

**MONADNOCK ECONOMIC  
DEVELOPMENT CORPORATION**  
**Consolidated Financial Statements**  
**June 30, 2007 and 2006**  
**and**  
**Independent Auditor's Report**

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**

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# Vachon, Clukay & Co., PC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Monadnock Economic Development Corporation

We have audited the accompanying consolidated statements of financial position of Monadnock Economic Development Corporation (a nonprofit organization) as of June 30, 2007 and 2006 and the related consolidated statements of activities, functional revenue and expenditures, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Monadnock Economic Development Corporation as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Vachon, Clukay & Co., PC*

May 8, 2008

## Exhibit A

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Assets:		
Cash	\$ 18,226	\$ 15,095
Accounts receivable	187,565	188,322
Grants receivable	480,000	616,655
Notes receivable, net	5,684,399	4,628,194
Prepaid assets	14,084	24,892
Interest receivable	4,383	3,896
Restricted cash	2,279,595	408,828
Land, buildings and improvements held for sale	2,571,699	362,247
Investments in partnerships and LLC's	230,341	1,375,755
Property, plant and equipment, net of accumulated depreciation	<u>9,599,529</u>	<u>8,078,423</u>
 Total assets	 <u>\$ 21,069,821</u>	 <u>\$ 15,702,307</u>
 LIABILITIES, NET ASSETS AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 479,847	\$ 519,190
Accrued expenses	373,313	362,056
Security deposits	74,581	56,166
Notes payable	12,770,862	7,668,838
Market value of interest rate swap	<u>214,459</u>	<u>233,592</u>
 Total liabilities	 <u>13,913,062</u>	 <u>8,839,842</u>
 Net Assets (Deficit):		
Unrestricted - Operations	5,814,250	5,248,139
Unrestricted - MEDC Development Corporation	(74)	(674)
Unrestricted - 25 Roxbury, LLC	161,969	177,842
Unrestricted - MRBIN, LLC	<u>          </u>	<u>2,519</u>
 Total unrestricted	 <u>5,976,145</u>	 <u>5,427,826</u>
 Temporarily restricted	 <u>798,290</u>	 <u>1,434,639</u>
 Total net assets	 <u>6,774,435</u>	 <u>6,862,465</u>
 Stockholders' Equity:		
Brown Block, Inc.	3,735	<u>          </u>
Minority Interest in BBDC, LLC	<u>378,589</u>	<u>          </u>
 Total stockholders' equity	 <u>382,324</u>	 <u>-</u>
 Total net assets and stockholders' equity	 <u>7,156,759</u>	 <u>6,862,465</u>
 Total liabilities, net assets and stockholders' equity	 <u>\$ 21,069,821</u>	 <u>\$ 15,702,307</u>

See notes to financial statements

Exhibit B  
**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Changes in Unrestricted Support and Revenue:		
HUD grants	\$ 666,402	\$ 39,000
Other grants	823,028	49,600
Consulting fees	100,000	76,000
Interest income	177,990	134,571
Rents	819,096	819,966
Development and management fees	124,374	23,300
Loss on investment in 46 Main Street, LLC	(596,473)	-
Change in value of interest rate swap	19,133	216,480
Change in grant estimate	(326,239)	-
Miscellaneous	12,949	63,150
Total unrestricted revenues	<u>1,820,260</u>	<u>1,422,067</u>
Released from restrictions	<u>1,116,349</u>	<u>89,027</u>
Total unrestricted support and revenues	<u>2,936,609</u>	<u>1,511,094</u>
Expenses:		
Program services -		
Projects	1,623,952	956,205
Supporting services -		
Administration	<u>522,752</u>	<u>616,242</u>
Total expenses	<u>2,146,704</u>	<u>1,572,447</u>
Net Change in Unrestricted Net Assets	<u>789,905</u>	<u>(61,353)</u>
Changes in Temporarily Restricted Net Assets:		
HUD grant income	480,000	-
Released from restrictions	<u>(1,116,349)</u>	<u>(89,027)</u>
	(636,349)	(89,027)
Discontinued operation of MRBIN, LLC	<u>(234,262)</u>	<u>-</u>
Increase (decrease) in net assets and stockholders' equity	<u>(80,706)</u>	<u>(150,380)</u>
Net assets, beginning of year	6,862,465	7,012,845
Minority investment into BBDC, LLC	<u>375,000</u>	<u>-</u>
Net assets, end of year	<u>\$ 7,156,759</u>	<u>\$ 6,862,465</u>

See notes to financial statements

## Exhibit C

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities:</b>		
(Decrease) in net assets	\$ (80,706)	\$ (150,380)
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	275,829	269,363
(Income) Loss from investment in partnerships and LLC's	596,473	(41,207)
Bad debt	468,471	27,377
Change in grant estimate	326,239	-
Change in value of interest rate swap	(19,133)	(216,480)
Changes in operating assets and liabilities:		
Accounts receivable	757	69,633
Grants receivable	(189,584)	140,368
Interest receivable	(487)	(487)
Prepaid assets	10,808	130,938
Accounts payable and accrued expenses	(39,343)	(85,573)
Accrued liabilities	11,257	177,724
Security deposits held	18,415	50,002
Net cash provided by operations	<u>1,378,996</u>	<u>371,278</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from note collections	82,982	280,828
Notes receivable issued	(1,607,658)	(357,738)
Proceeds from sale of investment	548,941	-
Minority investment into BBDC, LLC	375,000	-
Purchase of land, buildings and improvements held for sale	(2,209,452)	-
Purchase of property, plant and equipment	(1,796,935)	(545,593)
Net cash (used) by investing	<u>(4,607,122)</u>	<u>(622,503)</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from notes payable	6,022,533	1,388,184
Principal payments on notes payable	(920,509)	(902,242)
Net cash provided by financing	<u>5,102,024</u>	<u>485,942</u>
<b>Net Increase in Cash</b>	<b>1,873,898</b>	<b>234,717</b>
<b>Cash, beginning of year</b>	<b><u>423,923</u></b>	<b><u>189,206</u></b>
<b>Cash, end of year</b>	<b><u>\$ 2,297,821</u></b>	<b><u>\$ 423,923</u></b>
<i>Additional Disclosures:</i>		
Interest paid during the year	<u>\$ 527,016</u>	<u>\$ 442,755</u>
Income taxes paid during the year	<u>\$ -</u>	<u>\$ -</u>

*See notes to financial statements*

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2007 and 2006**

**NOTE 1—SUMMARY OF BUSINESS OPERATIONS**

The Monadnock Economic Development Corporation (MEDC) is a private, non-profit business development agency responsible for recruiting new industry to the region and assisting existing local firms to grow and succeed in Southwestern, New Hampshire.

The primary goals of MEDC are to assist in the creation of new jobs and to broaden the region's tax base.

Funding

Funding for MEDC is derived primarily from grants, rental income, consulting fees, and loan fund administration.

Activities

MEDC provides the following services:

- ◆ Site and building location assistance.
- ◆ Access to regional employment and training programs.
- ◆ Financial packaging assistance.
- ◆ Information and contacts relative to permitting, local issues, and taxes.
- ◆ Advocacy for industrial growth and business expansion.
- ◆ Direct loans.

Activities are categorized as follows:

Projects

Projects are typically funded with a combination of debt, equity and Federal Community Development Block Grants (CDBG) and/or State Community Development Finance Authority (CDFA) Grants.

Operating

These assets include unrestricted resources and represent the portion of expendable assets available to support MEDC's operations.

Revolving Loan Funds

Assets shall be used for Community Development Block Grant (CDBG) eligible economic development activities.

MONADNOCK ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2007 and 2006

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The consolidated financial statements include the accounts of Monadnock Economic Development Corporation and its wholly owned subsidiaries: MEDC Development Corporation (MEDCDC); MRBIN, LLC, 25 Roxbury, LLC and Brown Block, Inc. These separate entities have common officers and directors and share the primary objective of furthering commercial development within Cheshire County. All significant transactions and balances between the entities have been eliminated.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting and have been prepared to focus on MEDC as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Unrestricted net assets represent those assets that MEDC may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by MEDC is limited by donor-imposed or governmental grant stipulations that either expire by passage of time or can be fulfilled and removed by actions of MEDC pursuant to those stipulations.

Rent, Notes and Other Receivables

The entity uses the allowance method to account for potential bad debts. Management has established an allowance of \$505,570 for 2007 and \$62,099 for 2006.

Notes receivable and related interest are placed on non-accrual basis when payments are six months in arrears. Accrual of interest is recorded until arrearages are paid.

Property and Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the fair market value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives, which are:

	<u>Years</u>
Furniture and fixtures	5-7
Land improvements	15-20
Buildings and renovations	20-39

Income Taxes

MEDC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been determined to be an organization that is not a private foundation.



**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

MEDC Development Corporation and Brown Block, Inc. are for profit subsidiaries and are taxed as a corporation. MRBIN, LLC and 25 Roxbury, LLC are consolidated as part of MEDC's non-profit tax filing.

Use of Estimates

The preparation of financial statements in conformity with 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. Significant estimates include depreciation expenses and allocation of expenditures in the schedule of functional expenses.

Contributions

MEDC accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116 "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor, including pledges, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, this is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized.

Functional Allocation of Expenses

The cost of providing the various projects and other activities has been summarized on a functional basis. Accordingly, costs have been allocated among the projects and supporting services benefited.

Concentration of Credit Risk

MEDC places its cash accounts, which may exceed FDIC insurance limits, with major financial institutions and limits the amount of credit exposure to those financial institutions. The Corporation has not experienced any losses with respect to cash. As of June 30, 2007, \$344,404 was insured by the FDIC and \$1,565 was collateralized by government securities. As of June 30, 2006, \$355,788 was insured by the FDIC and \$146,799 was collateralized by government securities.

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 3—PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Land	\$ 1,351,136	\$ 923,828
Land improvements	303,552	303,552
Building and improvements	8,430,021	8,001,944
Construction in progress	1,356,811	414,315
Furniture, equipment and vehicle	<u>108,780</u>	<u>109,727</u>
	11,550,300	9,753,366
Less: accumulated depreciation	<u>1,950,771</u>	<u>1,674,943</u>
	<u>\$ 9,599,529</u>	<u>\$ 8,078,423</u>

Depreciation expense was \$275,829 and \$269,363 for the years ended June 30, 2007 and 2006, respectively.

