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NEW HAMPSHIRE
BUSINESS FINANCE AUTHORITY

December 23, 2014

Her Excellency, Governor Margaret Wood Hassan
and The Honorable Council

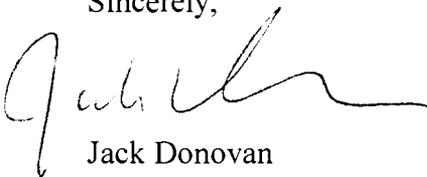
Dear Governor and Councilors:

On behalf of the Chairman and the Board of Directors of the Business Finance Authority (BFA), I am pleased to provide you with copies of the BFA's Fiscal Year 2014 financial statements for your review and acceptance.

In the past year, the BFA enabled one hundred and seven (107) New Hampshire businesses to access \$42,517,973 in financing. Eight hundred sixty-one (861) jobs were retained or created as a result of the BFA's programs.

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

Sincerely,



Jack Donovan
Executive Director

Enclosure

bfa/audittransmittaltoGandC

FINANCING FOR NEW HAMPSHIRE'S FUTURE

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**NEW HAMPSHIRE BUSINESS
FINANCE AUTHORITY**

**WITH BLENDED PRESENTATION OF
COMPONENT UNIT NHBFA CDE, LLC**

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Hampshire Business Finance Authority

We have audited the accompanying financial statements of the business-type activities of New Hampshire Business Finance Authority, a component unit of the State of New Hampshire, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of New Business Finance Authority, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note Q to the financial statements, in 2014, the Authority adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Carew Wells, PLLC

Carew & Wells, PLLC
Certified Public Accountants

August 20, 2014

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Business Finance Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- Total assets increased from \$51,468,275 to \$53,036,996. Among the BFA's principal assets are cash, notes receivable, investment in the Borealis Granite Fund, and repurchase agreements.
- The loan loss reserve increased to \$10,123,241 as the BFA reserved an additional \$798,523 for potential losses. This reserve is maintained to absorb losses from defaulted loans and, after subtracting current year losses, stands at 15% of outstanding liabilities. This is the highest reserve the BFA has ever maintained.
- Total income for fiscal year 2014 was \$3,901,249, down \$6,985,574 from the prior year because of a \$6,948,837 reduction in pass through grant revenue. Continuing income (total income minus grant revenue) was nearly identical to the prior year at \$2,386,851.
- Total expenses for fiscal year 2014 were \$2,809,770, a \$555,894 increase from the prior year. Principal expenses were interest expense, bad debt, loan loss reserves, delinquent taxes on foreclosure, and salaries and benefits. After adjusting for additions to loan loss reserves and extraordinary tax expense, expenses increased in 2014 by \$52,261, or 2% .
- Capital Access Program losses remained low at \$254,842 in 2014. CAP loan loss reserves are currently 9% of the covered portion of enrolled loans.
- Net assets increased from \$19,285,802 to \$20,223,873. Most of these net assets are the result of pass-through grants from the State Small Business Credit Initiative and Public Utilities Commission RGGI program and are restricted as to use.

USING THIS REPORT

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

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

BFA's Summary Discussion of Operating Revenues and Expenses

The BFA's audited financial statements for fiscal years 2011 to 2014 are summarized below.

