1 million inflow of funds from HUD and the resulting outflow to CDBG projects.

The second change is a Balance Sheet reclassification of \$1.5 million that was informally designated for future venture grants by the Board of Directors. The \$1.5 million was previously reported as a Deferred Grant on the Balance Sheet in the long term liability section. For FY2007 that amount has been reclassified to Net Assets to accurately reflect its purpose.

Statement of Revenues, Expenses & Changes in Net Assets	Pro-Forma: July 1, 2006- June 30, 2007	July 1, 2005 - June 30, 2006**
Revenues		
CDBG Program Funds Received	\$ 11,606,598	\$ 7,474,913
CDBG Administrative Grant	543,928	684,576
CDIP Fees	1,031,011	904,530
Main Street Program Revenues	36,101	72,426
Miscellaneous	<u>386,865</u>	<u>260,025</u>
Total Revenues	<u>\$ 13,604,503</u>	<u>\$ 9,396,470</u>

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses & Changes in Net Assets	Pro-Forma: July 1, 2006- June 30, 2007	July 1, 2005 - June 30, 2006**
Program Expenses		
CDBG Grant Funds Expended	\$ 11,606,598	\$ 7,474,913
Other Program Expenses	<u>360,179</u>	<u>431,455</u>
Total Program Expenses	11,966,777	7,906,368
Administrative Costs		
Salaries and Benefits	1,294,930	1,356,504
Other Administrative Costs	<u>406,265</u>	<u>312,130</u>
Total Administrative Costs	<u>1,701,195</u>	<u>1,668,634</u>
Total Expenses	13,667,972	9,575,002
Non-Operating Revenues	<u>324,595</u>	<u>218,049</u>
Change in Net Assets	<u>\$ 261,126</u>	<u>\$ 39,517</u>

**Note: July 1, 2005 to June 30, 2006 Revenue and Expense amounts were compiled by management and are presented using the same format as used for the 2007 fiscal year. The June 30, 2006 Financial Statements reported Revenues and Expenses for the 18 month period from January 1, 2005 to June 30, 2006 due to a change in fiscal year end from a calendar year basis to a June 30 year end.

Discussion of Changes in Balance Sheet

Cash balances increased by almost \$1 million in 2007 as many donors fulfilled their pledges to nonprofits and municipalities under the Community Development Investment Program (“CDIP”) in late June. The donors contribute to fund specific projects in exchange for tax credits used to offset New Hampshire state tax liabilities. Offsetting the increase in cash was a \$1.4 million decrease in Pledges Receivable and a \$400,000 reduction in Projects Payable as pledges fulfilled by donors were then passed on to recipients to fund projects. Other current and long term liabilities declined reflecting the payment of discretionary grants to funded projects.

Discussion of Results from Operations

A substantial portion of CDFA’s program revenues and expenses come from the administration of the CDBG program. In FY2007 we expended more than \$12.1 million in program funds to assist in the creation of affordable housing and quality jobs for low and moderate income people including more than \$700,000 in emergency assistance to eight projects experiencing serious and immediate needs.

Other key programs that assist in building capacity include the Downtown Resource Center focusing on downtown revitalization and the Housing Futures Fund that provides support to community based, non-profit housing organizations. CDFA also allocates discretionary funds to assist innovative projects that are unable to generate traditional financing.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

CDFA receives the majority of its administrative funding from fees collected for managing the CDIP state tax credit and CDBG programs. The CDIP fees are a percentage of the value of the contribution collected which varies on whether cash or property is received. CDBG administrative fees are paid on a cost reimbursement basis.

Additional Information

Inquiries for additional information may be directed to the Chief Financial Officer, Community Development Finance Authority, 14 Dixon Avenue, Suite 102, Concord, NH 03301 or at (603) 226-2170.