**NOTE 4—NOTES RECEIVABLE**

Notes receivable consists of the following as of June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Note receivable, secured by personal guarantee and second position on equipment, payable in monthly installments of \$212, including interest at 6.75%, through June 2008.	\$ 2,450	\$ 4,738
Note receivable, unsecured, payable in a lump sum in June 2008, with interest accrued at 1% per annum.	48,700	48,700
Note receivable, secured by a second mortgage on real estate, payable in monthly installments of \$2,302, including interest at 4.6%, through May 2008. Balloon payment of the unpaid balance due June 2008.	315,163	324,761
Note receivable, secured by a second mortgage, payable in monthly installments of \$1,784, including interest at 4.375%, through July 2008. Balloon payment of unpaid balance due August 2008.	250,394	258,092
Note receivable, secured by a second mortgage, payable in monthly installment of \$895, including interest at 6% through June of 2009. Balloon payment of unpaid balance due July 2009.	90,618	103,517

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 4—NOTES RECEIVABLE (CONTINUED)**

	<u>2007</u>	<u>2006</u>
Note receivable, secured by first position on equipment, payable in monthly installments of \$1,381, including interest at 4.75%, through March 2010. Balloon payment of unpaid balance due April 2010.	111,506	121,601
Note receivable, secured by second mortgage on real estate, payable in monthly installments of \$998, including interest at 7.38% through November 2011. Balloon payment of unpaid balance due December 2011.	123,604	-
Note receivable, secured by third position on real estate and a first position on business assets, payable in monthly installments of \$1,484, including interest at 7.5% through February 2012. Balloon payment of unpaid balance due March 2012.	124,297	-
Note receivable, secured by second position on business assets, payable in monthly installments of \$1,208 including interest at 7.5% through February 2012. Balloon payment of unpaid balance due March 2012.	149,760	-
Note receivable, secured by second mortgage, payable in monthly installments of \$896, including interest at 6%, through November 2013. Balloon payment of unpaid balance due December 2013.	113,539	117,083
Note receivable, secured by third mortgage, payable in monthly installments of \$906 including interest at 6.15%, through March 2014. Balloon payment of unpaid balance due April 2014.	113,559	117,325
Note receivable, secured by first position on business assets, payable in monthly installments of \$835, including interest at 6% through June 2014. Balloon payment of unpaid balance due July 2014.	61,148	-
Note receivable, secured by second position on business assets, payable in monthly installments of \$950, including interest at 6.75%, through October 2014. Balloon payment of unpaid balance due November 2014.	116,649	120,055

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 4—NOTES RECEIVABLE (CONTINUED)**

	<u>2007</u>	<u>2006</u>
Note receivable, secured by a second mortgage on real estate, payable in a lump sum December 2015, with interest accrued at 0% per annum. This note is assigned as security for long-term debt obligation to Community Development Finance Authority.	575,000	575,000
Note receivable, secured by a third mortgage, payable in monthly installments of \$844, including interest at the rate of 6.5%, through June 2016. Balloon payment of unpaid due July 2016.	123,113	125,000
Note receivable, secured by first position on business assets, payable in monthly installments of \$825, including interest at 5% through October 2019. Balloon payment of unpaid balance due November 2019.	114,613	118,671
Note receivable, secured by first mortgage on real estate, payable in monthly installments of \$932, including interest at 6.5% through July 2026. Balloon payment of unpaid balance due August 2026.	126,905	-
Note receivable, secured by a second mortgage on real estate. Interest accrued at 5% per annum through September 19, 2005. Effective September 20, 2005, interest is adjusted annually to prime less 1% and payments are made monthly. The monthly installment at June 20, 2006 was \$6,461 and included interest at 5.5%. A balloon payment of the unpaid balance is due in August 2035.	1,113,850	1,125,229
Note receivable, secured by a second position on business assets. Interest to accrue at 1% through March 19, 2014 at which time interest payments will be made montly. A balloon payment of the unpaid balance is due in March 2042.	1,009,580	-
Notes receivable from related entities in which MEDC is an investor which are non-interest bearing and are classified as long-term obligations.	<u>1,505,521</u>	<u>1,505,521</u>
	6,189,969	4,665,293
	(505,570)	(37,099)
Less: Allowance for bad debts	<u>\$ 5,684,399</u>	<u>\$ 4,628,194</u>

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 4—NOTES RECEIVABLE (CONTINUED)**

Maturities for notes receivable subsequent to June 30, 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 254,737
2009	77,998
2010	229,030
2011	68,606
2012	362,558
Thereafter	4,691,470
	<u>\$ 5,684,399</u>

**NOTE 5—INVESTMENTS IN PARTNERSHIPS AND LLCs**

Consolidated:

MEDC Development Corporation is a wholly owned subsidiary of Monadnock Economic Development Corporation. MEDC Development Corporation has a half of one-tenth percent general partnership interest in Keene Eastside Senior Housing Limited Partnership and a one half of one percent general partnership interest in Beaver Mill Realty Limited Partnership.

25 Roxbury, LLC, a Limited Liability Company, is a wholly owned subsidiary of Monadnock Economic Development Corporation and is organized to acquire, hold, invest in, improve, maintain, operate, lease, dispose of and otherwise deal with a specific parcel of real estate in Keene, NH.

MRBIN, LLC, a Limited Liability Company, is a wholly owned subsidiary of Monadnock Economic Development Corporation and is organized to provide rental space for new and emerging businesses within Cheshire County. MRBIN was discontinued in 2007.

Brown Block, Inc. is a wholly owned subsidiary of Monadnock Economic Development Corporation. Brown Block, Inc. is a fifty one percent managing member of Brown Block Development Company LLC.

Equity Method

Investments in common stock and membership certificates representing 20% to 50% ownership, in Corporations and Limited Liabilities Companies are reflected at cost plus equity in the undistributed net earnings (losses) since acquisition, under the equity method. Minority interests in common stock of non-publicly traded companies and partnerships are reflected at cost plus accumulated earnings and losses.

Keene Eastside Development Corporation was formed by MEDC and Southwestern Community Services, Inc. for the purpose of developing real estate. MEDC has a fifty percent interest in Keene Eastside Development Corporation.

Beaver Mill Realty, L.P., a limited partnership, was formed by MEDCDC and SCS Development Corporation for the purpose of developing real estate. MEDCDC has a one half of one percent general partnership interest in Beaver Mill Realty Limited Partnership.

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 5—INVESTMENTS IN PARTNERSHIPS AND LLCS (CONTINUED)**

Keene East Side Senior Housing, L.P., a limited partnership, was formed by MEDCDC and SCS Development Corporation for the purpose of developing real estate. MEDCDC has a one half of one tenth of a percent general partnership interest in Keene East Side Housing Associates Limited Partnership.

Southwestern New Hampshire Community Development, LLC, a Limited Liability Company, formed by MEDC and Southwestern Community Services, for the purpose of developing real estate. MEDC has a fifty percent membership interest in Southwestern New Hampshire Community Development, LLC.

46 Main Street Realty, LLC, a Limited Liability Company, formed by MEDC and Shaldu Ltd., to acquire and renovate the former Woolworth property located in Keene, NH. MEDC has a fifty percent membership interest in 46 Main Street Realty, LLC.

Investments consist of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Keene East Side Development Corporation	\$ 500	\$ 500
Beaver Mill Realty Limited Partnership	195	-
Keene Eastside Senior Housing Authority	146,600	146,600
Keene Eastside Senior Housing Limited Partnership	79,438	79,533
Southwestern New Hampshire Community Development, LLC	1,700	1,700
46 Main Street, LLC	1,908	1,147,422
	<u>\$ 230,341</u>	<u>\$ 1,375,755</u>

**NOTE 6—NOTES PAYABLE**

Notes payable consists of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Note payable, bank, secured by a deposit account, payable in quarterly installments of interest of \$933 and a final principal and interest payment due in June 2006. Interest at 5.75%. (Note paid in July 2006)	\$ -	\$ 65,060
Note payable, bank, unsecured, with interest only payments at the rate of 9.5% through August, 2006.	-	19,900
Note payable, bank, secured by a second mortgage, payable in monthly interest only payments at 4.75% through September 2006. Balloon payment due October 2006.	-	11,865
Note payable, bank, secured by a second mortgage, payable in monthly interest only payments at 7.85% through September 2006. Balloon payment due October 2006.	-	4,978

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 6—NOTES PAYABLE (CONTINUED)**

	<u>2007</u>	<u>2006</u>
Note payable, bank, secured by a first mortgage, payable in monthly interest only payments at 8.75% through February 2008. Balloon payment due March 2008.	1,955,000	-
Note payable to a municipality, with interest accruing at 6% on the outstanding balance. Balloon payment due June 2008.	123,000	123,000
Note payable, bank, secured by first mortgage, payable in monthly installments of principal and interest, which is 2.5% above prime rate. Interest adjusts every three years, and will adjust again in April of 2008. Payments are \$3,483, including interest at 6.88%, through March 2010. Balloon payment in April 2010.	426,699	438,828
Note payable, bank, guaranteed by NHBFA, payable in monthly installments of principal and interest beginning July 2006. Principal payments are made at \$500 for 6 months, followed by 28 payments of \$1,000. Interest is at a variable rate, and was 9.25% at June 30, 2007. The average monthly installments thru June 2007 is \$1,234. A balloon payment is due in May 2009.	54,485	63,985
Note payable, bank, secured by first mortgage, payable in monthly installments of principal and interest, which is 2.0% above prime rate. Interest adjusts every five years, and will adjust again in October of 2009. Payments are \$12,373, including interest at 6.18%, through May 2010. Balloon payment in June 2010.	1,599,527	1,646,311
Note payable, NHBFA, secured by second mortgage, payable in monthly installments of principal and interest of \$2,237, including interest at 6.0%, through June 2007. Payments adjust to \$2,477 through May 2010. Balloon payment due June 2010.	284,367	292,437
Note payable, Toyota, secured by a vehicle, payable in monthly installments of principal and interest of \$605, including interest at 5.99%, through July 2010. Balloon payment in August 2010.	20,309	27,571
Note payable, NHBFA, secured by first mortgage, payable in monthly installments of \$2,500, including interest at 7%, through December 2010. Balloon payment in January 2011.	220,401	234,436

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 6—NOTES PAYABLE (CONTINUED)**

