



NORTHERN NEW ENGLAND  
HOUSING INVESTMENT FUND

# 2006 annual report

| Year | Property                    | Developer                                       | Units | Description    | City           | State |
|------|-----------------------------|---|-------|----------------|----------------|-------|
| 2006 | Appleton Gardens Apartments | Northland Enterprises                           | 26    | Family         | Westbrook      | ME    |
| 2006 | Creekside Village           | Brunswick Housing Authority                     | 40    | Elderly        | Brunswick      | ME    |
| 2006 | Friedman Court              | CATCH Neighborhood Housing                      | 54    | Family         | Concord        | NH    |
| 2006 | Mechanic School Housing     | Laconia Area Community Land Trust               | 6     | Revitalization | Laconia        | NH    |
| 2006 | Pearl Place                 | Avesta Housing                                  | 60    | Family         | Portland       | ME    |
| 2006 | Salem Senior Housing        | Salem Housing Authority                         | 24    | Elderly        | Salem          | NH    |
| 2006 | Valley Street               | Shalom House, Inc.                              | 24    | Family         | Portland       | ME    |
| 2005 | Brentwood Manor Apartments  | Paul Stewart                                    | 22    | Preservation   | Nashua         | NH    |
| 2005 | Brick Hill Cottages         | Richard Berman/<br>Jim Hatch/<br>Avesta Housing | 43    | Family         | South Portland | ME    |
| 2005 | Corundel Commons            | Penquis CAP                                     | 20    | Elderly        | Corinna        | ME    |
| 2005 | Fore River Apartments       | Avesta Housing                                  | 20    | Family         | Portland       | ME    |
| 2005 | Gilford Village Knolls II   | Gilford Village Knolls, Inc.                    | 24    | Elderly        | Gilford        | NH    |
| 2005 | High Street Apartments      | Cumberland County YMCA                          | 32    | Special Needs  | Portland       | ME    |
| 2005 | Iris Park Apartments        | The Iris Network                                | 30    | Special Needs  | Portland       | ME    |
| 2005 | Marble Oaks                 | Coastal Enterprises, Inc.                       | 16    | Family         | Waldoboro      | ME    |
| 2005 | Patriot Place               | York County Community Action                    | 40    | Family         | Sanford        | ME    |

| Year | Property                           | Developer                                       | Units | Description    | City           | State |
|------|------------------------------------|---|-------|----------------|----------------|-------|
| 2005 | Stone Arch Family Housing          | Keene Housing Authority                         | 24    | Family         | Keene          | NH    |
| 2005 | Stone Arch Senior Housing          | Keene Housing Authority                         | 33    | Elderly        | Keene          | NH    |
| 2005 | Varney Square                      | Freeport Housing Trust                          | 30    | Family         | Freeport       | ME    |
| 2005 | Warwick Meadow Apartments          | Southwestern Community Services                 | 20    | Elderly        | Winchester     | NH    |
| 2004 | Brick Hill Townhouses              | Richard Berman/<br>Jim Hatch/<br>Avesta Housing | 66    | Family         | South Portland | ME    |
| 2004 | Evergreen Knoll                    | Keene Housing Authority                         | 32    | Family         | Swanzy         | NH    |
| 2004 | Farmington Hills Family Apartments | Community Concepts, Inc.                        | 10    | Family         | Farmington     | ME    |
| 2004 | Griffin Road Apartments            | Penquis CAP                                     | 16    | Family         | Bangor         | ME    |
| 2004 | Highlands Apartments               | Southwestern Community Services                 | 40    | Family         | Keene          | NH    |
| 2004 | Lisbon Renewal                     | Affordable Housing Education and Development    | 10    | Revitalization | Lisbon         | NH    |
| 2004 | Logan Place                        | Avesta Housing                                  | 30    | Special Needs  | Portland       | ME    |
| 2004 | Millview Apartments                | Laconia Area Community Land Trust               | 18    | Family         | Laconia        | NH    |
| 2004 | Parkside Neighborhood              | PROP  | 16    | Family         | Portland       | ME    |
| 2004 | Straw Mansion                      | NeighborWorks Greater Manchester                | 33    | Family         | Manchester     | NH    |
| 2004 | Unity Gardens                      | Avesta Housing                                  | 24    | Elderly        | Windham        | ME    |