***NEW HAMPSHIRE COMMUNITY
DEVELOPMENT
FINANCE AUTHORITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2009 AND 2008***

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SUPPLEMENTAL INFORMATION**

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MASON + RICH

PROFESSIONAL ASSOCIATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Hampshire Community Development Finance Authority

We have audited the accompanying financial statements of New Hampshire Community Development Finance Authority (the Authority), a component unit of the State of New Hampshire, as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the New Hampshire Community Development Finance Authority and are not intended to present fairly the financial position of the State of New Hampshire and the results of its operations and cash flows of its proprietary fund types and non-expendable trust funds in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Community Development Finance Authority, a component unit of the State of New Hampshire as of June 30, 2009 and 2008 and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2009, on our consideration of New Hampshire Community Development Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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The Management's Discussion and Analysis on pages 17-18 is a required part of the basic financial statements required by accounting principals generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and their presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Mason + Rich, P.A.

MASON + RICH PROFESSIONAL ASSOCIATION
Certified Public Accountants

August 27, 2009

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY

STATEMENTS OF NET ASSETS

JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	\$ 8,282,505	\$ 8,119,169
Accounts Receivable, Net Allowance for Bad Debt	375	8,614
Community Development Investment Program Pledges Receivable	422,950	1,480,000
Neighborhood Stabilization Program Administrative Fees Receivable	207,521	-
Community Development Block Grant Funds Receivable	51,699	67,050
Downtown Services Grants Receivable	300	1,800
Economic Development Initiative Grants Receivable	11,306	1,836
Prepaid Expenses	36,389	28,681
Due from Affiliate	70,000	38,576
Current Portion of Notes Receivable	-	175,084
Investment in Land	-	28,657
Total Current Assets	<u>9,083,045</u>	<u>9,949,467</u>
PROPERTY AND EQUIPMENT		
Property and Equipment	122,003	89,671
Less Accumulated Depreciation	<u>(90,654)</u>	<u>(86,398)</u>
Net Property and Equipment	<u>31,349</u>	<u>3,273</u>
OTHER ASSETS		
Notes Receivable, Net Current Portion and Allowance	1,342,752	1,188,880
Long-Term Investments	<u>392,002</u>	<u>403,701</u>
Total Other Assets	<u>1,734,754</u>	<u>1,592,581</u>
TOTAL ASSETS	<u>\$ 10,849,148</u>	<u>\$ 11,545,321</u>

(Continued on next page)

The Accompanying Notes are an Integral Part of These Financial Statements

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY

STATEMENTS OF NET ASSETS

JUNE 30, 2009 AND 2008

LIABILITIES AND NET ASSETS

	2009	2008
<i>CURRENT LIABILITIES</i>		
Accounts Payable	\$ 140,352	\$ 95,542
Discretionary Grants Payable	15,000	124,500
Community Development Investment Program Projects Payable	4,119,354	5,477,854
Community Development Block Grant Deferred Revenue	-	26,259
Community Development Investment Program Deferred Revenue	84,589	295,999
Downtown Services Grant Deferred Revenue	26,555	45,507
Raymond Property Deferred Revenue	-	190,000
	<u>4,385,850</u>	<u>6,255,661</u>
<i>TOTAL LIABILITIES</i>		
 <i>NET ASSETS</i>		
Invested in Capital Assets	31,349	31,930
Unrestricted		
Board Designated	1,740,772	1,740,772
Undesignated	4,691,177	3,516,958
	<u>6,463,298</u>	<u>5,289,660</u>
<i>TOTAL NET ASSETS</i>		
	<u>\$ 10,849,148</u>	<u>\$ 11,545,321</u>
<i>TOTAL LIABILITIES AND NET ASSETS</i>		