	<u>2007</u>	<u>2006</u>
Note payable, bank, secured by first mortgage, payable in monthly installment of \$4,975, including interest at 7.875%, through January 2011. Balloon payment in February 2011.	582,894	596,116
Note payable, NHBFA, secured by collateral assignment of note receivable, payable in monthly installments of principal and interest of \$2,446, including interest at 6.5%, through April 2011.	99,347	121,453
Note payable, Keene Downtown Housing Corporation, unsecured, with interest only through August, 2006. Monthly installments of principal and interest of \$2,076, including interest at 9.0%, commence in August of 2006. Balloon payment due the earlier of July 2011 or when financing obtained for related project.	100,000	100,000
Note payable, NHBFA, secured by collateral assignment of note receivable, payable in monthly installments of principal and interest of \$1,451, including interest at 7%, through March 2012. Balloon payment in April 2012.	122,821	-
Note payable, NHBFA, secured by first mortgage, payable in monthly installments of \$447, including interest at 6.5%, through September 2012. Balloon payment in October 2012.	60,000	-
Note payable, CCMRE IV LLC, secured by first position on business assets, payable in monthly installments of interest at 2.177% through February 2014. Balloon payment in March 2014.	518,250	-
Note, bank, secured by first mortgage, payable in quarterly installments of principal and interest, which varies with changes in interest, until September 1, 2014. MEDC has entered into an interest swap agreement which effectively converts the variable rate to a fixed rate of 5.2%. The average quarterly installment was \$72,000.	2,846,708	2,986,708
Note payable, bank, secured by second mortgage, \$60,000 available with drawdown at June 30, 2007 of \$25,000. Monthly payments of interest only through October 2007. Monthly installments of principal plus interest, which is 2.5% above FHLB rate. Interest adjusts every five years. Payments are \$509, including interest at 7.62%, through March 2017. Final payment in April 2017.	25,000	-



**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 6—NOTES PAYABLE (CONTINUED)**

	<u>2007</u>	<u>2006</u>
Note payable, bank of \$149,400, secured by first mortgage and assignment of rental leases with interest at 8.755% per annum until May 2007. Interest adjusts annually. Monthly installments of principal and interest were \$1,484 at June 2006. Balloon payment due in May 2019.	131,742	138,146
Note payable, U.S. Department of Agriculture, interest only payments until November 2005. Annual payments of principal plus interest at 1%, begin in November 2006 and are paid through November 2033.	500,000	500,000
Note payable, U S Department of Agriculture, unsecured, \$500,000 available with drawdown at June 30, 2006 of \$125,000. Annual payments of interest, at 1%, only through April 2009. Annual payments of principal plus interest at 1%, begin in April 2010 and are paid through April 2036.	500,000	125,000
Note payable, CCMRE IV LLC, secured by second position on business assets, payable in monthly installments of interest at 2.177% through February 2014. Balloon payment in March 2042.	740,479	-
Note payable, CCMRE IV LLC, secured by third position on business assets, payable in monthly installments of interest at 2.177% through February 2014. Balloon payment in March 2042.	1,083,804	-
Note payable, CRF, secured by senior participation in note receivable, payable in monthly installments of \$5,796 through January 2034. Balloon payment in February 2034.	677,985	-
Note payable, Business Finance Authority, unsecured, at 0% interest with repayment at the closing of the construction loan on the Railroad Land or return of deposit by the City of Keene.	30,000	30,000
Interest free note, secured by assignment of a similar note receivable related to construction of a downtown hotel payable to the Community Development Finance Authority (CFDA). Payable in monthly installments of \$1,000 through May 2006. Balance payable within five years from closing on Railroad project financing.	68,044	143,044
	<u>\$ 12,770,862</u>	<u>\$ 7,668,838</u>

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 6—NOTES PAYABLE (CONTINUED)**

Maturities for the long-term debt subsequent to June 30, 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 2,314,158
2009	543,229
2010	2,483,018
2011	1,014,446
2012	473,501
Thereafter	<u>5,942,510</u>
	<u>\$ 12,770,862</u>

**NOTE 7—PROPERTY, LIENS AND MORTGAGES**

MEDC has received certain Community Development Block Grants through the City of Keene, New Hampshire to develop certain properties. These grants imposed liens on the properties that are subject to the terms of the Revolving Loan Fund Agreement. These grants were recorded as income in the year they were received. The properties and balances due at June 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
4-2 Krif Road	\$ 475,000	\$ 475,000
1 Partion Place	255,000	255,000
Black Brook Corporate Park	563,013	563,013
Wright - First Course	440,000	-

**NOTE 8—LEASES**

As Lessor

MEDC is a lessor of industrial and commercial real estate under various operating leases. The terms of some leases provide for rent adjustments equal to the percentage that the Consumer Price Index (CPI) changes from the Loan Index. The leases expire at various dates through September of 2017.

Future minimum lease receipts, excluding CPI increases, subsequent to June 2007 are at follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 757,624
2009	694,292
2010	643,511
2011	409,800
2012	409,800
Thereafter	947,750

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 8—LEASES (CONTINUED)**

Several of MEDC's commercial leases are triple net leases with the tenants being responsible for the real estate tax payment. In the event of a default by a tenant, MEDC assumes the liability for the tax obligation and records a corresponding receivable due from the defaulting tenant. At June 30, 2007 certain tenants were in default for non payment of real estate taxes due under the triple net lease agreements. The amount assumed by MEDC at June 30, 2007 and 2006 was \$7,825 and \$4,159, respectively.

As Lessee

As part of the downtown development agreement with the City of Keene, MEDC leases 55 parking spaces at the Wells Street parking garage. The fixed monthly rent is twenty-nine dollars and fifty-four cents (\$29.54) per space per month through October 2018. MEDC has subleased the 55 parking spaces to Someplaces Different, Inc. at a rate of twenty dollars (\$20.00) per space per month through February 2018.

Net future minimum lease payments subsequent to June 30, 2007 are as follows:

<u>Year</u>	<u>Future Minimum Payments</u>	<u>Future Minimum Receipts</u>	<u>Net Payments</u>
2008	\$ 19,496	\$ 13,200	\$ 6,296
2009	19,496	13,200	6,296
2010	19,496	13,200	6,296
2011	19,496	13,200	6,296
2012	19,496	13,200	6,296
Thereafter	123,475	73,700	49,775

**NOTE 9—COMMITMENTS AND CONTINGENCIES**

Grant Requirements

MEDC receives money under various state and federal grants. Under the terms of these grants, MEDC is required to use the money within the grant period for purposes specified in the grant proposal. If expenditures of the grant were found not to have been made in compliance with the proposal, MEDC may be required to repay the grantor's funds.

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 10—GRANTS RECEIVABLE**

Grants receivable at June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Community Development Block Grant	\$ 480,000	\$ 326,239
Miscellaneous grants	-	15,901
New Hampshire Community Development Finance Authority	-	274,515
	<u>\$ 480,000</u>	<u>\$ 616,655</u>

**NOTE 11—PROFIT SHARING PLAN**

MEDC has adopted a plan known as the Monadnock Economic Development Corp 401(k) Plan (the Plan) to provide retirement benefits for its employees. As allowed under Section 401 (k) of the Internal Revenue Code, the plan provides tax-deferred salary deductions for eligible employees.

The Plan provides for discretionary contributions as determined by the Board of Directors. Such contributions to the Plan are allocated among eligible participants by class of employee, on a salary proportionate basis. All contributions vest immediately. During the years ended June 30, 2007 and 2006, employer contributions to the plan charged to administration were \$28,775 and \$33,240, respectively.

**NOTE 12—INTEREST RATE SWAP AGREEMENT**

MEDC has entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its floating rate long-term debt. At June 30, 2007 MEDC had outstanding an interest rate swap agreement with a commercial bank, having an original total principal amount of \$3,655,000. This agreement effectively changes MEDC's interest rate exposure on its floating rate notes due 2014 to a fixed rate of 5.2%. The interest rate swap agreement matures at the time of related notes mature. MEDC is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, MEDC does not anticipate nonperformance by the counterparties.

**NOTE 13—TEMPORARILY RESTRICTED ASSETS**

Temporarily restricted net assets consist of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
City of Keene, New Hampshire-Community Development Block Grant Vision Award	\$ -	\$ 326,239
Block Grant Oleo Award	450,000	-
Block Grant First Course Award	30,000	-
Rural Business Enterprise Grant	-	15,901
New Hampshire Community Development Finance Authority (MRBIN, LLC)	-	274,515
Revolving Loan Fund	265,569	689,250
Intermediary Relending Program	52,721	128,734
	<u>\$ 798,290</u>	<u>\$ 1,434,639</u>

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 14—OPERATING LEASE**

MEDC leases space for its corporate offices at \$1,500 per month. The terms of the lease are through June 1, 2008 at which time the lessor shall notify the lessee ninety days prior to the expiration of the lease of its desire to renew the lease. Rent expense for the year ended June 30, 2007 and 2006 was \$18,000.

Future minimum payments are as follows:

June 30, 2008	<u>\$ 16,500</u>
---------------	------------------

**NOTE 15—CONTINGENT LIABILITY**

MEDC executed a non-recourse promissory note to the Community Development Finance Authority, which is due December 31, 2020 without interest and secured by the assignment of a non-recourse promissory note of Beaver Mills Realty secured by a subordinate mortgage on the property acquired in the amount of \$900,000. The purpose of the non-recourse debt is to restrict the sale, deeding or otherwise transfer of the project without the express consent of the Community Development Finance Authority until December 31, 2020.

**NOTE 16—CHANGE IN ACCOUNTING ESTIMATE**

In 2004, MEDC recognized a grant receivable and temporarily restricted income in the amount of \$460,000. The sub-recipient received a portion of the grant funds and determined the additional funds were not needed to complete their project. The grant obligations were fulfilled and the grant was closed out. A change in accounting estimate was recorded to remove the balance.

**NOTE 17—RESTATEMENT OF NET ASSETS**

Net assets for June 30, 2005 and June 30, 2006 have been restated to recognize the market value of the interest rate swap on these dates. Balances as of June 30, 2005 and June 30, 2006 were restated to \$7,012,845 and \$6,862,465, respectively.

**NOTE 18—SUBSEQUENT EVENTS**

In July 2007, MEDC received Community Development Block Grant funds of \$382,000 and sold a .38 acre parcel of land for \$187,500. The proceeds from both transactions were used for development costs of a construction project. In addition, MEDC wrote off notes receivable in the amount of \$390,556, which was included in the June 2007 allowance for bad debt.