| Year | Property                         | Developer   | Units | Description    | City         | State |
|------|----------------------------------|---|-------|----------------|--------------|-------|
| 2003 | Families In Transition – Concord | Families in Transition                                    | 16    | Transitional   | Concord      | NH    |
| 2003 | Gale Home                        | Manchester Housing & Redevelopment Authority              | 37    | Elderly        | Manchester   | NH    |
| 2003 | Harmon Pines                     | Avesta Housing  | 20    | Family         | Buxton       | ME    |
| 2003 | Ledgewood Court                  | MidCoast Maine Community Action                           | 24    | Family         | Damariscotta | ME    |
| 2003 | Maple Street Apartments          | Community Concepts, Inc.                                  | 16    | Revitalization | Lewiston     | ME    |
| 2003 | Portsmouth Cottage               | Portsmouth Housing Authority                              | 20    | Elderly        | Portsmouth   | NH    |
| 2003 | Sandy Ledge                      | Community Action Program Belknap-Merrimack Counties, Inc. | 11    | Family         | Belmont      | NH    |
| 2003 | Seabreeze Apartments             | William Marceau   | 18    | Elderly        | Searsport    | ME    |
| 2003 | Snow Brook Meadow Village        | Southwestern Community Services                           | 20    | Family         | Winchester   | NH    |
| 2003 | White Rock Senior Housing II     | Green Mountain Development Group                          | 43    | Elderly        | Bow          | NH    |
| 2003 | Windward Apartments              | Penquis CAP   | 16    | Family         | Searsport    | ME    |
| 2003 | Yale Court                       | Wescott and Payson  | 30    | Family         | Portland     | ME    |
| 2002 | Brannigan House                  | Shalom House, Inc.  | 10    | Special Needs  | Portland     | ME    |
| 2002 | Cottage Street Apartments        | Community Concepts, Inc.                                  | 18    | Family         | Norway       | ME    |
| 2002 | Emerson Court                    | Rochester Housing Authority                               | 12    | Family         | Rochester    | NH    |

| Year | Property                        | Developer                                    | Units | Description    | City             | State |
|------|---------------------------------|--|-------|----------------|------------------|-------|
| 2002 | Graham School                   | Penquis CAP                                  | 20    | Elderly        | Veazie           | ME    |
| 2002 | Mad River Apartments            | The Housing Partnership                      | 16    | Family         | Farmington       | NH    |
| 2002 | Plant Home                      | Plant Memorial Home                          | 37    | Elderly        | Bath             | ME    |
| 2002 | Presumpscot Commons             | Westbrook Housing Authority                  | 29    | Elderly        | Westbrook        | ME    |
| 2002 | Sherburne Woods                 | Southern New Hampshire Services              | 20    | Elderly        | Deerfield        | NH    |
| 2002 | Upper Valley Supportive Housing | Twin Pines Housing Trust                     | 20    | Special Needs  | Enfield, Lebanon | NH    |
| 2002 | Village Woods                   | York Housing Authority                       | 36    | Elderly        | York             | ME    |
| 2002 | West Swanzey Family Apartments  | Southwestern Community Services              | 18    | Family         | Swanzey          | NH    |
| 2002 | Western Hills Apartments        | Community Concepts, Inc.                     | 16    | Family         | Bethel, Fryeburg | ME    |
| 2002 | White Rock Senior Housing I     | Green Mountain Development Group             | 73    | Elderly        | Bow              | NH    |
| 2002 | Willow Crossing                 | CATCH Neighborhood Housing                   | 24    | Family         | Concord          | NH    |
| 2001 | Ammonoosuc Green                | Affordable Housing Education and Development | 17    | Revitalization | Littleton        | NH    |
| 2001 | Bay Head Apartments             | Penquis CAP                                  | 24    | Family         | Belfast          | ME    |
| 2001 | Brookside Village               | Freeport Housing Trust                       | 16    | Elderly        | Freeport         | ME    |
| 2001 | Milette Manor                   | NHS of Greater Nashua, Inc.                  | 22    | Elderly        | Nashua           | NH    |