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<i>REVENUES AND OTHER SUPPORT</i>		
Community Development Block Grant Funds	\$ 10,148,160	\$ 9,669,491
Community Development Block Grant Administrative Fees - HUD	162,130	265,564
Community Development Block Grant Administrative Fees - State of NH	207,803	155,256
Community Development Investment Program Administrative Fees	864,670	986,172
Neighborhood Stabilization Program Administrative Fees	207,521	-
Downtown Services Revenue	50,472	102,258
Economic Development Initiative Grant Revenue	115,091	153,334
Related Party Service Fees	60,000	60,000
Housing Futures Fund Grant	75,000	75,000
Miscellaneous	-	10,000
<i>Total Revenues and Other Support</i>	11,890,847	11,477,075
 <i>OPERATING EXPENSES</i>		
Salaries and Wages	908,682	851,474
Employee Benefits and Payroll Taxes	382,157	339,172
Office Expense	75,828	87,464
Travel	28,935	40,037
Occupancy	74,000	71,865
Professional Fees	119,417	234,077
Meetings and Events	56,082	65,475
Professional Development	2,177	8,383
Dues and Memberships	14,171	20,854
Depreciation	7,125	11,512
Bad Debts Expense (Recovery)	(3,259)	(16,898)
<i>Total Operating Expenses</i>	1,665,315	1,713,415
 <i>GRANT EXPENDITURES</i>		
Community Development Block Grant - Economic Development Grants	5,286,078	3,317,605
Community Development Block Grant - Housing and Public Facilities Grants	3,908,911	5,805,273
Community Development Block Grant - Emergency Grants	796,250	253,921
Community Development Block Grant - Feasibility Grants	36,195	43,528
Community Development Block Grant - Technical Grants	50,200	80,000
Economic Development Initiative Program Grants	105,622	151,498
Downtown Services Grants	4,254	18,000
Discretionary Program Grants	8,500	118,000
Housing Futures Grants	150,000	150,000
Training and Education Grants	2,500	5,000
North Country Self Help Initiative Grants	-	20,000
<i>Total Grant Expenditures</i>	\$ 10,348,510	\$ 9,962,825

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The Accompanying Notes are an Integral Part of These Financial Statements

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<i>NON-OPERATING REVENUES (EXPENSES)</i>		
Income from Investment in Related Party	\$ (11,699)	\$ (24,493)
Gain on Sale of Raymond Property	1,126,343	-
Interest Income	181,972	275,559
Property Taxes - Raymond Property	-	(8,505)
<i>Total Non-operating Revenues (Expenses)</i>	1,296,616	242,561
 <i>CHANGE IN NET ASSETS</i>	 1,173,638	 43,396
 <i>Net Assets, Beginning of Year</i>	 5,289,660	 5,246,264
 <i>Net Assets, End of Year</i>	 \$ 6,463,298	 \$ 5,289,660

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt of Community Development Block Grant Funds	\$ 10,137,251	\$ 9,666,810
Receipt of Community Development Block Grant Administrative Fees	369,933	420,820
Receipt of Community Development Investment Program Funds and Admin Fees	360,051	1,205,874
Receipt of Housing Futures Fund Grants	75,000	75,000
Receipt of Downtown Services Revenue	33,021	145,965
Receipt of Interest on Deposits	181,972	275,559
Receipt of Related Party Service Fees	28,576	28,636
Receipt of Deposit on Raymond Property Sale	(190,000)	191,495
Payment for Community Development Block Grant Funds	(10,187,134)	(9,447,092)
Payment for Housing Futures Fund Grants	(150,000)	(150,000)
Payment for Downtown Services Grants	(4,254)	(18,000)
Payment for Discretionary Program Grants	(8,500)	(118,000)
Payment for Training and Education Grants	(2,500)	(5,000)
Payment for North Country Self Help Initiative	-	(20,000)
Payment to Employees for Services	(1,290,846)	(1,190,649)
Payment to Suppliers for Goods & Services	(277,425)	(512,413)
Payment for Program Expenses	(52,822)	(57,078)
	<u>(977,677)</u>	<u>491,927</u>
Net Cash Provided by (Used in) Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Payments on Notes Receivable	21,214	15,476
Proceeds from the Sale of Raymond Property	1,155,000	-
Proceeds from the Sale of Investments	-	(100,000)
Purchase of Property and Equipment	(35,201)	(1,319)
	<u>1,141,013</u>	<u>(85,843)</u>
Net Cash Provided by (Used in) Investing Activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	163,336	406,084
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>8,119,169</u>	<u>7,713,085</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$ 8,282,505</u>	<u>\$ 8,119,169</u>

(Continued on next page)