In January 2008, MEDC obtained a NHDES loan of \$300,000 and a Business Finance Authority loan of \$840,000. NHDES disbursed \$280,437 to pay for environmental clean up on a construction site. A portion of the BFA loan, \$238,980, is reserved to secure a letter of credit obligation to the City of Keene in conjunction with the same construction project. The balance of \$601,020 may be drawn down for development costs for said project.

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2007 and 2006**

**NOTE 18—SUBSEQUENT EVENTS (CONTINUED)**

In March 2008, MEDC sold property held for investment for \$2,086,000. The proceeds were used to pay off the related debt. In addition, MEDC sold development rights for \$300,000 and the proceeds were used to pay down the aforementioned Business Finance Authority loan.

## Schedule 1

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**  
 June 30, 2007 and 2006

	June 30, 2007			June 30, 2006		
	Administration	Projects	Totals	Administration	Projects	Totals
Interest	\$ -	\$ 543,876	\$ 543,876	\$ -	\$ 434,645	\$ 434,645
Salaries and wages	290,603	-	290,603	242,201	-	242,201
Real estate taxes	1,710	52,192	53,902		31,141	31,141
Professional services	16,736	30,423	47,159	15,224	70,501	85,725
Repairs and maintenance	400	27,308	27,708	12,827	27,250	40,077
Utilities	-	64,294	64,294	-	79,380	79,380
Subsidy expense	-	-	-	3,560	-	3,560
Retirement expenses	28,797	-	28,797	34,500	-	34,500
Bank charges	12,314	-	12,314	22,079	-	22,079
Miscellaneous	15,733	2,621	18,354	7,795	-	7,795
Litigation settlement	-	35,000	35,000	80,000	-	80,000
Insurance	2,904	25,522	28,426	3,133	26,505	29,638
Employee benefits	49,033	-	49,033	29,500	-	29,500
Rent	42,806	-	42,806	37,466	-	37,466
Bad debts	-	468,471	468,471	-	27,377	27,377
Payroll taxes	18,088	-	18,088	14,446	-	14,446
Vehicle expense	8,024	-	8,024	14,188	-	14,188
Telephone	5,569	-	5,569	8,022	-	8,022
Marketing	660	20,637	21,297	10,370	-	10,370
Management and development	-	88,913	88,913	58,741	-	58,741
Office expenses	4,887	-	4,887	2,984	-	2,984
Meals and entertainment	1,717	-	1,717	1,299	-	1,299
Equipment rental	3,621	-	3,621	4,249	-	4,249
Payroll service	1,345	-	1,345	1,848	-	1,848
Travel	2,598	-	2,598	-	-	-
Postage and shipping	815	-	815	783	-	783
Conferences and training	2,453	-	2,453	525	-	525
Publications	393	-	393	420	-	420
Memberships and dues	412	-	412	125	-	125
Total expenses before non-operating activity	511,618	1,359,257	1,870,875	606,285	696,799	1,303,084
Non-operating activity:						
Depreciation	11,134	264,695	275,829	9,957	259,406	269,363
Total expenses	<u>\$ 522,752</u>	<u>\$ 1,623,952</u>	<u>\$ 2,146,704</u>	<u>\$ 616,242</u>	<u>\$ 956,205</u>	<u>\$ 1,572,447</u>

**MONADNOCK ECONOMIC  
DEVELOPMENT CORPORATION**

**Consolidated Financial Statements**

**June 30, 2008 and 2007**

**and**

**Independent Auditor's Report**



**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2008 and 2007**

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# Vachon, Clukay & Co., PC

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Certified Public Accountants

45 Market Street  
Manchester, New Hampshire 03101  
(603) 622-7070  
FAX: 622-1452

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Monadnock Economic Development Corporation

We have audited the accompanying consolidated statements of financial position of Monadnock Economic Development Corporation (a nonprofit organization) as of June 30, 2008 and 2007, and the related consolidated 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 audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Monadnock Economic Development Corporation as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Functional Expenses on page 21 is presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Vachon, Clukay & Co. PC*

March 27, 2009

## Exhibit A

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Assets:		
Cash	\$ 30,134	\$ 18,226
Accounts receivable	77,397	187,565
Grants receivable	211,280	480,000
Notes receivable	5,701,747	5,684,399
Prepaid assets	8,285	14,084
Interest receivable	1,140	4,383
Restricted cash	677,902	2,279,595
Land, buildings and improvements held for sale	521,339	2,571,699
Investments in partnerships and LLC's	228,362	230,341
Property, plant and equipment, net of accumulated depreciation	<u>11,508,869</u>	<u>9,599,529</u>
Total assets	<u>\$ 18,966,455</u>	<u>\$ 21,069,821</u>
<b>LIABILITIES, NET ASSETS AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 790,253	\$ 479,847
Accounts payable, retainage	221,708	-
Accrued expenses	198,498	373,313
Security deposits	8,404	74,581
Notes payable	11,486,137	12,770,862
Market value of interest rate swap	<u>301,140</u>	<u>214,459</u>
Total liabilities	<u>13,006,140</u>	<u>13,913,062</u>
Net Assets (Deficit)		
Unrestricted - Operations	5,166,588	5,814,250
Unrestricted - MEDC Development Corporation	(145)	(74)
Unrestricted - 25 Roxbury, LLC	<u>10,000</u>	<u>161,969</u>
Total unrestricted	5,176,443	5,976,145
Temporarily restricted	<u>-</u>	<u>798,290</u>
Total net assets	<u>5,176,443</u>	<u>6,774,435</u>
Stockholders' Equity		
Brown Block Inc	(4,042)	3,735
Minority Interest in BBDC LLC	<u>787,914</u>	<u>378,589</u>
Total stockholders' equity	<u>783,872</u>	<u>382,324</u>
Total net assets and stockholders' equity	<u>5,960,315</u>	<u>7,156,759</u>
Total liabilities, net assets and stockholders' equity	<u>\$ 18,966,455</u>	<u>\$ 21,069,821</u>

See notes to financial statements

## Exhibit B

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Changes in Unrestricted Support and Revenue:		
HUD grants	\$ 35,530	\$ 666,402
Other grants	57,500	823,028
Consulting fees	37,506	100,000
Interest income	203,901	177,990
Rents	871,183	819,096
Development and management fees	91,563	124,374
Loss on sale of assets	(891,506)	-
Loss on investment in 46 Main Street, LLC	(102)	(596,473)
Change in value of interest rate swap	(86,681)	19,133
Change in grant estimate	-	(326,239)
Miscellaneous	41,633	12,949
Total unrestricted revenues	<u>360,527</u>	<u>1,820,260</u>
Released from restrictions	<u>798,290</u>	<u>1,116,349</u>
Total unrestricted support and revenues	<u>1,158,817</u>	<u>2,936,609</u>
Expenses:		
Program services -		
Projects	1,199,669	1,623,952
Supporting services -		
Administration	<u>481,228</u>	<u>522,752</u>
Total expenses	<u>1,680,897</u>	<u>2,146,704</u>
Net Change in Unrestricted Net Assets	(522,080)	789,905
Changes in Temporarily Restricted Net Assets:		
HUD grant income	183,280	480,000
Released from restrictions	<u>(798,290)</u>	<u>(1,116,349)</u>
	<u>(615,010)</u>	<u>(636,349)</u>
Discontinued operation of 25 Roxbury LLC	(467,927)	-
Discontinued operation of MRBIN LLC	<u>-</u>	<u>(234,262)</u>
Decrease in net assets and stockholders' equity	(1,605,017)	(80,706)
Net assets and stockholder's equity, beginning of year	7,156,759	6,862,465
Minority investment into BBDC LLC	<u>408,573</u>	<u>375,000</u>
Net assets and stockholders' equity, end of year	<u>\$ 5,960,315</u>	<u>\$ 7,156,759</u>

*See notes to financial statements*

## Exhibit C

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION****CONSOLIDATED STATEMENT OF CASH FLOW**

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
Decrease in net assets	\$(1,605,017)	\$ (80,706)
Adjustment to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	272,541	275,829
Loss from investment in partnerships and LLC's	102	596,473
Bad debts	4,962	468,471
Loss on sale of assets	891,506	-
Change in grant estimate	-	326,239
Change in value of interest rate swap	86,681	(19,133)
Changes in operating assets and liabilities:		
Accounts receivable	110,168	757
Grants receivable	268,720	(189,584)
Interest receivable	3,243	(487)
Prepaid assets	5,799	10,808
Accounts payable and accrued expenses	532,114	(39,343)
Accrued liabilities	(174,815)	11,257
Security deposits held	(66,177)	18,415
Net cash provided by operations	<u>329,827</u>	<u>1,378,996</u>
Cash Flows From Investing Activities:		
Proceeds from note collections	250,790	82,982
Notes receivable issued	(273,100)	(1,607,658)
Proceeds from sale of investment	1,877	548,941
Minority investment into BBDC LLC	408,573	375,000
Proceeds from sale of assets	2,573,500	-
Purchase of property held for sale	-	(2,209,452)
Purchase of property, plant and equipment	(3,596,527)	(1,796,935)
Net cash (used) provided by investing	<u>(634,887)</u>	<u>(4,607,122)</u>
Cash Flows From Financing Activities:		
Proceeds from notes payable	1,459,932	6,022,533
Principal payment of notes payable	(2,733,637)	(910,512)
Net activity on line of credit	(11,020)	(9,997)
Net cash (used) provided by financing	<u>(1,284,725)</u>	<u>5,102,024</u>
Net (Decrease) Increase in Cash	(1,589,785)	1,873,898
Cash, beginning of year	<u>2,297,821</u>	<u>423,923</u>
Cash, end of year	<u>\$ 708,036</u>	<u>\$ 2,297,821</u>
<i>Additional Disclosures:</i>		
Interest paid during the year	<u>\$ 730,746</u>	<u>\$ 527,016</u>
Income taxes paid during the year	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

**NOTE 1—SUMMARY OF BUSINESS OPERATIONS**

Monadnock Economic Development Corporation (MEDC) is a private, non-profit business development agency responsible for recruiting new industry to the region and assisting existing local firms to grow and succeed in Southwestern, New Hampshire.

The primary goals of MEDC are to assist in the creation of new jobs and to broaden the region's tax base.

Funding

Funding for MEDC is derived primarily from grants, rental income, consulting fees, and loan fund administration.