BFA Net Assets Summary, 2014-2011

	2014	2013	2012	2011
<i>Current Assets</i>				
Cash and Equivalents	\$ 732,288	\$ 2,025,331	\$ 3,954,669	\$ 1,627,414
Repurchase Agreements	7,769,846	6,253,661	3,057,809	5,120,586
Accrued Interest	473,031	361,041	340,225	349,575
Current Portion – Notes Receivable	3,571,738	5,202,241	3,439,913	2,438,045
Grants Receivable	129,808	751,960	545,198	-
Other Current Assets	<u>109,109</u>	<u>26,465</u>	<u>42,136</u>	<u>49,612</u>
<i>Total Current Assets</i>	<u>12,785,820</u>	<u>14,620,699</u>	<u>11,379,950</u>	<u>9,5855,230</u>
<i>Noncurrent Assets</i>				
Restricted Assets (Cash & Investments)	12,972,181	9,983,992	12,823,162	11,439,553
Property Held for Sale, net	505,755	-	-	-
Property & Equip (net of depreciation)	-	-	3,571	13,292
Bond Issuance Costs	-	132,648	153,408	174,170
Investment in CDE	6,538	5,867	5,656	1,012
Investment in Borealis Fund	4,500,000	4,500,000	-	-
Notes Receivable	<u>22,266,702</u>	<u>22,225,069</u>	<u>18,287,938</u>	<u>16,893,058</u>
<i>Total Noncurrent Assets</i>	<u>40,251,176</u>	<u>36,847,576</u>	<u>31,270,164</u>	<u>28,507,793</u>
<i>Total Assets</i>	<u>\$ 53,036,996</u>	<u>\$ 51,468,275</u>	<u>\$ 42,653,685</u>	<u>\$ 38,106,315</u>
<i>Current Liabilities</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,089
Due to State of New Hampshire	27,000	27,000	-	-
Community Loan Fund	61,932	94,799	1,020,197	-
Accrued Vacation	33,494	34,477	42,975	44,802
Accrued Interest	25,000	25,491	25,000	21,475
Escrow Funds	<u>11,924</u>	<u>256,405</u>	<u>-</u>	<u>-</u>
<i>Total Current Liabilities</i>	<u>97,418</u>	<u>438,172</u>	<u>1,088,172</u>	<u>68,366</u>
<i>Noncurrent Liabilities</i>				
Loan Loss Reserve	10,123,241	9,324,718	8,650,269	5,916,170
Bonds Payable	<u>19,950,873</u>	<u>19,943,215</u>	<u>19,935,556</u>	<u>19,927,897</u>
<i>Total Noncurrent Liabilities</i>	<u>30,074,114</u>	<u>29,267,933</u>	<u>28,585,825</u>	<u>25,844,067</u>
<i>Deferred Revenues</i>	<u>2,579,659</u>	<u>2,476,368</u>	<u>2,424,630</u>	<u>2,480,055</u>
<i>Total Liabilities & Deferred Inflows</i>	32,813,123	32,182,473	32,098,627	28,392,488
<i>Net Assets</i>	<u>20,223,873</u>	<u>19,285,802</u>	<u>10,555,058</u>	<u>9,713,827</u>
<i>Total Liabilities, Deferred Inflows & Net Assets</i>	<u>\$ 53,036,996</u>	<u>\$ 51,468,275</u>	<u>\$ 42,653,685</u>	<u>\$ 38,106,315</u>

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Assets - Total assets increased from \$51,468,275 to \$53,036,996. Among the BFA's principal assets are cash, notes receivable, investment in the Borealis Granite Fund, and repurchase agreements.

Cash decreased from \$2,025,331 to \$732,288, and repurchase agreements increased from \$6,253,661 to \$7,769,846, as the BFA tried to improve the yield on its assets. Notes receivable (both current and long-term portions) decreased from \$27,427,310 to \$25,838,440 as the Energy Revolving Loan Fund and SSBCI loans started to amortize.

The BFA acquired a property at foreclosure to protect an existing loan. This asset is carried at \$505,755, the estimated market value, on the balance sheet.

Due to changes in the accounting standards, Bond Issuance Costs have been eliminated this year as an asset.

Liabilities - The BFA's principal liabilities are bonds payable, loan loss reserve and deferred revenues.

Bonds/notes payable, (including both the current and noncurrent portions) were virtually unchanged at \$19,950,873 as the BFA elected to not redeem any bonds during the year.

The loan loss reserve increased to \$10,123,241 as the BFA reserved additional funds for potential loan losses. This reserve is maintained to absorb losses from defaulted loans and, after subtracting current year losses, stands at 15% of outstanding liabilities.

Deferred revenues are the borrower and lender portions of the Capital Access Program reserves. Deferred revenues increased from \$2,476,368 to \$2,579,659 as banks enrolled more new loans and drew less upon the reserves to cover losses.

Net Assets - Net assets increased from \$19,285,802 to \$20,223,873. Most of these net assets are the result of pass-through grants from the State Small Business Credit Initiative and Public Utilities Commission RGGI program and are restricted as to use.

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

BFA Operating Revenues and Expenses Summary, 2014-2011

	2014	2013	2012	2011
Operating Revenues				
Application Fees	\$ 800	\$ 1,400	\$ -	\$ -
Guarantee Fees	371,458	385,011	302,099	390,498
Rent of Leased Land and Buildings, Net	216,073	189,850	192,914	80,690
New Markets Tax Credit fees	414,911	150,000	979,437	-
Bond Service Fees	<u>67,422</u>	<u>137,167</u>	<u>251,477</u>	<u>809,109</u>
Total Operating Revenues	<u>1,070,664</u>	<u>863,428</u>	<u>1,725,927</u>	<u>1,280,297</u>
Total Operating Expenses	<u>1,100,348</u>	<u>1,122,152</u>	<u>1,016,904</u>	<u>1,105,029</u>
Operating Income	<u>(29,684)</u>	<u>(258,724)</u>	<u>709,023</u>	<u>175,268</u>
Other Income & Expenses				
Loan Program and Bank Interest	1,270,253	1,258,699	1,008,886	1,111,578
Interest Expense	(292,805)	(274,262)	(284,246)	(343,603)
Net Investment Income	20,441	19,366	40,330	22,450
Bad Debt Expense	(1,310,293)	(825,462)	(1,448,713)	(1,772,155)
Bad Debt Expense – Year End Adjustment	-	-	(2,734,099)	-
Pass Through State Grant	1,514,398	8,463,235	3,631,185	846,000
Other Income	14,204	270,806	1,576	30,106
Amortization on Loans Purchased at a Discount	11,289	11,289	11,289	7,526
Gain on Sale of Fixed Assets	-	-	-	(264,688)
Extraordinary Expenses, Foreclosure	(106,324)	-	-	-
Transfer to State of New Hampshire/EDCs	-	(32,000)	(94,000)	(35,000)
Total Other Income and Expense	<u>1,121,163</u>	<u>8,891,671</u>	<u>132,208</u>	<u>(397,786)</u>
Net Income	1,091,479	8,632,947	841,231	(222,518)
Retained Earnings, Beginning of Year	<u>19,132,394</u>	<u>10,652,855</u>	<u>9,713,827</u>	<u>9,936,345</u>
Retained Earnings, End of Year	<u>\$ 20,223,873</u>	<u>\$ 19,285,802</u>	<u>\$ 10,555,058</u>	<u>\$ 9,713,827</u>