| Year | Property                        | Developer                                   | Units | Description     | City                     | State |
|------|---------------------------------|---|-------|-----------------|--------------------------|-------|
| 2001 | Millyard II                     | Families in Transition                      | 20    | Transitional    | Manchester               | NH    |
| 2001 | Phoenix Apartments              | NeighborWorks Greater Manchester            | 14    | Revitalization  | Manchester               | NH    |
| 2001 | Winchester Senior Housing       | Southwestern Community Services             | 20    | Elderly         | Winchester               | NH    |
| 2000 | CHOM Apartments                 | Coastal Enterprises, Inc.                   | 24    | Special Needs   | Belfast, Orono, Portland | ME    |
| 2000 | Elm Street Phase I              | NeighborWorks Greater Manchester            | 40    | Revitalization  | Manchester               | NH    |
| 2000 | Elm Street Phase II             | NeighborWorks Greater Manchester            | 28    | Revitalization  | Manchester               | NH    |
| 2000 | Neighborhood Initiative II      | Laconia Area Community Land Trust           | 19    | Revitalization  | Laconia                  | NH    |
| 2000 | Settler's Ridge                 | Steven Lewis                                | 26    | Elderly         | Atkinson                 | NH    |
| 2000 | South End 2000                  | CATCH Neighborhood Housing                  | 13    | Revitalization  | Concord                  | NH    |
| 2000 | Spencer Square                  | Bill Bittinger/<br>Twin Pines Housing Trust | 20    | Family          | Lebanon                  | NH    |
| 2000 | Unity Village                   | Richard Berman/<br>Jim Hatch                | 33    | Family          | Portland                 | ME    |
| 2000 | Whispering Pines II             | Rockingham Community Action                 | 20    | Elderly         | Epping                   | NH    |
| 1999 | Lincolnville Village Apartments | Clem Begin                                  | 8     | Family          | Lincolnville             | ME    |
| 1999 | Mayflower Assisted Living       | Sanford Housing Authority                   | 35    | Assisted Living | Sanford                  | ME    |
| 1999 | Norton Street                   | The Housing Partnership                     | 20    | Revitalization  | South Berwick            | ME    |
| 1999 | Rolling Green                   | Paul Stewart                                | 40    | Elderly         | Pittsfield               | NH    |