Activities

MEDC provides the following services:

- ◆ Site and building location assistance.
- ◆ Access to regional employment and training programs.
- ◆ Financial packaging assistance.
- ◆ Information and contacts relative to permitting, local issues, and taxes.
- ◆ Advocacy for industrial growth and business expansion.
- ◆ Direct loans.

Activities are categorized as follows:

Projects

Projects are typically funded with a combination of debt, equity and Federal Community Development Block Grants (CDBG) and/or State Community Development Finance Authority (CDFA) Grants.

Operating

These assets include unrestricted resources and represent the portion of expendable assets available to support MEDC's operations.

Revolving Loan Funds

Assets shall be used for Community Development Block Grant (CDBG) eligible economic development activities.

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2008 and 2007

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The consolidated financial statements include the accounts of Monadnock Economic Development Corporation and its wholly owned subsidiaries: MEDC Development Corporation (MEDCDC); Railroad Land Development, LLC, 25 Roxbury, LLC and Brown Block, Inc. These separate entities have common officers and directors and share the primary objective of furthering commercial development within the region. All significant transactions and balances between the entities have been eliminated.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting and have been prepared to focus on MEDC as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Unrestricted net assets represent those assets that MEDC may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by MEDC is limited by donor-imposed or governmental grant stipulations that either expire by passage of time or can be fulfilled and removed by actions of MEDC pursuant to those stipulations.

Rent, Notes and Other Receivables

The entity uses the allowance method to account for potential bad debts. Management has established an allowance of \$119,977 for 2008 and \$505,570 for 2007.

Notes receivable and related interest are placed on non-accrual basis when payments are six months in arrears. Accrual of interest is recorded until arrearages are paid.

Property and Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the fair market value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives, which are:

	<u>Years</u>
Furniture and fixtures	5 - 7
Land improvements	15 - 20
Buildings and renovations	20 - 39

Income Taxes

MEDC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been determined to be an organization that is not a private foundation.

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2008 and 2007

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

MEDC Development Corporation and Brown Block, Inc are for profit subsidiaries and are taxed as corporations. Railroad Land Development, LLC and 25 Roxbury, LLC are consolidated as part of MEDC's non-profit tax filing.

Use of Estimates

The preparation of financial statements in conformity with 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. Significant estimates include depreciation expenses and allocation of expenditures in the schedule of functional expenses.

Contributions

MEDC accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116 "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor, including pledges, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, this is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized.

Functional Allocation of Expenses

The cost of providing the various projects and other activities has been summarized on a functional basis. Accordingly, costs have been allocated among the projects and supporting services benefited.

Concentration of Credit Risk

MEDC places its cash accounts, which may exceed FDIC insurance limits, with major financial institutions and limits the amount of credit exposure to those financial institutions. The Corporation has not experienced any losses with respect to cash. As of June 30, 2008, \$234,252 was insured by the FDIC and \$238,980 was collateralized by a letter of credit obligation. As of June 30, 2007, \$345,769 was insured by the FDIC and \$1,565 was collateralized by government securities.



**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2008 and 2007

**NOTE 3—PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,128,281	\$ 1,351,136
Land improvements	321,922	303,552
Building and improvements	9,559,998	8,430,021
Construction in progress	2,552,007	1,356,811
Furniture, equipment and vehicle	110,639	108,780
	<u>13,672,847</u>	<u>11,550,300</u>
Less: accumulated depreciation	<u>2,163,978</u>	<u>1,950,771</u>
	<u>\$ 11,508,869</u>	<u>\$ 9,599,529</u>

Depreciation expense was \$272,541 and \$275,829 for the years ended June 30, 2008 and 2007, respectively.

**NOTE 4—NOTES RECEIVABLE**

Notes receivable consists of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Note receivable, secured by personal guarantee and second position on equipment, payable in monthly installments of \$212, including interest at 6.75%, through June 2008.	\$ -	\$ 2,450
Note receivable, unsecured, payable in a lump sum in June 2013, with interest accrued at 1% per annum.	53,570	48,700
Note receivable, secured by a first position on business assets. Interest to accrue at 1% per annum until October 2008, at which time interest shall be paid monthly. Thereafter, monthly installments of \$895.54, shall be payable. A balloon payment of the unpaid balance is due in February 2015.	125,000	-
Note receivable, secured by a second mortgage on real estate, payable in monthly installments of \$2,302, including interest at 4.6%, through May 2008. Payment of \$175,000 was paid and the balance written off as a bad debt.	-	315,163
Note receivable, secured by a second mortgage, payable in monthly installments of \$1,784, including interest at 4.375%, through July 2008. Note was defaulted upon and written off as a bad debt.	-	250,394

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2008 and 2007

**NOTE 4--NOTES RECEIVABLE (CONTINUED)**

	<u>2008</u>	<u>2007</u>
Note receivable, secured by a second mortgage, payable in monthly installment of \$895, including interest at 6% through June of 2009. Balloon payment of unpaid balance due July 2009.	78,324	90,618
Note receivable, secured by first position on equipment, payable in monthly installments of \$1,381, including interest at 4.75%, through March 2010. Balloon payment of unpaid balance due April 2010.	98,996	111,506
Note receivable, secured by second mortgage on real estate, payable in monthly installments of \$998, including interest at 7.38% through November 2011. Balloon payment of unpaid balance due December 2011.	120,653	123,604
Note receivable, secured by third position on real estate and a first position on business assets, payable in monthly installments of \$1,484, including interest at 7.5% through February 2012. Balloon payment of unpaid balance due March 2012.	113,304	124,297
Note receivable, secured by second position on business assets, payable in monthly installments of \$1,208 including interest at 7.5% through February 2012. Balloon payment of unpaid balance due March 2012.	146,635	149,760
Note receivable, secured by second mortgage, payable in monthly installments of \$896, including interest at 6%, through November 2013. Balloon payment of unpaid balance due December 2013.	109,555	113,539
Note receivable, secured by third mortgage, payable in monthly installments of \$906 including interest at 6.15%, through March 2014. Balloon payment of unpaid balance due April 2014.	108,628	113,559
Note receivable, secured by first position on business assets, payable in monthly installments of \$835, including interest at 6% through June 2014. Balloon payment of unpaid balance due July 2014.	56,276	61,148
Note receivable, secured by second position on business assets, payable in monthly installments of \$950, including interest at 6.75%, through October 2014. Balloon payment of unpaid balance due November 2014.	113,006	116,649

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2008 and 2007

**NOTE 4--NOTES RECEIVABLE (CONTINUED)**

	<u>2008</u>	<u>2007</u>
Note receivable, secured by a second mortgage on real estate, payable in a lump sum December 2015, with interest accrued at 0% per annum. This note is assigned as security for long-term debt obligation to Community Development Finance Authority.	575,000	575,000
Note receivable, secured by a third mortgage, payable in monthly installments of \$844, including interest at the rate of 6.5%, through June 2016. Balloon payment of unpaid. due July 2016.	120,923	123,113
Note receivable, secured by first position on business assets, payable in monthly installments of \$825, including interest at 5% through October 2019. Balloon payment of unpaid balance due November 2019.	110,348	114,613
Note receivable, secured by first mortgage on real estate, payable in monthly installments of \$932, including interest at 6.5% through July 2026. Balloon payment of unpaid balance is due July 2016.	125,409	126,905
Note receivable, secured by a second mortgage on real estate. Interest accrued at 5% per annum through September 19, 2005. Effective September 20, 2005, interest is adjusted annually to prime less 1% and payments are made monthly. The monthly installment at June 20, 2008 was \$7,733 and included interest at 7.25%. A balloon payment of the unpaid balance is due in August 2035.	1,100,321	1,113,850
Notes receivable, unsecured, with interest to accrue at 4% per annum through March 2009 at which time interest payments will be made annually. A balloon payment of the unpaid balance is due in March 2011.	63,000	-
Notes receivable, unsecured with interest to accrue at 4% per annum through March 2009 at which time interest payments will be made annually. A balloon payment of the unpaid balance is due in July, 2016.	45,000	-

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2008 and 2007

**NOTE 4--NOTES RECEIVABLE (CONTINUED)**

	<u>2008</u>	<u>2007</u>
Note receivable, secured by a second position on business assets. Interest to accrue at 1% through March 19, 2014 at which time interest payments will be made monthly. A balloon payment of the unpaid balance is due in March 2042	1,022,500	1,009,580
Notes receivable from related entities in which MEDC is an investor which are non-interest bearing and are classified as long-term obligations.	<u>1,535,276</u>	<u>1,505,521</u>
	5,821,724	6,189,969
Less allowance for bad debts	<u>(119,977)</u>	<u>(505,570)</u>
	<u>\$ 5,701,747</u>	<u>\$ 5,684,399</u>

Maturities for notes receivable subsequent to June 30, 2008 are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 319,368
2010	233,486
2011	185,992
2012	389,441
2013	109,445
Thereafter	<u>4,464,015</u>
	<u>\$ 5,701,747</u>

**NOTE 5—INVESTMENTS IN PARTNERSHIPS AND LLCS**

Consolidated:

MEDC Development Corporation is a wholly owned subsidiary of Monadnock Economic Development Corporation. MEDC Development Corporation has a half of one-tenth percent general partnership interest in Keene Eastside Senior Housing Limited Partnership and a one half of one percent general partnership interest in Beaver Mill Realty Limited Partnership.

25 Roxbury, LLC, a Limited Liability Company, is a wholly owned subsidiary of Monadnock Economic Development Corporation and is organized to acquire, hold, invest in, improve, maintain, operate, lease, dispose of and otherwise deal with a specific parcel of real estate in Keene, NH. The real estate was sold during 2008.

Railroad Land Development, LLC, a Limited Liability Company, is a wholly owned subsidiary of Monadnock Economic Development Corporation and is organized to acquire, hold, invest in, improve, maintain, operate, lease, dispose of and otherwise deal with a specific parcel of real estate in Keene, NH.

Brown Block Inc. is a wholly owned subsidiary of Monadnock Economic Development Corporation. Brown Block Inc. is a fifty one percent managing member of Brown Block Development Company LLC.

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2008 and 2007

**NOTE 5—INVESTMENTS IN PARTNERSHIPS AND LLCS (CONTINUED)**

Equity Method

Investments in common stock and membership certificates representing 20% to 50% ownership, in Corporations and Limited Liabilities Companies are reflected at cost plus equity in the undistributed net earnings (losses) since acquisition, under the equity method. Minority interests in common stock of non-publicly traded companies and partnerships are reflected at cost plus accumulated earnings and losses.