Income – Total income for fiscal year 2014 was \$3,901,249. The BFA's principal sources of revenue were passing through grant revenue, largely from the State Small Business Credit Initiative (SSBCI), loan program interest, and guarantee and tax credit fees.

Loan program interest is income that is earned by the BFA from the reinvestment of bond proceeds and SSBCI funds in loans, loan participations and reserve accounts. Income from this category increased slightly to \$1,270,253 as the BFA's SSBCI and Energy Conservation loans started to fully amortize.

Tax credit fees increased from \$150,000 to \$414,911 as the BFA started to receive annual management fees for its \$65 million New Markets Tax credit portfolio. Management fees run for the 7 year life of each New Markets investment.

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The BFA receives annual bond service fees on its outstanding revenue bonds that were issued prior to 1996, as well as one-time issuer fees of 0.25% to 0.75% on all new revenue bond issues. In fiscal year 2014, revenue from these fees totaled \$67,422, a decrease of \$69,745 from the previous year, as older bonds continued to be pre-paid and the demand for new bonds was weak. Bond fees will be a secondary revenue source for the foreseeable future.

The BFA receives both closing and annual fees for the guarantees it provides for loans to businesses. These fees are typically one percent (1%) at closing and one percent (1%) annually in arrears. Guarantee fees were down slightly in 2014 at \$371,458.

Pass through grants from the Public Utilities Commission for the Energy Revolving Loan Fund and DRED for the State Small Business Credit Initiative decreased significantly from \$8,463,235 in FY 2013 to \$1,514,398 this fiscal year as the BFA received the bulk of its SSBCI and PUC funding in FY 2013. We expect to receive the last of the SSBCI monies this fiscal year.

Expenses – Total expenses for fiscal year 2014 were \$2,809,770, a \$555,894 increase from the prior year. Principal expenses were interest expense, bad debt, delinquent taxes on foreclosure, project and professional fees, and salaries and benefits.

Interest expense was essentially unchanged at \$292,805. Approximately 75% of the BFA's outstanding bonds are variable rate (weekly adjustable), while the interest rate for the other 25% is fixed through interest rate swaps.

Bad debt was \$1,310,293 in 2014, a \$484,831 increase from the prior year as the BFA set aside more in reserves for potential losses. Loan loss reserves are currently 15% of the guaranteed portion of outstanding liabilities and 9% of CAP balances.

Total operating expenses increased this year from \$1,067,585 to \$1,100,348 because of increased NMTC and project and professional expenses. Salaries and Benefits were lower as we moved the NMTC program manager from full-time to part-time.

OPERATING OVERHEAD	2009	2010	2011	2012	2013	2014
Salaries & Benefits	\$ 446,197	\$ 489,248	\$ 626,039	\$ 638,007	\$ 667,950	\$ 549,359
Occupancy Costs	48,135	45,559	46,195	47,158	56,230	50,217
Professional Fees	11,080	165,314	73,734	78,036	107,121	106,669
Operating Expenses	38,071	48,272	64,238	43,227	40,221	38,459
Project Expense	<u>72,501</u>	<u>319,640</u>	<u>130,057</u>	<u>72,104</u>	<u>121,470</u>	<u>194,968</u>
Total	\$ <u>615,984</u>	\$ <u>1,068,033</u>	\$ <u>940,263</u>	\$ <u>878,532</u>	\$ <u>938,425</u>	\$ <u>939,672</u>
As % of Rev. & Int. Income	<u>22.4%</u>	<u>37.4%</u>	<u>39%</u>	<u>32%</u>	<u>39%</u>	<u>39%</u>

Net Income - Pursuant to Section 21 of the Act, the BFA intends its programs, including the new programs created by the Act, to operate in the aggregate, on a self-funding basis. The BFA had change in net assets of \$1,953,270, (\$222,518), \$841,231, \$8,697,514, and \$1,091,474 for fiscal years 2010 - 2014, respectively. Most of the 2013 and 2014 change in net assets are the result of pass-through grants and are restricted as to use.