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	2008	2008
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating Income	\$ 1,185,334	\$ 67,889
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	7,125	11,512
Gain on Sale of Raymond Property	(1,126,343)	-
Accounts Receivable	8,239	(8,540)
Community Development Investment Program Pledges Receivable	1,057,050	624,651
Neighborhood Stabilization Program Administrative Fees Receivable	(207,521)	-
Community Development Block Grant Funds Receivable	15,350	(28,940)
Downtown Services Grant Receivable	1,500	(1,800)
Economic Development Initiative Grants Receivable	(9,470)	(1,836)
Prepaid Expenses	(7,708)	(13,502)
Due from Affiliate	(31,424)	(31,364)
Accounts Payable	44,809	(27,834)
Discretionary Grants Payable	(109,500)	53,235
Community Development Investment Program Projects Payable	(1,358,497)	(303,406)
Community Development Block Grant Deferred Revenue	(26,259)	26,286
Community Development Investment Program Deferred Revenue	(211,410)	(109,931)
Downtown Services Deferred Revenue	(18,952)	45,507
Raymond Property Deferred Revenue	(190,000)	190,000
Total Adjustments	<u>(2,163,011)</u>	<u>424,038</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (977,677)</u>	<u>\$ 491,927</u>

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

A | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the New Hampshire Community Development 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 Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

Nature of Activities

The New Hampshire Community Development Finance Authority is a body politic and corporate authorized by Chapter 162-L of the Revised Statutes Annotated of New Hampshire. The Authority was created as a self-funded, nonprofit public instrumentality of the State of New Hampshire to foster and encourage economic development and affordable housing activities that benefit low and moderate-income citizens. The Authority accomplishes its mission by providing project funding, technical assistance, and financial support to nonprofit community development organizations, cooperatives, and other nonprofit groups that are engaged in these activities.

In June 1998, the legislature passed a bill giving the Authority the ability to accept donations of up to 5 million dollars during state fiscal year in exchange for \$3.75 million in state tax credits for community development projects.

Title 1 of the Housing and Community Development Act of 1974 authorized the Community Development Block Grant (CDBG) program, which is sponsored by the U.S. Department of Housing and Urban Development (HUD). The primary purpose of the CDBG program is the development of viable urban communities by providing decent housing, suitable living environments, and expanding economic development opportunities, principally for persons of low and moderate income.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Authority is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less.

Property and Equipment

Property and equipment is stated at cost. Depreciation expense is computed on the straight line method based on the estimated useful lives of the assets. Expenditures for maintenance, repairs, renewals and improvements which do not materially extend the useful lives of the assets are expensed.

Accounts and Notes Receivable

Accounts receivable and notes receivable are stated at unpaid balances less an allowance for doubtful accounts. The Authority provides for losses on receivables using the allowance method. The allowance is based on experience, collateral position and other circumstances which may affect the ability of the project to meet its obligations. Interest is accrued according to the terms of the promissory notes. Due to the community development mission of the Authority, the Authority makes every effort to restructure existing receivables to give the project the greatest chance of success. As a result, allowances on certain receivables are significant; however, actual default of receivables is rare.

Pledge Receivable

Pledge Agreements are obtained for all pledges and have no restrictions on the use of the pledge.

Credit Risk

The Authority may lend discretionary funds to a project as part of the Authority's Community Development Mission. Loans made to projects are often made as part of an overall package of grants and financing which are combined to provide monies to complete projects which the Authority has determined meet the goal of community development. As a result, the loans carry a higher level of credit risk than conventional financing methods. The Authority attempts to mitigate this risk by maintaining frequent contact with the project administrators, obtaining collateral and establishing an adequate allowance for doubtful accounts.

Deferred Revenue

Income from the administration of Community Development Investment Program Tax Credits and Community Development Block Grants is deferred and recognized over the periods to which the income relates.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Authority to designate appropriate sums of unrestricted net assets for the purpose of meeting operating budget expenses. In addition, the Board of Directors has designated a sum of unrestricted net assets for the purpose of providing discretionary grants and loans.

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Income Tax Status

The Authority is exempt from federal income tax under Section 509(a)(1) of the Internal Revenue Code.

Fund Accounting

The accounts of the Authority are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. All activities of the Authority are accounted for in the Enterprise Fund.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies.