Keene Eastside Development Corporation was formed by MEDC and Southwestern Community Services, Inc. for the purpose of developing real estate. MEDC has a fifty percent interest in Keene Eastside Development Corporation.

Beaver Mill Realty, L.P., a limited partnership, was formed by MEDCDC and SCS Development Corporation for the purpose of developing real estate. MEDCDC has a one half of one percent general partnership interest in Beaver Mill Realty Limited Partnership.

Keene East Side Senior Housing, L.P., a limited partnership, was formed by MEDCDC and SCS Development Corporation for the purpose of developing real estate. MEDCDC has a one half of one tenth of a percent general partnership interest in Keene East Side Housing Associates Limited Partnership.

Southwestern New Hampshire Community Development, LLC, a Limited Liability Company, formed by MEDC and Southwestern Community Services, for the purpose of developing real estate. MEDC has a fifty percent membership interest in Southwestern New Hampshire Community Development, LLC.

46 Main Street Realty, LLC, a Limited Liability Company, formed by MEDC and Shaldu Ltd., to acquire and renovate the former Woolworth property located in Keene, NH. MEDC had a fifty percent membership interest in 46 Main Street Realty, LLC which was discontinued in 2007.

Investments consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Keene East Side Development Corporation	\$ 500	\$ 500
Beaver Mill Realty Limited Partnership	194	195
Keene Eastside Senior Housing Authority	146,600	146,600
Keene Eastside Senior Housing Limited Partnership	79,368	79,438
Southwestern New Hampshire Community Development, LLC	1,700	1,700
46 Main Street, LLC	-	1,908
	<u>\$ 228,362</u>	<u>\$ 230,341</u>

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2008 and 2007

**NOTE 6—NOTES PAYABLE**

Notes payable consists of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Note payable, bank, secured by a first mortgage, payable in monthly interest only payments at 8.75% through February 2008. (Note paid in full March 2008)	\$ -	\$ 1,955,000
Note payable to a municipality, with interest accruing at 6% on the outstanding balance. Full payment due August 2008. (See subsequent event note 19)	123,000	123,000
Note payable, bank, guaranteed by NHBFA. Monthly installments of principal and interest begin July of 2006. Principal payments will be made at \$500 for 6 months, followed by 28 payments of \$1,000. Interest is a variable rate, and was 9.0% at June 30, 2006. The average monthly installment thru June 2007 is \$1,234. Balloon payment due May 2009.	43,465	54,485
Note payable, bank, secured by first mortgage, payable in monthly installments of principal and interest, which is 2.5% above prime rate. Interest adjusts every three years, and will adjust again in April of 2008. Payments are \$3,483, including interest at 6.88%, through March 2010. Balloon payment in April 2010.	413,206	426,699
Note payable, NHDES, \$300,000 available with drawdown at June 30, 2008 of \$280,437. Monthly payments of interest only at 3% per annum commencing February 2008 for 24 months followed by 35 payments of principal and interest. Balloon payment due in January 2013.	280,437	-
Note payable, bank, secured by first mortgage, payable in monthly installments of principal and interest, which is 2.0% above prime rate. Interest adjusts every five years, and will adjust again in October of 2009. Payments are \$12,373, including interest at 6.18%, through May 2010. Balloon payment in June 2010.	1,550,231	1,599,527
Note payable, NHBFA, secured by second mortgage, payable in monthly installments of principal and interest of \$2,237, including interest at 6.0%, through June 2007. Payments adjust to \$2,477 through May 2010. Balloon payment due June 2010.	272,784	284,367

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2008 and 2007

**NOTE 6—NOTES PAYABLE (CONTINUED)**

	<u>2008</u>	<u>2007</u>
Note payable, Toyota, secured by a vehicle, payable in monthly installments of principal and interest of \$605, including interest at 5.99%, through July 2010. Balloon payment in August 2010.	14,627	20,309
Note payable, NHBFA, secured by first mortgage, payable in monthly installments of \$2,500, including interest at 7%, through December 2010. Balloon payment in January 2011.	205,353	220,401
Note payable, bank, secured by first mortgage, payable in monthly installment of \$4,975, including interest at 7.875%, through January 2011. Balloon payment in February 2011.	568,664	582,894
Note payable, NHBFA, secured by collateral assignment of note receivable, payable in monthly installments of principal and interest of \$2,446, including interest at 6.5%, through April 2011.	75,761	99,347
Note payable, Keene Downtown Housing Corporation, unsecured, with interest only through August, 2006. Monthly installments of principal and interest of \$2,076, including interest at 9.0%, commence in August of 2006. Balloon payment due the earlier of July 2011 or when financing obtained for related project.	100,000	100,000
Note payable, NHBFA, secured by collateral assignment of note receivable, payable in monthly installments of principal and interest of \$1,451, including interest at 7%, through March 2012. Balloon payment in April 2012.	113,713	122,821
Note payable, NHBFA, secured by collateral assignment of note receivable, \$840,000 available with drawdown to June 30, 2008 of \$719,495, with interest only payable in monthly payments at 6.5% through December 2009 at which time a balloon payment is due.	719,495	-
Note payable, NHBFA, secured by first mortgage, payable in monthly installments of \$447, including interest at 6.5%, through September 2012. Balloon payment in October 2012.	59,003	60,000
Note payable, CCMRE IV LLC, secured by first position on business assets, payable in monthly installments of interest at 2.177% through February 2014. Balloon payment in March 2014.	518,250	518,250

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2008 and 2007

**NOTE 6—NOTES PAYABLE (CONTINUED)**

	<u>2008</u>	<u>2007</u>
Note, bank, secured by first mortgage, payable in quarterly installments of principal and interest, which varies with changes in interest, until September 1, 2014. MEDC has entered into an interest swap agreement which effectively converts the variable rate to a fixed rate of 5.2%. The average quarterly installment was \$72,000.	2,696,708	2,846,708
Note payable, bank, secured by second mortgage, \$60,000 available with drawdown at June 30, 2007 of \$25,000. Monthly payments of interest only through October 2007. Monthly installments of principal plus interest, which is 2.5% above FHLB rate. Interest adjusts every five years. Payments are \$509, including interest at 7.62%, through March 2017. Final payment in April 2017	58,346	25,000
Note payable, bank of \$149,400, secured by first mortgage and assignment of rental leases with interest at 8.755% per annum until May 2007. Interest adjusts annually. Monthly installments of principal and interest were \$1,484 at June 2006. Note paid in full.	-	131,742
Note payable, U.S. Department of Agriculture, interest only payments until November 2005. Annual payments of principal plus interest at 1%, begin in November 2006 and are paid through November 2033.	483,775	500,000
Note payable, U S Department of Agriculture, unsecured, \$500,000 available with drawdown at June 30, 2006 of \$125,000. Annual payments of interest, at 1%, only through April 2009. Annual payments of principal plus interest at 1%, begin in April 2010 and are paid through April 2036.	500,000	500,000
Note payable, CCMRE IV LLC, secured by second position on business assets, payable in monthly installments of interest at 2.177% through February 2014. Balloon payment in March 2042.	740,479	740,479
Note payable, CCMRE IV LLC, secured by third position on business assets, payable in monthly installments of interest at 2.177% through February 2014. Balloon payment in March 2042.	1,083,804	1,083,804



**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2008 and 2007

**NOTE 6—NOTES PAYABLE (CONTINUED)**

	<u>2008</u>	<u>2007</u>
Note payable, CRF, secured by senior participation in note receivable, payable in monthly installments of \$5,796, including interest at 4% per annum, through January 2034. Balloon payment in February 2034.	641,992	677,985
Note payable, Business Finance Authority, unsecured, at 0% interest with repayment at the closing of the construction loan on the Railroad Land or return of deposit.	30,000	30,000
Interest free note, secured by assignment of a similar note receivable related to construction of a downtown hotel payable to the Community Development Finance Authority (CFDA). Payable in monthly installments of \$1,000 through May 2006. Balance payable within five years from closing on Railroad project financing.	68,044	68,044
Note payable, Keene Downtown Housing Corporation, unsecured, with interest of 2% per annum together with the principal balance due in balloon payment in May 2010.	125,000	-
	<u>\$ 11,486,137</u>	<u>\$ 12,770,862</u>

Maturities for the long-term debt subsequent to June 30, 2008 are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 385,913
2010	3,326,512
2011	1,097,308
2012	352,383
2013	571,077
Thereafter	5,752,944
	<u>\$ 11,486,137</u>

**NOTE 7—PROPERTY, LIENS AND MORTGAGES**

MEDC has received certain Community Development Block Grants through the City of Keene, New Hampshire to develop certain properties. These grants imposed liens on the properties that are subject to the terms of the Revolving Loan Fund Agreement. These grants were recorded as income in the year they were received. The properties and balances due at June 30, 2008 and 2007 were as follows:

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2008 and 2007

**NOTE 7—PROPERTY, LIENS AND MORTGAGES (CONTINUED)**

	<u>2008</u>	<u>2007</u>
4-2 Krif Road	\$ 475,000	\$ 475,000
1 Partion Place	255,000	255,000
Black Brook Corporate Park	563,013	563,013
Wright - First Course	440,000	440,000
Railroad - Pacer	183,280	-

**NOTE 8—LEASES**

As Lessor

MEDC is a lessor of industrial and commercial real estate under various operating leases. The terms of some leases provide for rent adjustments equal to the percentage that the Consumer Price Index (CPI) changes from the Loan Index. The leases expire at various dates through September of 2017.

Future minimum lease receipts, excluding CPI increases, subsequent to June 2008 are at follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 816,384
2010	685,208
2011	445,441
2012	417,004
2013	409,800
Thereafter	537,950

Several of MEDC's commercial leases are triple net leases with the tenants being responsible for the real estate tax payment. In the event of a default by a tenant, MEDC assumes the liability for the tax obligation and records a corresponding receivable due from the defaulting tenant. At June 30, 2007, certain tenants were in default for non payment of real estate taxes due under the triple net lease agreements. The amount assumed by MEDC at June 30, 2007 was \$7,825.

As Lessee

As part of the downtown development agreement with the City of Keene, MEDC leases 55 parking spaces at the Wells Street parking garage. The fixed monthly rent is twenty-nine dollars and fifty-four cents (\$29.54) per space per month through October 2018. MEDC has subleased 40 parking spaces at a rate of twenty dollars (\$20.00) per space per month through February 2018.