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

THE PROGRAMS

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

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

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

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

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

Guarantee of Loans to Small Businesses: The Act provides that the BFA may recommend that the Governor and Council award a guarantee of the State of New Hampshire of the principal of and interest on certain loans made by a private financial institution to any business operating in the State, provided that either the loan is also guaranteed, in part, by the United States Small Business Administration (the "SBA") or that the loan is made in connection with another loan which is guaranteed in part under an SBA-administered program. This program is intended to supplement the loan guarantee programs administered by the SBA. The program requires that the private financial institution loaning funds enter into a Guarantee/Participation Agreement with the BFA. The principal portion of any State guarantee shall not exceed 90% of the original principal amount of the loan (or in connection with another loan which is guaranteed in part under an SBA-administered program)

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

less the amount of principal guaranteed by the SBA. Currently the maximum guarantee by the SBA is \$750,000, which is 75% of \$1,000,000. The BFA will provide a guarantee of up to 90% of the amount, which exceeds \$1,000,000. The total SBA and BFA guarantee cannot exceed \$1,500,000. The BFA is required to establish a loan reserve as described below in the amount of 10% of any State guarantee.

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

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

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

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

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

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

The total amount of State guarantees that may be in force at any one time for the Guarantee of Loans to Small Businesses Program, the Secondary Market for Loans Made by Local Development Organizations Program, the Guarantee Asset Program, the Working Capital Loan Guarantee Program, the State Guarantee of Small Revenue Bonds Program and for the guarantee of general obligation bonds of the BFA (such as the 2002 Bonds) cannot exceed a unified contingent credit limit established by the Act. The limit currently is \$95,000,000 plus interest.

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

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
WITH BLENDED PRESENTATION OF COMPONENT UNIT NHBFA CDE LLC
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	NH BFA JUNE 30, 2014	NH BFA CDE, LLC DECEMBER 31, 2013	COMBINED TOTAL
ASSETS			
<i>CURRENT ASSETS</i>			
Cash and cash equivalents	\$ 663,632	\$ 68,656	\$ 732,288
Accounts receivable	-	103,105	103,105
Grants receivable	129,808	-	129,808
Due (to) from component unit	108,245	(103,517)	4,728
Repurchase agreements	7,769,846	-	7,769,846
Prepaid expenses	1,276	-	1,276
Accrued interest receivable, notes receivable	240,900	-	240,900
Accrued interest receivable, investments	232,131	-	232,131
Current portion of notes receivable, net amortization	<u>3,571,738</u>	<u>-</u>	<u>3,571,738</u>
<i>Total Current Assets</i>	<u>12,717,576</u>	<u>68,244</u>	<u>12,785,820</u>
<i>RESTRICTED ASSETS</i>			
Cash and cash equivalents	<u>12,322,181</u>	<u>650,000</u>	<u>12,972,181</u>
<i>CAPITAL ASSETS</i>			
Property and equipment	33,767	-	33,767
Less: accumulated depreciation	<u>(33,767)</u>	<u>-</u>	<u>(33,767)</u>
<i>Net Capital Assets</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>OTHER ASSETS</i>			
Notes receivable, net amortization and current portion	22,266,702	-	22,266,702
Property held for sale, net	505,755	-	505,755
Investment in Borealis Fund	4,500,000	-	4,500,000
Investment in Sub-CDE	<u>-</u>	<u>6,538</u>	<u>6,538</u>
<i>Total Other Assets</i>	<u>27,272,457</u>	<u>6,538</u>	<u>27,278,995</u>
TOTAL ASSETS	<u>\$ 52,312,214</u>	<u>\$ 724,782</u>	<u>\$ 53,036,996</u>

The accompanying notes are an integral part of these financial statements

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
WITH BLENDED PRESENTATION OF COMPONENT UNIT NHBFA CDE LLC
STATEMENT OF NET POSITION (CONTINUED)
AS OF JUNE 30, 2014

	NH BFA JUNE 30, 2014	NH BFA CDE, LLC DECEMBER 31, 2013	COMBINED TOTAL
LIABILITIES			
<i>CURRENT LIABILITIES</i>			
<i>Current Liabilities Payable from Unrestricted Assets</i>			
Accounts payable	\$ 11,924	\$ -	\$ 11,924
Accrued remittance to State of New Hampshire	27,000	-	27,000
Accrued interest	25,000	-	25,000
Accrued employee compensation	33,494	-	33,494
<i>Total Current Liabilities Payable from Unrestricted Assets</i>	<u>97,418</u>	<u>-</u>	<u>97,418</u>
<i>Current Liabilities Payable from Restricted Assets</i>			
Community Loan Fund	61,932	-	61,932
<i>Total Current Liabilities</i>	<u>159,350</u>	<u>-</u>	<u>159,350</u>
<i>LONG-TERM LIABILITIES</i>			
Loan loss reserve	10,123,241	-	10,123,241
Bonds payable, net of discount	19,950,873	-	19,950,873
<i>Total Long-Term Liabilities</i>	<u>30,074,114</u>	<u>-</u>	<u>30,074,114</u>
TOTAL LIABILITIES	<u>30,233,464</u>	<u>-</u>	<u>30,233,464</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	<u>2,533,850</u>	<u>45,809</u>	<u>2,579,659</u>
NET POSITION			
Invested in Capital Assets	-	-	-
Restricted	26,892,642	-	26,892,642
Unrestricted	<u>(7,347,742)</u>	<u>678,973</u>	<u>(6,668,769)</u>
TOTAL NET POSITION	<u>19,544,900</u>	<u>678,973</u>	<u>20,223,873</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET ASSETS	<u>\$ 52,312,214</u>	<u>\$ 724,782</u>	<u>\$ 53,036,996</u>