B | CASH

The total amount of the Authority's cash, stated at fair value, consists of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Cash	\$ 1,123,509	\$ 1,723,739
Money Market	1,144,625	6,395,430
Certificate of Deposit	<u>6,014,371</u>	<u>-</u>
Total	<u>\$ 8,282,505</u>	<u>\$ 8,119,169</u>

The total amount of the Authority's deposits in financial institutions, per the bank statements, at June 30, 2009 and 2008 was \$8,070,835 and \$8,556,473, respectively, all of which was insured or collateralized.

C | ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts as of June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Notes Receivable	\$ 474,188	\$ 2,493,737
Accounts Receivable - Fees	<u>-</u>	<u>1,142</u>
	<u>\$ 474,188</u>	<u>\$ 2,494,879</u>

(Continued on next page)

NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

D | NOTES RECEIVABLE

Notes receivable consisted of the following at June 30, 2009 and 2008:

	2009	2008
Note receivable from Keene Economic Development. The note is being repaid from the proceeds of loans made to certain third parties. Principal due October 2011. Collateralized by land and buildings.	\$ 68,044	\$ 68,044
Note receivable from New Hampshire Stories. The note requires quarterly payments from the net operating income of the project. Collateralized by assets of Corporation. Bears interest of 3% per annum.	30,398	36,340
Note receivable from Southwest Community Services, Inc. The note requires quarterly payments from the net operating income generated by rental property. Collateralized by land and buildings.	32,089	32,089
Note receivable from New Hampshire Community Loan Fund. Annual principal payments only. Principal payments due June 2010, August 2010 and March 2011, uncollateralized. Bears interest of 3% per annum.	600,000	600,000
Note receivable from Monadnock Business Ventures Inc. Project defaulted and \$240,000 was written off against allowance for bad debt, remaining fees due in 2009.	8,793	8,793
Note receivable from Hannah Grimes Market. The note does not bear interest and requires quarterly payments from the net operating income generated by rental property. Collateralized by land and buildings.	37,082	38,132
Note receivable from New Frontier Industries, Inc. Project defaulted and \$1,900,000 was written off against allowance for bad debt.	-	1,900,000
Note receivable from Capital Hotel Company II, LLC. Quarterly principal payable over 10 years. Interest at 1%. Collateralized by land and buildings.	896,784	913,121
Note receivable from Troy Redevelopment Group, Inc. Principal and accrued interest due June 2010. Interest at 5%. Collateralized by land.	100,000	100,000
Note receivable from Seacoast Business Alliance. Principal and interest due in June 2009. Interest at 6.5%. Collateralized by land and buildings.	43,750	43,750

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NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

	<u>2009</u>	<u>2008</u>
Note receivable from New Frontier Industries. Project defaulted and \$117,431 was written off against allowance for bad debt.	-	117,431
	1,816,940	3,857,701
Allowance for doubtful accounts	(474,188)	(2,493,737)
Notes receivable, net of allowance	<u>\$ 1,342,752</u>	<u>\$ 1,363,964</u>
Current portion	\$ -	\$ 175,084
Long-term portion	<u>1,342,752</u>	<u>1,188,880</u>
Total Notes Receivable	<u>\$ 1,342,752</u>	<u>\$ 1,363,964</u>

E | CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment and Software	\$ 89,671	\$ 35,201	\$ (2,869)	\$ 122,003
Less Accum. Depreciation	(86,398)	(7,125)	2,869	(90,654)
Net Capital Assets	<u>\$ 3,273</u>	<u>\$ 28,076</u>	<u>\$ -</u>	<u>\$ 31,349</u>

Depreciation expense for the year ended June 30, 2009 was \$7,125.

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 28,657	\$ -	\$ (28,657)	\$ -
Equipment and Software	<u>88,352</u>	<u>1,319</u>	-	<u>89,671</u>
Total	117,009	1,319	(28,657)	89,671
Less Accum. Depreciation	(74,886)	(11,512)	-	(86,398)
Net Capital Assets	<u>\$ 42,123</u>	<u>\$ (10,193)</u>	<u>\$ (28,657)</u>	<u>\$ 3,273</u>

Depreciation expense for the year ended June 30, 2008 was \$11,512.