Net future minimum lease payments subsequent to June 30, 2008 are as follows:

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2008 and 2007

**NOTE 8—LEASES (CONTINUED)**

<u>Year</u>	Future Minimum <u>Payments</u>	Future Minimum <u>Receipts</u>	Net <u>Payments</u>
2009	\$ 19,496	\$ 9,600	\$ 6,296
2010	19,496	9,600	6,296
2011	19,496	9,600	6,296
2012	19,496	9,600	6,296
2013	19,496	9,600	6,296
Thereafter	103,979	44,000	59,979

**NOTE 9—COMMITMENTS AND CONTINGENCIES**

Grant Requirements

MEDC receives money under various state and federal grants. Under the terms of these grants, MEDC is required to use the money within the grant period for purposes specified in the grant proposal. If expenditures of the grant were found not to have been made in compliance with the proposal, MEDC may be required to repay the grantor's funds.

**NOTE 10—GRANTS RECEIVABLE**

Grants receivable at June 30, 2008 and 2007 are as follows:

Community Development Block Grant	<u>2008</u> \$ 211,280	<u>2007</u> \$ 480,000
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**NOTE 11—PROFIT SHARING PLAN**

MEDC has adopted a plan known as the Monadnock Economic Development Corp 401(k) Plan (the Plan) to provide retirement benefits for its employees. As allowed under Section 401(k) of the Internal Revenue Code, the plan provides tax-deferred salary deductions for eligible employees.

The Plan provides for discretionary contributions as determined by the Board of Directors. Such contributions to the Plan are allocated among eligible participants by class of employee, on a salary proportionate basis. All contributions vest immediately. During the years ended June 30, 2008 and 2007, employer contributions to the plan charged to administration were \$23,476 and \$28,775, respectively.

**NOTE 12—INTEREST RATE SWAP AGREEMENT**

MEDC has entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its floating rate long-term debt. At June 30, 2008, MEDC had outstanding an interest rate swap agreement with a commercial bank, having a total principal amount of \$3,655,000. This agreement effectively changes MEDC's interest rate exposure on its floating rate notes due 2014 to a fixed rate of 2.2%. The interest rate swap agreement matures at the time of related notes mature. MEDC is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, MEDC does not anticipate nonperformance by the counterparties.

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2008 and 2007

**NOTE 13--TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
City of Keene, New Hampshire-Community Development		
Block Grant Pacer Award	\$ 113,280	\$ -
Block Grant Oleo Award	98,000	450,000
Block Grant First Course Award	-	30,000
Bank - security for letter of credit	244,186	
Revolving Loan Fund	(709,067)	265,569
Intermediary Relending Program	253,601	52,721
	<u>\$ -</u>	<u>798,290</u>

**NOTE 14—OPERATING LEASE**

MEDC leases space for its corporate offices at \$1,500 per month. The terms of the lease are through June 1, 2008; monthly thereafter through September 30, 2008, and at \$1,545 monthly through September 30, 2009 per a new lease agreement. Rent expense for the years ended June 30, 2008 and 2007 was \$18,000 each year.

Future minimum payments are as follows:

June 30, 2009	\$ 18,405
June 30, 2010	4,635

**NOTE 15—CONTINGENT LIABILITY**

MEDC executed a non-recourse promissory note to the Community Development Finance Authority, which is due December 31, 2020 without interest and secured by the assignment of a non-recourse promissory note of Beaver Mills Realty secured by a subordinate mortgage on the property acquired in the amount of \$900,000. The purpose of the non-recourse debt is to restrict the sale, deeding or otherwise transfer of the project without the express consent of the Community Development Finance Authority until December 31, 2020.

**NOTE 16—CHANGE IN ACCOUNTING ESTIMATE**

In 2004, MEDC recognized a grant receivable and temporarily restricted income in the amount of \$460,000. The sub-recipient received a portion of the grant funds and determined the additional funds were not needed to complete their project. The grant obligations were fulfilled and the grant closed out. The change in accounting estimate was recorded in 2007 to remove the balance.

**NOTE 17—INTEREST EXPENSE**

Total interest expense for the year ended June 30, 2008 was \$704,307; \$110,289 has been capitalized into the development costs of two construction projects, and the balance of \$594,018 has been expensed.

**MONADNOCK ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2008 and 2007

**NOTE 18—LOSS ON SALE OF ASSETS**

Loss on sale of assets for the year ended June 30, 2008 consisted of the following:

Sale of Railroad Land Development LLC land to hotel developer	\$ 112,584
Sale of Railroad Land Development LLC land for senior housing	124,265
Sale of Railroad Land Development LLC land , including other land and building held for investment	653,238
Disposal of office equipment	1,419
	<u>\$ 891,506</u>

The above land sales included the sales of fractional interests in limited common areas and common areas subject to a condominium agreement.

**NOTE 19—SUBSEQUENT EVENTS**

In August 2008, MEDC received a \$125,409 payoff of a note receivable.

In September 2008, MEDC received a \$110,348 payoff of a note receivable.

In October 2008, MEDC completed a note receivable loan of \$140,000.

On October 23, 2008, MEDC obtained a loan of \$280,000 from the Business Finance Authority of the State of New Hampshire for a construction site. The entire principal and accrued interest at 6.75% per annum are due and payable on the 90<sup>th</sup> day after the date of the note.

In December, 2008, the City of Keene, New Hampshire renegotiated the \$123,000 note which was due in August, 2008. Under the terms of the new note, all accrued interest was waived and future payments of \$12,300 will be due annually commencing June 30, 2009 through June 30, 2019.

## Schedule 1

MONADNOCK ECONOMIC DEVELOPMENT CORPORATION  
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

June 30, 2008 and 2007

	June 30, 2008			June 30, 2007		
	Administration	Projects	Totals	Administration	Projects	Totals
Interest	\$ -	\$ 594,018	\$ 594,018	\$ -	\$ 543,876	\$ 543,876
Salaries and wages	271,096	-	271,096	290,603	-	290,603
Real estate taxes	-	36,969	36,969	1,710	52,192	53,902
Professional services	21,906	(11,596)	10,310	16,736	30,423	47,159
Repairs and maintenance	419	36,505	36,924	400	27,308	27,708
Utilities	45	133,347	133,392	-	64,294	64,294
Subsidy expense	-	40,000	40,000	-	-	-
Retirement expenses	23,476	-	23,476	28,797	-	28,797
Bank charges	11,698	-	11,698	12,314	-	12,314
Miscellaneous	17,772	-	17,772	15,733	2,621	18,354
Litigation settlement	-	-	-	-	35,000	35,000
Insurance	3,182	36,799	39,981	2,904	25,522	28,426
Employee benefits	36,918	-	36,918	49,033	-	49,033
Rent	41,750	-	41,750	42,806	-	42,806
Bad debts	-	4,962	4,962	-	468,471	468,471
Payroll taxes	17,088	-	17,088	18,088	-	18,088
Vehicle expense	5,741	-	5,741	8,024	-	8,024
Telephone	5,914	-	5,914	5,569	-	5,569
Marketing	354	6,831	7,185	660	20,637	21,297
Management and development	-	59,358	59,358	-	88,913	88,913
Office expenses	3,234	-	3,234	4,887	-	4,887
Meals and entertainment	693	-	693	1,717	-	1,717
Equipment rental	3,658	-	3,658	3,621	-	3,621
Payroll service	1,357	-	1,357	1,345	-	1,345
Travel	379	-	379	2,598	-	2,598
Postage and shipping	1,013	-	1,013	815	-	815
Conferences and training	2,350	-	2,350	2,453	-	2,453
Publications	667	-	667	393	-	393
Memberships and dues	453	-	453	412	-	412
Total expenses before non-operating activity	471,163	937,193	1,408,356	511,618	1,359,257	1,870,875
Non-operating activity						
Depreciation	10,065	262,476	272,541	11,134	264,695	275,829
Total expenses	\$ 481,228	\$ 1,199,669	\$ 1,680,897	\$ 522,752	\$ 1,623,952	\$ 2,146,704

**Monadnock Economic Development Corporation**  
**Notes to Financial Statements**  
**For the month ending June 30, 2009 (before yr. end adjustments)**

1. Balances between MEDC, 25 Roxbury, LLC, MEDC Management Co. LLC, and RLD, LLC have been eliminated for balance sheet presentation.
2. Grant income must equal output through construction or extension of note receivable. Grant income received for the year is as follows:

Pacer Instruments	\$344,220	Railroad
Woodbound Grant	460,000	CDBG
Capacity Grant	19,300	
Misc Grant	35,530	City of Claremont
Misc Grant	2,000	
<u>Dunning Grant</u>	<u>162,970</u>	

total grants        \$1,024,020

3. RLD, LLC. Completed a land swap with Green Diamond on Railroad property, resulting in an escrow account with matching deferred income of \$80,000. The escrow account is held by Bradley and Faulkner, PC.(included in restricted cash) Until fencing and other repairs are completed on the property.
4. Accrued expenses include accrued vacation pay of \$43,750 owed to Jack.
5. Forgiveness of debt of \$50,369 is City of Keene forgiveness of the interest on the water tank loan.