| Year | Property                      | Developer   | Units | Description    | City                              | State |
|------|-------------------------------|---|-------|----------------|-----------------------------------|-------|
| 1999 | Sandy Creek                   | Avesta Housing                                    | 20    | Family         | Bridgton                          | ME    |
| 1999 | Troy Senior Housing           | Southwestern Community Services                   | 15    | Elderly        | Troy                              | NH    |
| 1999 | Woodsville Maple-Walnut       | Affordable Housing Education and Development      | 14    | Family         | Woodsville                        | NH    |
| 1998 | Beaver Mills                  | Southwestern Community Services                   | 30    | Elderly        | Keene                             | NH    |
| 1998 | Carrabec Park                 | Clem Begin  | 14    | Family         | North Anson                       | ME    |
| 1998 | Freese Assisted Living Center | Realty Resources Chartered                        | 39    | Elderly        | Bangor                            | ME    |
| 1998 | Pine Hill                     | Laconia Area Community Land Trust                 | 18    | Revitalization | Laconia                           | NH    |
| 1998 | Three Corners Apartments      | NeighborWorks Greater Manchester                  | 21    | Revitalization | Manchester                        | NH    |
| 1998 | Western Maine Apartments      | Community Concepts, Inc.                          | 32    | Family         | Brownfield, Fryeburg, South Paris | ME    |
| 1997 | Addison Place                 | Dover Housing Authority/Silver Street Development | 45    | Family         | Dover                             | NH    |
| 1997 | Covered Bridge Apartments     | Clem Begin  | 10    | Elderly        | Guilford                          | ME    |
| 1997 | New Hope Housing              | The Housing Partnership                           | 12    | Family         | Rollinsford                       | NH    |
| 1997 | Riverside Estates             | O'Neil Development Company                        | 49    | Family         | Brunswick                         | ME    |
| 1997 | Steeple Square                | Avesta Housing                                    | 73    | Revitalization | Westbrook                         | ME    |
| 1996 | Eagles Bluff I                | Silver Street Development                         | 40    | Family         | Concord                           | NH    |

| Year                | Property                | Developer                   | Units        | Description     | City                           | State |
|---------------------|-------------------------|-----------------------------|--------------|-----------------|--------------------------------|-------|
| 1996                | Eagles Bluff II         | Silver Street Development   | 40           | Family          | Concord                        | NH    |
| 1996                | Franklin Village        | Silver Street Development   | 132          | Family          | Derry                          | NH    |
| 1996                | Larabee Village         | Westbrook Housing Authority | 150          | Assisted Living | Westbrook                      | ME    |
| 1996                | Millyard I              | Families in Transition      | 14           | Transitional    | Manchester                     | NH    |
| 1996                | Supportive Housing      | Community Concepts, Inc.    | 19           | Special Needs   | Lewiston, Rumford, South Paris | ME    |
| 1996                | Village View Apartments | Freeport Housing Trust      | 30           | Family          | Freeport                       | ME    |
| 1996                | Wardwell Gardens        | Wardwell Home for the Aging | 30           | Assisted Living | Saco                           | ME    |
| NH Units:           |                         |                             | 1,350        |                 |                                |       |
| ME Units:           |                         |                             | 1,459        |                 |                                |       |
| <b>TOTAL UNITS:</b> |                         |                             | <b>2,809</b> |                 |                                |       |



2006

investors

| Investor   | NH                 | ME                 | Total              |
|--|--------------------|--------------------|--------------------|
| Androscoggin Savings Bank                                | -                  | 928,268            | <b>928,268</b>     |
| Bangor Savings Bank                                      | -                  | 1,545,000          | <b>1,545,000</b>   |
| Bank of America  | 46,280,000         | 52,546,250         | <b>98,826,250</b>  |
| Boston Financial   | 1,602,000          | -                  | <b>1,602,000</b>   |
| Bow Mills Bank and Trust / Merrimack County Savings Bank | 311,510            | -                  | <b>311,510</b>     |
| Camden National / United Kingfield                       | -                  | 2,050,000          | <b>2,050,000</b>   |
| Citizens Bank New Hampshire                              | 21,510,000         | -                  | <b>21,510,000</b>  |
| Connecticut River Bank                                   | 202,000            | -                  | <b>202,000</b>     |
| Fannie Mae   | 1,802,500          | 21,440,735         | <b>23,243,235</b>  |
| Gorham Savings Bank                                      | -                  | 2,246,149          | <b>2,246,149</b>   |
| John Hancock Realty Advisors                             | 5,210,000          | -                  | <b>5,210,000</b>   |
| Key Community Development Corporation                    | 6,100,000          | 15,473,750         | <b>21,573,750</b>  |
| Maine Bank & Trust                                       |                    | 257,500            | <b>257,500</b>     |
| Mascoma Savings Bank                                     | 1,255,000          | -                  | <b>1,255,000</b>   |
| Meredith Village Savings Bank                            | 270,000            | -                  | <b>270,000</b>     |
| Merrill Merchants  | -                  | 270,000            | <b>270,000</b>     |
| Norway Savings Bank                                      | -                  | 2,040,000          | <b>2,040,000</b>   |
| Ocean National Bank                                      | 2,475,000          | 860,000            | <b>3,335,000</b>   |
| Saco & Biddeford Savings Institution                     | -                  | 3,396,250          | <b>3,396,250</b>   |
| Sanford Institution for Savings                          | -                  | 1,030,000          | <b>1,030,000</b>   |
| Sovereign Bank   | 3,090,000          | -                  | <b>3,090,000</b>   |
| TD BankNorth   | 21,200,000         | 26,055,000         | <b>47,255,000</b>  |
| Washington Mutual  | 12,037,456         | 2,550,000          | <b>14,587,456</b>  |
| Woodsville Guaranty Savings Bank                         | 270,000            | -                  | <b>270,000</b>     |
| <b>TOTALS:</b>   | <b>123,615,466</b> | <b>132,688,902</b> | <b>256,304,368</b> |