The Authority determined that land previously classified as a fixed asset used in operations should be reclassified as an investment held for sale. During the fiscal year ended June 30, 2008, the Authority entered into an agreement to sell property. Part of the agreement to sell the land required a deposit in the amount of \$190,000 which was recorded as deferred revenue during the fiscal year ended June 30, 2008. The deferred revenue was subsequently recognized as gain on the statement of revenues and expenses during the fiscal year ended June 30, 2009.

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NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

F | NET ASSETS

The Authority's Board of Directors designated net assets totaling \$1,740,772 for the years ended June 30, 2009 and 2008. The funds are designed for discretionary grants and loans.

G | OPERATING LEASES

The Authority leases office space from a related party. The terms of the lease are month to month. See Note J for additional disclosure.

H | EMPLOYEE BENEFIT PLANS

The Authority established a defined contribution pension plan under the provisions of Internal Revenue Code Section 401(a) and 457. Plan administration is performed by International City/County Management Association (ICMA). All of the employees of the Authority are eligible to participate. The Section 401(a) Plan is an employer contribution plan only. A total contribution of 4% of gross wages is made each year. The Section 457 Plan employee contributions are voluntary with an employer match of up to \$1,916 and \$1,800 annually for the years ended June 30, 2009 and 2008, respectively. The Authority's contributions to the 401(a) and 457 plan for the year ended June 30, 2009 and 2008 were as follow:

	<u>2009</u>	<u>2008</u>
Internal Revenue Code 457	\$ 16,536	\$ 21,381
Internal Revenue Code 401(a)	<u>63,346</u>	<u>57,671</u>
Total Retirement Plan Contributions	<u>\$ 79,882</u>	<u>\$ 79,052</u>

I | RELATED PARTY TRANSACTIONS

By law, the Authority's Board of Directors must include representatives from community development organizations. It is the practice of the Board of Directors to excuse themselves from voting on potential related party transactions. Related party transactions for the year ending June 30, 2009 were as follows:

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NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Transaction	Relationship
Award \$30,000 in tax credits to Colebrook Downtown Development Association	A Board Member is affiliated with the Colebrook Downtown Development Association
Award tax credits to the Housing Futures Fund.	A Board Member is affiliated with Affordable Housing, Education and Development, Inc., another is affiliated with Belknap Merrimack CAP and a board member is associated with the housing partnership which are potential recipients of a portion of this award.
Award \$250,000 in tax credits to Alliance of Regional Development Corporations (RDC)	A Board Member is affiliated with the Alliance of Regional Development Corporations (RDC)
Award \$600,000 in tax credits to Plymouth State University	A Board Member is affiliated with the Presidents Council of Plymouth State University

Related Party transactions for the year ended June 30, 2008 were as follows:

Transaction	Relationship
Award \$31,250 in tax credits to Coastal Economic Development Corp.	A Board Member is affiliated with the Coastal Economic Development Corp.
Award \$625,000 in tax credits to Crotched Mountain Rehabilitation Center.	A Staff Member's Spouse works at the Crotched Mountain Rehabilitation Center.
Award tax credits to the Housing Futures Fund.	A Board Member is affiliated with Affordable Housing, Education and Development, Inc., another is affiliated with Belknap Merrimack CAP and a board member is associated with the housing partnership which are potential recipients of a portion of this award.
Award \$20,000 Discretionary Grants to the North Country Council.	A Board Member is affiliated with the North Country Council.
Award \$275,000 in tax credits to the Regional Development Fund.	A Board Member is affiliated with Coastal Economic Development Corp which is a potential recipient of a portion of this award.

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NEW HAMPSHIRE COMMUNITY DEVELOPMENT FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

J | RELATED ORGANIZATION

New Hampshire Community Development Finance Authority is the sole member of 14 Dixon Avenue Development Company, LLC (DADCo). As of June 30, 2009 and 2008, the Authority's investment in DADCo was \$392,002 and \$403,701, respectively. New Hampshire Community Development Finance Authority also paid DADCo fees under the office lease agreement totaling \$72,940 for the years ending June 30, 2009 and 2008, respectively.

This building is being subleased under a tenant at will agreement. The above rental expense is offset by \$10,800 and \$12,960, respectively in sublease rental income for the years ending June 30, 2009 and 2008, respectively.