**Monadnock Economic Development Corporation**  
**Consolidated Balance Sheet**  
**As of June 30, 2009**

<b>ASSETS</b>	<b>Current Month</b>	<b>Prior Month</b>	<b>Audited 6/30/2008</b>
Unrestricted Cash	2,672	18,527	30,134
Net Accounts Receivable (1)	63,734	45,381	77,397
Accrued Property Tax Receivable	0	0	0
Prepaid Expense	27,683	34,007	8,285
Other Current Assets	9,546	1,920	1,140
Intercompany A/Rec	42,566	1,272	
Fixed Assets	14,605,042	13,234,845	11,513,773
Restricted Cash (3)	707,298	1,231,074	677,902
Grant Receivables	17,402	0	211,280
Note & Loan Receivables, net	0	0	0
IRP Loan Fund	1,281,065	1,384,658	1,139,781
Project Related	3,238,462	3,184,141	2,927,695
Revolving Loan Fund	0	0	98,996
Related Parties (1)	1,681,274	1,681,876	1,681,875
Investments in Organizations	476,736	496,532	81,762
Property Held for Investment	521,339	521,339	521,339
<b>Total Assets</b>	<b>22,674,819</b>	<b>21,835,572</b>	<b>18,971,359</b>
<b>Liabilities, Net Assets and Stockholders' Equity</b>			
<b>Liabilities</b>			
Accounts Payable (1)	989,402	530,405	1,001,169
Payroll Liabilities	0	(6,189)	608
Accrued Expense (4)	187,464	185,896	196,822
Market value-rate swap agreement	355,295	301,140	301,140
Deferred Revenue (3)	80,000	86,462	10,184
Security Deposits	155,133	155,130	8,404
Line of Credit	0	0	0
Due To/From Intercompany	48,064	0	
Due To/From Railroad	0		
Mortgage Payables	5,181,834	5,231,813	5,434,161
Note Payables (1)	8,783,513	8,278,231	6,051,976
<b>Total Liabilities</b>	<b>15,780,705</b>	<b>14,797,311</b>	<b>13,004,464</b>
<b>Net Assets</b>			
Member Capital	0	313,901	0
Unrestricted Net Assets	6,133,755	5,967,473	5,183,023
Restricted Net Assets	0	0	0
<b>Total Net Assets</b>	<b>6,133,755</b>	<b>6,281,374</b>	<b>5,183,023</b>
<b>Stockholders' Equity</b>			
Brown Block Inc	390,495	394,597	(4,042)
Minority Interest in BBDCLLC	369,864	362,290	787,914
<b>Total Stockholders' Equity</b>	<b>760,359</b>	<b>756,887</b>	<b>783,872</b>
<b>Total net assets and stockholders' equity</b>	<b>6,894,114</b>	<b>7,038,261</b>	<b>5,966,895</b>
<b>Total Liabilities, Net Assets and Stockholders' Equity</b>	<b>22,674,819</b>	<b>21,835,572</b>	<b>18,971,359</b>



**Monadnock Economic Development Corporation**  
**Consolidated Statements of Activity**  
**For the Month Ended June 30, 2009 and Year to Date**

DETAIL	NOTE	Month	YTD
		<u>          </u>	<u>          </u>
Ordinary Income:			
Grant Income	(2)	20,390	1,024,020
Rent Income		102,076	940,227
Fee Income		20,067	197,995
Interest from Loans		24,079	150,088
Finance Charges		71	71
Miscellaneous Donations			-
 Total Operating Income		<u>166,683</u>	<u>2,312,401</u>
 Administrative Expenses		61,657	565,560
 Project Expenses		141,454	953,735
 Net Operating Income / (Loss)		<u>(36,428)</u>	<u>793,106</u>
 Non-Operating Activity:			
Gain on Sale of Property		-	-
Change in Value - Market Swap		(54,155)	(54,155)
Forgiveness of Debt	(5)	-	50,369
Miscellaneous Income		12,319	24,291
Depreciation		(32,095)	(285,621)
Interest from Bank Accounts		195	8,617
Inc/Dec in Investment		(17,570)	(12,507)
Non-Operating Income / (Loss)		<u>(91,306)</u>	<u>(269,006)</u>
 Net Income / (Loss)		<u>(127,734)</u>	<u>524,100</u>

**NEW HAMPSHIRE PUBLIC BROADCASTING**

*(A Public Telecommunications Entity Operated by  
the University System of New Hampshire)*

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES:</b>		
Corporation for Public Broadcasting grants	\$ 1,385,110	\$ 1,383,245
Other grants and contracts	281,274	399,186
Underwriting from business and industry	447,668	559,077
Rental income	608,861	599,283
Other operating revenues	129,014	330,169
<b>TOTAL OPERATING REVENUES</b>	<u>2,851,927</u>	<u>3,270,960</u>
<b>OPERATING EXPENSES:</b>		
<b>PROGRAM SERVICES</b>		
Programming and production	2,949,371	3,319,394
Broadcasting	2,083,343	2,269,898
Program information	969,207	586,428
	<u>6,001,921</u>	<u>6,175,720</u>
<b>SUPPORTING SERVICES</b>		
Fund raising and membership development	1,976,236	2,128,507
Management and general	2,798,841	4,156,929
	<u>4,775,077</u>	<u>6,285,436</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>10,776,998</u>	<u>12,461,156</u>
<b>OPERATING LOSS</b>	<u>(7,925,071)</u>	<u>(9,190,196)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Donated facilities and administration support from:		
University System of New Hampshire	412,724	
University of New Hampshire	80,155	1,353,084
Donated services and in-kind contributions	367,351	317,877
In-kind college work study	9,223	15,201
Assumption of employee benefit liability by		
University System of New Hampshire		142,636
Auction income	414,685	516,659
General appropriations from State of New Hampshire	2,713,956	2,977,257
Subscription and membership income	2,746,412	3,237,277
Noncapital gifts	272,873	180,644
Short-term investment income	21,726	16,350
Endowment income used for operations	43,830	46,352
Interest on indebtedness assumed by State of		
New Hampshire	2,119	4,749
Interest expense	(5,940)	(12,319)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>7,079,114</u>	<u>8,795,767</u>
<b>LOSS BEFORE CAPITAL ITEMS</b>	<u>(845,957)</u>	<u>(394,429)</u>
Capital appropriations from State of New Hampshire	666,230	498,370
Capital grants and contracts from federal government	806,675	
Endowment gifts	5,557	
Life income agreement obligations	(15,542)	(12,394)
Realized and unrealized endowment gains	(276,019)	(92,967)
Loss on disposal of capital assets, net	(21,975)	(191,127)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>318,969</u>	<u>(192,547)</u>
<b>NET ASSETS, Beginning of Year - as restated</b>	<u>6,404,728</u>	<u>6,597,275</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 6,723,697</u>	<u>\$ 6,404,728</u>

*See notes to financial statements*

**NEW HAMPSHIRE PUBLIC BROADCASTING**

*(A Public Telecommunications Entity Operated by  
the University System of New Hampshire)*

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Cash Flows from Operating Activities:</b>		
Corporation for Public Broadcasting grants	\$ 1,380,348	\$ 1,384,581
Other grants and contracts	281,274	399,186
Other operating revenues	1,177,206	1,450,737
Payments made to suppliers	(5,465,825)	(6,447,261)
Payments made to employees	<u>(3,451,657)</u>	<u>(3,399,994)</u>
Net Cash Used by Operating Activities	<u>(6,078,654)</u>	<u>(6,612,751)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
General appropriations from State of New Hampshire	2,713,956	2,977,257
Noncapital gifts	3,433,864	3,793,979
Endowment income used for operations	43,830	46,352
Endowment gifts	15,000	
Life income obligations paid	<u>(12,562)</u>	<u>(12,394)</u>
Net Cash Provided by Noncapital Financing Activities	<u>6,194,088</u>	<u>6,805,194</u>
<b>Cash Flows from Capital Financing Activities:</b>		
Capital appropriations from State of New Hampshire	709,819	229,650
Capital grants and contracts from federal government	666,271	
Purchase of capital assets	(1,596,251)	(295,846)
Proceeds from sale of capital assets	35,000	500
Principal paid on long-term debt	(70,755)	(71,413)
Interest paid on long-term debt	<u>(3,821)</u>	<u>(7,570)</u>
Net Cash Used by Capital Financing Activities	<u>(259,737)</u>	<u>(144,679)</u>
<b>Cash Flows from Investing Activities:</b>		
Investment income	<u>3,394</u>	<u>2,242</u>
Net Cash Provided by Investing Activities	<u>3,394</u>	<u>2,242</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(140,909)	50,006
Cash and Cash Equivalents, July 1	<u>1,350,154</u>	<u>1,300,148</u>
Cash and Cash Equivalents, June 30	<u>\$ 1,209,245</u>	<u>\$ 1,350,154</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>		
Operating Loss	\$ (7,925,071)	\$ (9,190,196)
Additions:		
In-kind expenses	869,453	1,686,162
Depreciation	928,265	852,736
Bad debts expense	5,009	
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(28,260)	13,379
(Increase) in prepaid expenses	(31,561)	(12,093)
Increase in accounts payable and accrued expenses	154,673	59,965
Increase (decrease) in accrued employee benefits	(91,955)	18,877
Increase in postretirement medical benefits	25,632	8,254
Increase (decrease) in deferred revenue	<u>15,161</u>	<u>(49,835)</u>
Net Cash Used by Operating Activities	<u>\$ (6,078,654)</u>	<u>\$ (6,612,751)</u>

See notes to financial statements

**NEW HAMPSHIRE PUBLIC BROADCASTING**  
*(A Public Telecommunications Entity Operated by  
the University System of New Hampshire)*  
**STATEMENTS OF NET ASSETS**  
As of June 30, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,209,245	\$ 1,350,154
Accounts receivable, net of allowance for doubtful accounts of \$47,000 and \$41,991	603,598	405,068
Due from State of New Hampshire	248,089	320,588
Prepaid expenses	<u>53,560</u>	<u>21,999</u>
<b>TOTAL CURRENT ASSETS</b>	<u>2,114,492</u>	<u>2,097,809</u>
<b>NONCURRENT ASSETS:</b>		
Investments	753,435	1,000,468
Due from State of New Hampshire	7,348	15,244
Capital assets:		
Non-depreciable capital assets	23,528	-
Depreciable capital assets, net	<u>5,359,755</u>	<u>4,886,743</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>6,144,066</u>	<u>5,902,455</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,258,558</u>	<u>\$ 8,000,264</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 669,266	\$ 629,064
Obligations under life income agreements	7,358	14,830
Accrued employee benefits	12,842	
Postretirement medical benefits	18,276	18,276
Deferred revenue	230,373	151,457
Current portion of long-term debt	<u>7,896</u>	<u>36,806</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>946,011</u>	<u>850,433</u>
<b>NONCURRENT LIABILITIES:</b>		
Obligations under life income agreements	7,677	6,114
Accrued employee benefits	383,710	488,507
Postretirement medical benefits	190,115	164,483
Bonded indebtedness issued by the State of New Hampshire - net of current portion	<u>7,348</u>	<u>85,999</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>588,850</u>	<u>745,103</u>
<b>TOTAL LIABILITIES</b>	<u>1,534,861</u>	<u>1,595,536</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	5,319,546	4,930,835
Restricted for life income and annuity funds	106,088	103,385
Restricted for gifts, grants and contracts	139,685	134,856
Unrestricted	<u>1,158,378</u>	<u>1,235,652</u>
<b>TOTAL NET ASSETS</b>	<u>6,723,697</u>	<u>6,404,728</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 8,258,558</u>	<u>\$ 8,000,264</u>

*See notes to financial statements*