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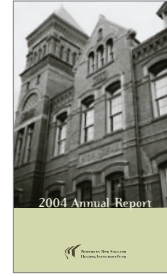
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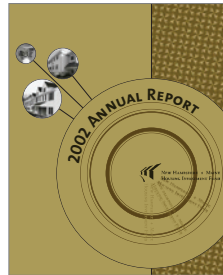
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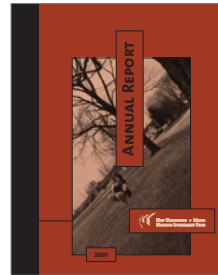
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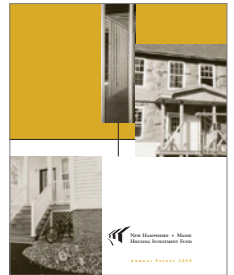
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NORTHERN NEW ENGLAND  
HOUSING INVESTMENT FUND

FINANCIAL STATEMENTS

December 31, 2006 and 2005



NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND

FINANCIAL STATEMENTS

December 31, 2006 and 2005

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Northern New England Housing Investment Fund

We have audited the accompanying statements of financial position of Northern New England Housing Investment Fund as of December 31, 2006 and 2005 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the corporation'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. 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern New England Housing Investment Fund as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants

March 3, 2007  
South Portland, Maine

## NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND

## STATEMENTS OF FINANCIAL POSITION

December 31, 2006 and 2005

## ASSETS

|                               | <u>2006</u>         | <u>2005</u>         |
|-------------------------------|---------------------|---------------------|
| CURRENT ASSETS                |                     |                     |
| Cash and Cash Equivalents     | \$ 4,789,380        | \$ 5,597,980        |
| Accounts Receivable           | 400,706             | 214,227             |
| Notes Receivable (Note 3)     | 500,000             | 250,000             |
| Prepaid Expenses              | <u>48,826</u>       | <u>15,978</u>       |
| Total Current Assets          | <u>5,738,912</u>    | <u>6,078,185</u>    |
| PROPERTY AND EQUIPMENT        |                     |                     |
| Furniture and Fixtures        | 60,442              | 57,164              |
| Computer Equipment            | 109,246             | 109,246             |
| Computer Software             | 61,701              | 61,701              |
| Leasehold Improvements        | <u>36,214</u>       | <u>21,270</u>       |
| Total                         | 267,603             | 249,381             |
| Less Accumulated Depreciation | <u>118,077</u>      | <u>83,734</u>       |
| Net Property and Equipment    | <u>149,526</u>      | <u>165,647</u>      |
| OTHER ASSETS                  |                     |                     |
| Accounts Receivable (Note 2)  | 1,646,339           | 1,220,000           |
| Note Receivable (Note 3)      | -                   | 250,000             |
| Due from Related Party        | -                   | 1,491               |
| Security Deposits             | <u>6,348</u>        | <u>6,348</u>        |
| Total Other Assets            | <u>1,652,687</u>    | <u>1,477,839</u>    |
| TOTAL ASSETS                  | <u>\$ 7,541,125</u> | <u>\$ 7,721,671</u> |

See accompanying notes to the financial statements.



## NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND

STATEMENTS OF FINANCIAL POSITION  
(Continued)

December 31, 2006 and 2005

## LIABILITIES AND NET ASSETS

|                                  | 2006         | 2005         |
|----------------------------------|--------------|--------------|
| CURRENT LIABILITIES              |              |              |
| Accounts Payable                 | \$ 30,336    | \$ 39,117    |
| Accrued Vacation                 | 13,097       | 16,244       |
| Accrued Payroll                  | 24,171       | 27,972       |
| Total Current Liabilities        | 67,604       | 83,333       |
| LONG-TERM LIABILITIES            |              |              |
| Deferred Fees (Note 4)           | 3,658,725    | 4,081,480    |
| Total Long-term Liabilities      | 3,658,725    | 4,081,480    |
| Total Liabilities                | 3,726,329    | 4,164,813    |
| NET ASSETS                       |              |              |
| Unrestricted                     | 2,689,796    | 2,431,858    |
| Temporarily Restricted (Note 7)  | 1,125,000    | 1,125,000    |
| Total Net Assets                 | 3,814,796    | 3,556,858    |
| TOTAL LIABILITIES AND NET ASSETS | \$ 7,541,125 | \$ 7,721,671 |

See accompanying notes to the financial statements.

## NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND

## STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2006 and 2005

|                                     | Unrestricted<br>Net Assets | Temporarily Restricted<br>Net Assets |                          | Totals              | 2005                |
|-------------------------------------|----------------------------|--------------------------------------|--------------------------|---------------------|---------------------|
|                                     |                            | Maine Fund                           | New<br>Hampshire<br>Fund |                     |                     |
| REVENUES AND OTHER<br>SUPPORT       |                            |                                      |                          |                     |                     |
| Subscription Fees                   | \$ 426,339                 | \$ -                                 | \$ -                     | \$ 426,339          | \$ 628,100          |
| Membership Dues                     | 50,000                     | -                                    | -                        | 50,000              | 50,000              |
| Investment and<br>Management Fees   | 507,548                    | -                                    | -                        | 507,548             | 507,050             |
| Legal and Accounting Fees           | 100,000                    | -                                    | -                        | 100,000             | 100,000             |
| Consulting Fees                     | 132,000                    | -                                    | -                        | 132,000             | 48,000              |
| Interest Income                     | 247,321                    | -                                    | -                        | 247,321             | 173,570             |
| Investor Service Fees               | 54,842                     | -                                    | -                        | 54,842              | 59,915              |
| Miscellaneous                       | -                          | -                                    | -                        | -                   | -                   |
| Total Revenues and<br>Other Support | 1,518,050                  | -                                    | -                        | 1,518,050           | 1,566,635           |
| EXPENSES                            |                            |                                      |                          |                     |                     |
| Program Expenses                    | 995,889                    | -                                    | -                        | 995,889             | 992,814             |
| Management and General              | 264,223                    | -                                    | -                        | 264,223             | 244,534             |
| Total Expenses                      | 1,260,112                  | -                                    | -                        | 1,260,112           | 1,237,348           |
| Change in Net Assets                | 257,938                    | -                                    | -                        | 257,938             | 329,287             |
| NET ASSETS, BEGINNING<br>OF YEAR    | 2,431,858                  | 750,000                              | 375,000                  | 3,556,858           | 3,227,571           |
| NET ASSETS, END OF YEAR             | <u>\$ 2,689,796</u>        | <u>\$ 750,000</u>                    | <u>\$ 375,000</u>        | <u>\$ 3,814,796</u> | <u>\$ 3,556,858</u> |

See accompanying notes to the financial statements.

## NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2006 and 2005

|   | <u>2006</u>                | <u>2005</u>                |
|---|----------------------------|----------------------------|
| Cash Flows from Operating Activities:   |                            |                            |
| Change in Net Assets  | \$ 257,938                 | \$ 329,287                 |
| Adjustments to Reconcile Change in Net Assets to<br>Net Cash Provided (Used) by Operating Activities: |                            |                            |
| Depreciation  | 34,343                     | 30,111                     |
| Changes in Operating Assets and Liabilities:  |                            |                            |
| Accounts Receivable   | (612,818)                  | (833,688)                  |
| Prepaid Expenses  | (32,848)                   | (15,978)                   |
| Due from Related Party  | 1,491                      | (1,491)                    |
| Security Deposit  | -                          | (2,156)                    |
| Accounts Payable  | (8,781)                    | 25,190                     |
| Accrued Vacation  | (3,147)                    | 2,753                      |
| Deferred Fees   | (422,755)                  | 1,935,892                  |
| Accrued Payroll   | (3,801)                    | 1,991                      |
| Net Cash Provided (Used) by Operating Activities  | <u>(790,378)</u>           | <u>1,471,911</u>           |
| Cash Flows from Investing Activities:   |                            |                            |
| Notes Receivable  | -                          | (230,000)                  |
| Purchases of Property and Equipment   | <u>(18,222)</u>            | <u>(62,758)</u>            |
| Net Cash Used by Investing Activities   | <u>(18,222)</u>            | <u>(292,758)</u>           |
| Net Increase (Decrease) in Cash   | (808,600)                  | 1,179,153                  |
| Cash and Cash Equivalents, at Beginning of Year   | <u>5,597,980</u>           | <u>4,418,827</u>           |
| Cash and Cash Equivalents, at End of Year   | <u><u>\$ 4,789,380</u></u> | <u><u>\$ 5,597,980</u></u> |

See accompanying notes to the financial statements.



# NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Northern New England Housing Investment Fund (NNEHIF) is a not-for-profit corporation set up to foster low-income housing in the States of Maine and New Hampshire. The Corporation assists in selecting projects for investors and provides consulting services to developers of low-income housing. NNEHIF is a 100% owner of two subsidiaries, Maine Housing Equity Fund, Inc. (MHEF, Inc.) and New Hampshire Housing Equity Fund, Inc. (NHHEF, Inc), both taxable corporations. MHEF, Inc. and NHHEF, Inc. had no material activity in 2006 or 2005. In addition, NNEHIF is the sole member of HIF Consulting LLC, whose activity is included in the financial statements. All intercompany activity is eliminated in consolidation.

Fund Accounting - To ensure proper usage of restricted and unrestricted assets, NNEHIF maintains its accounts according to fund accounting principles.

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

Property and Equipment - Property and equipment are stated at cost and are being depreciated using the straight-line method over their estimated useful lives. Repairs and maintenance are expensed and betterments and renewals are capitalized as incurred. When assets are retired or disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are reflected in income.

Income Taxes - The Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from federal and state income taxes.

Cash and Cash Equivalents - For purposes of reporting cash flows, cash includes cash on hand, amounts due from banks and money market funds.

Deferred Fees - Investment and management fees, legal and accounting fees and contingent asset management fees are being recognized as income over a fifteen-year period.

# NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 2 - ACCOUNTS RECEIVABLE

At December 31, 2006 and 2005, accounts receivable included syndication fees earned of \$725,000 from Maine Housing Equity Fund 2004 LP and \$495,000 from New Hampshire Housing Equity Fund 2004 LP. At December 31, 2006, accounts receivable also included syndication fees earned of \$426,339 from Community Capital 2006. These fees are expected to be received in 2008.