The accompanying notes are an integral part of these financial statements

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
WITH BLENDED PRESENTATION OF COMPONENT UNIT NHBFA CDE LLC
**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	NH BFA JUNE 30, 2014	NH BFA CDE, LLC DECEMBER 31, 2013	COMBINED TOTAL
<i>OPERATING REVENUES</i>			
Application fees	\$ 800	\$ -	\$ 800
Loan service fees	371,458	-	371,458
Rent of leased land and buildings, net	216,073	-	216,073
Bond service charge fees	67,422	-	67,422
New Market Tax Credit (NMTC) fees	-	414,911	414,911
Pass-through grant revenue from other state agencies	1,514,398	-	1,514,398
Other income	14,204	-	14,204
Amortization on loans purchased at a discount	11,289	-	11,289
Income from loan programs and bank interest	1,270,253	-	1,270,253
<i>Total Operating Revenue</i>	<u>3,465,897</u>	<u>414,911</u>	<u>3,880,808</u>
<i>OPERATING EXPENSES</i>			
Salaries and wages	388,843	22,141	410,984
Employee benefits	138,375	-	138,375
Occupancy costs	50,217	-	50,217
Professional fees	33,089	73,580	106,669
Operating costs	37,508	951	38,459
Project fees	59,982	134,986	194,968
Miscellaneous	50	8	58
Bond and brokerage fees	152,960	-	152,960
Bad debt	1,310,293	-	1,310,293
Amortization	7,658	-	7,658
Depreciation	-	-	-
<i>Total Operating Expenses</i>	<u>2,178,975</u>	<u>231,666</u>	<u>2,410,641</u>
<i>NET OPERATING INCOME</i>	<u>1,286,922</u>	<u>183,245</u>	<u>1,470,167</u>
<i>NON-OPERATING REVENUES (EXPENSES)</i>			
Interest expense	(292,805)	-	(292,805)
Net investment income	20,178	263	20,441
<i>Total Non-operating Revenues (Expenses)</i>	<u>(272,627)</u>	<u>263</u>	<u>(272,364)</u>
<i>EXTRAORDINARY EXPENSE</i>			
Delinquent taxes on foreclosure of property held for sale	106,324	-	106,324
<i>INCREASE (DECREASE) IN NET ASSETS</i>	907,971	183,508	1,091,479
NET POSITION, beginning of year (as restated)	<u>18,636,929</u>	<u>495,465</u>	<u>19,132,394</u>
NET POSITION, end of year	<u>\$ 19,544,900</u>	<u>\$ 678,973</u>	<u>\$ 20,223,873</u>

The accompanying notes are an integral part of these financial statements

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
WITH BLENDED PRESENTATION OF COMPONENT UNIT NHBFA CDE LLC
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	NH BFA JUNE 30, 2014	NH BFA CDE, LLC DECEMBER 31, 2013	COMBINED TOTAL
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>			
Receipts from customers	\$ 626,916	\$ 514,667	\$ 1,141,583
Net disbursements for programs	1,703,450	-	1,703,450
Interest received on loan programs	1,158,263	-	1,158,263
Receipt of grant revenue	2,136,550	-	2,136,550
Loss on loan programs	(511,770)	-	(511,770)
Net transfers (to) from repurchase agreements	(1,516,185)	-	(1,516,185)
Payments to suppliers	(316,771)	(209,525)	(526,296)
Payments to employees	(528,201)	(22,141)	(550,342)
Net due (to) from component unit	190,544	(369,978)	(179,434)
Other receipts	14,204	-	14,204
<i>Net Cash Provided (Used) in Operating Activities</i>	<u>2,957,000</u>	<u>(86,977)</u>	<u>2,870,023</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>			
Community Loan Fund, fiduciary funds	(32,867)	-	(32,867)
Escrow Funds	(256,405)	-	(256,405)
Interest paid on noncapital financing	(293,296)	-	(293,296)
<i>Net Cash Provided (Used) in Noncapital Financing Activities</i>	<u>(582,568)</u>	<u>-</u>	<u>(582,568)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>			
Interest and dividends	20,178	263	20,441
Investment in property held for sale, net	(505,755)	-	(505,755)
Extraordinary expenses in property held for sale	(106,324)	-	(106,324)
Net transfers (to) from invest in NH BFA CDE, LLC	-	(671)	(671)
<i>Net Cash Provided (Used) in Investing Activities</i>	<u>(591,901)</u>	<u>(408)</u>	<u>(592,309)</u>
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	1,782,531	(87,385)	1,695,146
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,203,282</u>	<u>806,041</u>	<u>12,009,323</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 12,985,813</u>	<u>\$ 718,656</u>	<u>\$ 13,704,469</u>
<i>Shown As:</i>			
Cash and cash equivalents	\$ 663,632	\$ 68,656	\$ 732,288
Restricted assets, cash and cash equivalents	<u>12,322,181</u>	<u>650,000</u>	<u>12,972,181</u>
	<u>\$ 12,985,813</u>	<u>\$ 718,656</u>	<u>\$ 13,704,469</u>