K | GRANT REVENUE AND EXPENDITURES

During the year ending June 30, 2008, the Authority was successful in recovering community development block grant funds (CDBG) which had previously been awarded to a project which failed to comply with the requirements of the award. The amount of the recovery was \$207,770. The Federal Agency advised the Authority not to include the recovery as part of Grant Revenues for grant reporting purposes but as program income. However, for financial statement reporting, the Authority did include the recovery and subsequent expenditures as grant revenue and expenditures. A reconciliation of these amounts is below:

Revenue:

CDBG Grant Funds Received Per Financial Statements	\$ 9,669,491
CDBG Administrative Fees Received	265,564
EDI Grant Revenue Received	153,334
Recovery of Prior Year Award	<u>(207,770)</u>
CDBG Grant Revenue Per Grant Reporting	<u>\$ 9,880,619</u>

Expenditures:

CDBG Economic Development Grants	\$ 3,317,605
CDBG Housing and Public Facilities Grants	5,805,273
CDBG Emergency Grants	253,921
CDBG Feasibility Grants	43,528
CDBG Technical Grants	80,000
EDI Program Grants	151,498
Other Operating Expenses	<u>337,932</u>
CDBG Grant Revenue Per Financial Statements	9,989,757
Expenses Paid From Recovered Award	<u>(109,138)</u>
CDBG Grant Expenditures Per Grant Reporting	<u>\$ 9,880,619</u>

SUPPLEMENTARY INFORMATION

NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

In fiscal year ended June 30, 2009, CDFA provided \$10,348,510 in financial support to 89 projects across New Hampshire. The grants were spread across Housing, Public Facility, Economic Development and Downtown Development projects. For every CDFA dollar awarded in FY2009, we leveraged more than \$5.30 of funding from both the public and private sectors. These numbers reflect our determination to partner with other organizations to improve the lives of low and moderate income New Hampshire citizens, cultivate the economic base of communities and create jobs.

Discussion of Changes in Balance Sheet

Cash balances increased \$163,000 to \$8,282,505 as of June 30, 2009. The increase reflects the sale of a parcel of land in Raymond, NH which was partially offset by a decline in the amount of donations received for the Community Development Investment Program ("CDIP").

CDIP Pledges Receivable declined by more than \$1 million to \$422,950 reflecting lower pledges received due to the economic downturn and net payouts during the year to projects that had received pledges. CDIP Projects Payable, representing donations received that are owed to projects, declined to \$4,119,354 also reflecting the lower amount of donations received to fund projects.

Discussion of Results from Operations

CDFA earned a profit of \$1,173,638 in 2009 compared to a profit of \$43,396 in 2008. The majority of the profit was from the sale of the parcel of land in Raymond, NH which netted CDFA a gain of \$1,126,343. Excluding the one time gain, CDFA earned a profit of \$47,295 in the fiscal year.

Revenues totaled \$11,890,847 in 2009, an increase of \$413,772 over the prior year. Payments to CDBG program revenues increased \$478,669 to \$10,148,160 reflecting increased payments to CDBG grantees during the year.

CDFA also disbursed \$270,876 in other grants that assist in building capacity. The programs include the Economic Development Initiative funded by HUD, the Downtown Resource Center, the Housing Futures Fund, and other innovative projects unable to generate traditional financing.

CDFA earned \$1,442,124 in administrative fees in 2009, an increase of \$35,132 from the prior year. The increase reflects the addition of the Neighborhood Stabilization Program ("NSP") that more than offset a decline in CDIP administrative fees from lower donations due to the economic downturn. The CDIP fees are a percentage of the value of the contribution collected which varies on whether cash or property is received. CDBG and NSP administrative fees are collected on a cost reimbursement basis.

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NH COMMUNITY DEVELOPMENT FINANCE AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses totaled \$1,665,315, a decline of \$48,100 as continued efforts to control costs resulted in savings in many expense lines. Employee salaries and benefits, which make up 78% of operating expenses, increased \$100,193 as vacant positions were filled during the year to accommodate program growth.

Additional Information

Inquiries for additional information may be directed to the Chief Financial Officer, Community Development Finance Authority, 14 Dixon Avenue, Suite 102, Concord, NH 03301 or at 603-226-2170.