### NOTE 3 - NOTES RECEIVABLE

The Corporation had a note receivable from the New Hampshire Community Loan Fund, Inc. in the amount of \$250,000 at both December 31, 2006 and 2005. The principal amount plus interest of 2% per year is payable on December 31, 2007. Notwithstanding any renewals of the loan, the principal and any accrued interest is payable on December 31, 2009.

The Corporation had a note receivable from the Genesis Fund, Inc. in the amount of \$250,000 at both December 31, 2006 and 2005. The note is due March 31, 2007, with interest at 2% per annum. The loan may be renewed until March 31, 2009.

### NOTE 4 - DEFERRED FEES

NNEHIF has entered into Investment and Management Agreements with each of the eleven funds that it manages. Under these agreements, NNEHIF is paid certain fees to manage the funds. NNEHIF has elected to recognize this income on a straight-line basis over the expected service period of fifteen years.

The Investment and Management Agreements detail NNEHIF's ability to earn prepaid fees in the event of termination of the agreements before the end of the fifteen-year period. In the event of termination, NNEHIF is entitled to the sum of all direct costs incurred plus 25% of the total fee amount less direct costs plus an additional 5% of the fee for each year the agreement has been in effect.

Under the terms of the eleven Investment and Management Agreements, ten of which are currently in force, NNEHIF is expected to receive \$7,255,775 for investment and management fees. As of December 31, 2006 and 2005, \$4,791,379 had been received and \$2,331,244 and \$1,847,519, respectively, has been recognized in income. In addition, NNEHIF is expected to receive \$1,500,000 for legal and accounting fees. As of December 31, 2006 and 2005, \$1,200,000 had been received and \$580,000 and \$480,000, respectively, has been recognized in income. The Corporation has elected to recognize the legal and accounting fees over the expected service period of fifteen years.

The Corporation has also received \$350,000 for contingent asset management fees and has recognized \$140,000 and \$116,670 in income as of December 31, 2006 and 2005, respectively.

# NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 4 - DEFERRED FEES (Continued)

Deferred fees at December 31 consisted of:

|                                  | 2006               | 2005               |
|----------------------------------|--------------------|--------------------|
| Investment and Management Fees   | \$2,788,725        | \$3,108,150        |
| Legal and Accounting Fees        | 660,000            | 740,000            |
| Contingent Asset Management Fees | 210,000            | 233,330            |
|                                  | <u>\$3,658,725</u> | <u>\$4,081,480</u> |

### NOTE 5 - PENSION PLAN

The Corporation has a 403(b)(7) retirement plan which provides for matching contributions up to 6% for all eligible employee wages. Pension expense was \$27,507 and \$22,817 for 2006 and 2005, respectively.

### NOTE 6 - OPERATING LEASES

The Corporation leases two office spaces under separate noncancelable operating leases. Office space is leased in New Hampshire and in Maine, with lease expiration dates of May 31, 2007 and September 25, 2011, respectively.

Future minimum lease payments as of December 31, 2006 are:

|       |                  |
|-------|------------------|
| 2007  | \$ 72,330        |
| 2008  | 69,873           |
| 2009  | 71,957           |
| 2010  | 74,094           |
| 2011  | 56,807           |
| Total | <u>\$345,061</u> |

Rent expense for 2006 and 2005 was \$76,660 and \$59,174, respectively.

### NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

On June 11, 1996, the Corporation entered into a funding agreement with MaineHousing whereby MaineHousing granted \$750,000 to the Corporation. On June 3, 1997, the Corporation entered into a funding agreement with the New Hampshire Housing Finance Authority (NHHFA) whereby NHHFA granted \$375,000 to the Corporation. As of December 31, 1998, the Corporation had met the performance standards of the respective funding agreements.

The Agreement and Plan of Merger restricts use of the funds to the respective states and for uses specified under the agreements.