The accompanying notes are an integral part of these financial statements

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
WITH BLENDED PRESENTATION OF COMPONENT UNIT NHBFA CDE LLC
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	NH BFA JUNE 30, 2014	NH BFA CDE, LLC DECEMBER 31, 2013	COMBINED TOTAL
<i>RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>			
Net operating income	\$ 1,286,922	\$ 183,245	\$ 1,470,167
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Amortization	7,658	-	7,658
Loan loss reserve	798,523	-	798,523
(Increase) decrease in operating assets:			
Accounts receivable	16,973	53,947	70,920
Grants receivable	622,152	-	622,152
Due to (from) component unit	190,544	(369,978)	(179,434)
Repurchase agreements	(1,516,185)	-	(1,516,185)
Prepaid expense	5,110	-	5,110
Accrued interest receivable, notes receivable	(87,621)	-	(87,621)
Accrued interest receivable, investments	(24,369)	-	(24,369)
Notes receivable	1,588,870	-	1,588,870
Increase (decrease) in operating liabilities:			
Accounts payable	11,924	-	11,924
Accrued payroll	(983)	-	(983)
Deferred revenue	57,482	45,809	103,291
<i>Total Adjustments</i>	1,670,078	(270,222)	1,399,856
<i>Net Cash Provided (Used) in Operating Activities</i>	\$ 2,957,000	\$ (86,977)	\$ 2,870,023

The accompanying notes are an integral part of these financial statements

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

A | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A-1. FINANCIAL REPORTING ENTITY

Purpose

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

Entity

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

NH BFA CDE, LLC (the "LLC")

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

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

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

Measurement Focus & Basis of Accounting

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

Financial Statement Presentation

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

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Reporting Periods

The accompanying financial statements are presented as of June 30, 2014, and for the year then ended, except for the NH BFA CDE, LLC which is as of December 31, 2013.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A-3. ASSETS, LIABILITIES AND EQUITY

Cash Equivalents

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

Receivables

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

Restricted Assets

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

Capital Assets

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

Equipment	5-10 years
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There was no depreciation expense for the year ended June 30, 2014 as all capital assets have been fully depreciated as of June 30, 2013.

Property Held for Sale

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

Bond Issue Discounts

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

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NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Accrued Employee Compensation

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

Deferred Revenues

Deferred revenues at June 30, 2014 were \$2,579,659. These amounts consist of the \$2,533,850 in lenders and borrowers portions for loan guarantee fees for the Capital Access Program (CAP) and the Guarantee Asset Program (GAP). The fees have been deposited into the Authority's bank accounts and are considered deferred until the loan defaults or the bank withdraws from the program. An additional \$45,809 has been received in advance for asset management fees related to a Sub-CDE.

Loan Loss Reserve

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

Guarantee Loss Reserves

The Authority is a guarantor of loans under various programs approved by the State of New Hampshire. The reserve is maintained at a level to absorb probable losses from defaulted loans. Management determines the adequacy of the reserve based upon reviews of guaranteed loans, current economic conditions, the risk characteristics of the various loans and other pertinent factors. The current year's loss reserve is based on fifteen percent (15%) of the outstanding guaranteed loans.

Capital Access Program (CAP) Loss Reserves

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

A-4. REVENUES, EXPENDITURES AND EXPENSES

Operating Revenue and Expenses

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

Other Income

Other income is derived from billings to outside agencies.

Income Taxes

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

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

B | STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

C | CASH AND CASH EQUIVALENTS

The Authority's policies regarding deposits of cash are discussed in Note B. The table below presents Cash and Cash Equivalents as of June 30, 2014:

Cash	\$	732,288
Restricted Cash		12,972,181
Total Cash	\$	13,704,469

Custodial Credit Risk

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

At June 30, 2014 deposits are carried at cost plus accrued interest. The balances which are both uninsured and uncollateralized are as follows:

	Balance in Financial Statements	Balance Held in Bank	Insured Balances	Uninsured & Uncollateralized
Total cash	\$ 13,704,469	\$ 13,819,169	\$ 10,625,641	\$ 2,493,528

Certificates of Deposit

Certificates of deposit totaling \$3,386,411 are included in cash in the accompanying financial statements. The certificates bear interest ranging from .1% to 2.32% and have maturities ranging from six months to five years, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

D | DUE (TO) FROM COMPONENT UNIT

Due (to) from component unit is comprised of the expenses the Authority pays on behalf of and which are subsequently reimbursed by its component unit, NH BFA CDE, LLC. These expenses are primarily related to salary and occupancy costs. The combined balance in these financial statements is attributable to the timing differences of their subsequent repayment as the Authority is reported on a fiscal year end of June 30th and its component unit is reported on a calendar year end.

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

E | REPURCHASE AGREEMENTS

Repurchase agreements as of June 30, 2014, were \$7,769,846. These repurchase agreements are held with various banks who are participating in the Guarantee Asset Program (GAP). Investments do not exceed 30% of the guaranteed portion of the loan and are invested for up to twelve (12) months.

F | RESTRICTED ASSETS

Restricted assets were \$12,972,181 at June 30, 2014. Restricted assets consisted of cash restricted for the following: the Capital Asset Program (CAP) including the Authority's, lenders', and borrower's portions; the balance of fiduciary funds held on behalf of NH Community Loan Fund; the unexpended balance of the PUC revolving loan fund; cash restricted for New Markets Tax Credit projects; and the 10% loss reserve for state guarantees as required by RSA.

G | CAPITAL ASSETS

There were no additions or retirements to capital assets in the fiscal year ended June 30, 2014. Capital assets remain fully depreciated.

H | NOTES RECEIVABLE

Notes receivable (including both the current and long-term portions), net of amortization, at June 30, 2014 was \$25,838,440. Notes receivable consisted of loans made under the Authority's programs, including secondary market loans, loans made to local economic development organizations, PUC Business Energy Loans, SSBCI Loans and Temporary Business Loans.

I | PROPERTY HELD FOR SALE

Property held for sale is comprised of a mixed commercial and residential use building in Claremont NH that was acquired by foreclosure in settlement of a note receivable under the ALD program. An assessment of FMV for impairment is performed each year. There was no impairment for the year ended, June 30, 2014. Following is an analysis of the activity for the year ended, June 30, 2014:

FMV at date of acquisition	\$	500,000
Less direct settlement charges		<u>(3,014)</u>
Basis of Property Held for Sale		496,986
Improvements to ready property for sale		<u>8,769</u>
Total property held for sale	\$	<u>505,755</u>
Balance of loan at foreclosure	\$	450,000
Costs paid to secure interest in property		213,014
Less: basis of property held for sale		<u>(496,986)</u>
Increase in guarantee for loss reserves	\$	<u>166,028</u>

In addition, the Authority recognized \$106,324 of extraordinary expenses for the year ended June 30, 2014, in connection with the delinquent real estate taxes paid to foreclose the property.

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

J | LONG TERM DEBT

Bonds payable are comprised of the following individual issues:

	2014
\$10,000,000 2002 Series A Bonds due in 2020 with an optional redemption schedule of \$100,000 in November 2003, \$1,500,000 in November 2004, \$1,400,000 through November 2007, \$1,300,000 through November 2010, and \$300,000 November 2011. Variable interest rate swapped at initial rate of 2.00%.	\$ 10,000,000
\$10,000,000 2002 Series B Bonds due in 2020 with an optional redemption schedule of \$600,000 in November 2011, \$900,000 through November 2014, \$1,000,000 through November 2016, \$1,100,000 through November 2018, \$1,200,000 in November 2019, and \$1,300,000 in November 2020. The initial variable interest rate was 1.4975%.	10,000,000
Total	20,000,000
Discount on Bonds	(49,127)
	\$ 19,950,873

As of fiscal year end June 30, 2014, the Authority did not make any of the optional redemptions on the 2002 Series A Bonds. In addition, the Authority does not plan to redeem principal in fiscal year ending 2015. All maturities of long term debt are due in 2020. The remaining, related interest costs have been estimated based on the current variable interest rate and assuming no optional redemptions, are made. A schedule summarizing the debt to maturity requirements follows:

	Principal	Interest	Total
For the year ended, June 30			
2015	\$ -	\$ 274,262	\$ 274,262
2016	-	274,262	274,262
2017	-	274,262	274,262
2018	-	274,262	274,262
2019	-	274,262	274,262
2020-2021	20,000,000	292,050	20,292,050
Total debt to maturity service requirements	\$ 20,000,000	\$ 1,663,360	\$ 21,663,360

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

K | NET POSITION

Investment in Capital Assets

Investment in capital assets represents the capital asset balances in the statement of net position less accumulated depreciation and any outstanding balance of capital related debt attributable to the acquisition, construction or improvement of those assets. Investment in capital assets at June 30, 2014 was \$0.

Restricted Component of Net Position

The restricted component of net position represents amounts that are restricted as to use of the funds as externally imposed by grantors, contributors, laws or regulations. The total amount of restricted funds at June 30, 2014 was \$26,892,642. Current funds are restricted for the following purposes:

	2014
10% Reserve requirement per RSA	\$ 3,299,013
Community Loan Fund, fiduciary balance	61,932
Other long-term notes receivable & property held for sale, restricted by legislation for Community Fund purposes	19,531,698
PUC Grant	3,999,999
Total	\$ 26,892,642

Unrestricted Component of Net Position

The unrestricted component of net position represents the remaining balance not attributable to investment in capital assets or restricted. The unrestricted component of net position was a deficit of \$6,668,769.

The Authority has further designated a portion of the unrestricted component of net position by formal action of the Authority's Board of Directors, the highest level of decision-making authority before such commitments are presented to Governor and Council. To establish and modify or rescind the committed fund balance, the Board of Directors of the Authority must make a motion and have the majority members of the Board of Directors approve the motion. The total amount of designated funds at June 30, 2014 was \$7,612,939. Current funds are designated for the following purposes:

	2014
Capital Access Program Restricted Cash	\$ 6,879,477
PUC, interest earned on grant activity	457,766
Designated for Local Economic Development Fund	275,696
Total	\$ 7,612,939

(Continued on next page)

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

L | PROFIT SHARING PLAN

The Authority started a define contribution pension plan on October 1, 1997, through ICMA Retirement Corporation covering all employees. Each employee is required to participate and to contribute 5% of gross earnings of each participant's earnings. As of June 30, 2014, the Authority's contribution percentage was 10.51%. The contribution requirements for the year ended June 30, 2014 amounted to \$58,794 which consisted of \$39,350 from the Authority and \$19,444 from employees. The Authority's portion is recorded under employee benefits.

M | OPERATING LEASES

Office Equipment

The Authority leases office equipment under an operating lease from unrelated parties. The previous lease expired and a new lease was entered into that expires September 30, 2015. Equipment lease expense was \$5,520 for the fiscal year ended June 30, 2014 and is recorded under operating costs.

Future minimum lease payments under this agreement are:

For the Years Ending June 30,	Amount
2015	\$ <u>1,380</u>

Office Space

The Authority signed an operating lease for office space commencing February 2006 with an unrelated party. The lease commenced July 1, 2006 and continues through June 30, 2016. The base amount of the lease is \$27,420 which increases by the lesser of the change in the Consumer Price Index (CPI) over the preceding twelve months or 3.5% over the prior year's rent. Future payments have been calculated using a 3.5% annual increase.

Rent expense was \$31,218 for the fiscal year ended June 30, 2014, and is recorded under occupancy costs.

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

For the Years Ending June 30,	Amount
2015	\$ 32,311
2016	<u>33,442</u>
Total	\$ <u>65,752</u>

N | INDUSTRIAL DEVELOPMENT REVENUE AND RECOVERY ZONE FACILITY BONDS

During 2014, the Authority was a sponsor of \$12,050,000 in industrial facility, pollution control and other new issue revenue bonds. Since 1972 bonds totaling \$3,545,906,616 have been issued. The Authority merely acts as sponsor of the bonds. Neither the credit of the State nor the Authority is involved in any way, nor does the issuance of the bonds obligate the State of New Hampshire to raise money by taxation.

NEW HAMPSHIRE BUSINESS FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

O | UNIFIED CONTINGENT CREDIT LIMIT

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

Total state guarantees in force and committed at year end amounted to \$60,567,582 at June 30, 2014. Guarantees of \$20,000,000, at June 30, 2014, were related to long-term debt issued by the Authority with the balance being guarantees of bank loans on bonds under RSA 162:A:7a, A:8, A:13 and 13a and RSA 162-I:9-b. An additional \$1,675,050 in loans purchased under RSA 162:A:10 were outstanding as of June 30, 2014.

P | RELATED PARTY TRANSACTION

A company whose President was formerly on the Board of Directors of the Authority, benefited from a loan the Authority made to the Berlin Industrial Development and Park Authority. The original loan was for \$625,000 and is due June 15, 2016. The balance of the loan at June 30, 2014 was \$46,867.

A company whose Executive Director was formerly on the Board of Directors of the Authority, benefited from a loan guaranteed by the Authority. The loan, in the form of a line of credit was not to exceed \$250,000, closed on March 28, 2011. The balance of the loan at June 30, 2014 was \$240,000.

Q | PRIOR PERIOD ADJUSTMENT

The Authority has adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Implementation of this guidance requires bond issuance costs (previously reported as assets) to be expensed when incurred. Accordingly, \$132,648 of previously unamortized bond issuance costs has been eliminated and a corresponding entry has also reduced previously reported net assets.

R | SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 20, 2014, the date which the financial statements were available to be issued, and has not evaluated subsequent events after that date. There have been no subsequent events which management has determined require disclosure in these financial statements.