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COMMONWEALTH DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS)

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Commonwealth Development Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Commonwealth Development Authority (CDA), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), which comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

Management has not adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was effective October 1, 2014. As discussed in note 2 to the financial statements, CDA has not recorded pension expense and related revenue for the year ended September 30, 2015. GASB Statement No. 68 requires an employer that has a special funding situation to recognize its proportionate share of the collective pension expense, as well as additional pension expense and revenue for the pension support of the CNMI primary government as a non-employer contributing entity. The effects of this departure from accounting principles generally accepted in the United States of America on the financial statements have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth Development Authority as of September 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This supplementary information is the responsibility of CDA's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. As a result of these limited procedures, we believe that the Management's Discussion and Analysis is not in conformity with guidelines established by GASB because it refers to components of CDA and not the basic financial statements and therefore, is insufficient analysis of the basic financial statements.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise CDA's basic financial statements. The Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows as of and for the year ended September 30, 2015 (pages 44 through 46) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016 on our consideration of CDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CDA's internal control over financial reporting and compliance.

Deloitte & Touche LLC

November 8, 2016

COMMONWEALTH DEVELOPMENT AUTHORITY
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Management's Discussion and Analysis
Year Ended September 30, 2015

The Management's Discussion and Analysis of the Commonwealth Development Authority's (CDA) financial performance provides an overview of CDA's financial activity for the fiscal year ended September 30, 2015, with selected comparative information for the fiscal years ended September 30, 2014 and 2013. Please read it in conjunction with the more detailed information contained within the accompanying financial statements.

CDA, formerly known as the Economic Development Loan Fund, was established as an autonomous public agency in 1985 through Public Law 4-49. Its overall purpose is to stimulate economic development in the Commonwealth of the Northern Mariana Islands (CNMI). Its mission statement is to provide appropriate financial and technical assistance to facilitate the start-up or expansion of private and public enterprises for their success, the benefit of the CNMI's economic welfare and the long-term sustainability of CDA. CDA's functions are carried out through the Development Banking Division (DBD) and the Development Corporation Division (DCD). Additionally, in 1994, the Northern Marianas Housing Corporation (NMHC) was included in CDA. CDA, as the financing arm of the CNMI, successfully continues its role to stimulate the CNMI's economy by financing major capital improvements and investing in its people. CDA has a Board of Directors composed of seven individuals appointed for staggered four-year terms by the Governor of the CNMI. CDA maintains its main office in Saipan and a branch office in Rota. The Tinian branch office is temporarily closed.

DBD AND DCD

DBD generally engages in government and public sector activities while DCD engages in private sector activities. Additionally, on December 1, 2000, CDA was given administrative authority over the Qualifying Certificate Program (QC). The QC is a tax incentive program to encourage new investment in the CNMI.

DCD's mission is to initiate, stimulate and facilitate development of the economy in the CNMI for the economic and social advancement of the people of the CNMI by granting loans and loan guarantees and providing financial, technical and advisory assistance to the private sector in the CNMI.

DCD's primary activity relates to the servicing of its direct loan portfolio. As of September 30, 2015, DCD's net loans receivable was $10,851,257, which was an increase of $484,929 or 5% compared to 2014. As of September 30, 2014, DCD's net loans receivable was $10,366,328, which was a decrease of $254,514 or 2% compared to 2013. The cause of the net increase in fiscal year 2015 can be attributed to repayment of loans from borrowers, the lifting of the loan moratorium by the CDA Board of Directors and the write-off of delinquent loan accounts due to court judgment. Also, several loan revisions due to loan judgments, a 2% debt relief program, asset foreclosures and CDA's aggressive collection efforts contributed to decreases in the allowance.

DBD maintains a portfolio consisting of loans to various governmental and quasi-governmental agencies of the CNMI Government. In fiscal year 2010, CDA's Board of Directors approved the restructuring of the loan to the Commonwealth Ports Authority (CPA). The restructured loan lowered the interest rate to 2.5% and extended the repayment term to 20 years, giving CPA a more manageable monthly payment. Since the restructuring, CPA has been timely on all payments, resulting in management's decision to reduce the loan allowance to 50%.

DBD continues to hold preferred stock in the Commonwealth Utilities Corporation (CUC) based on the conversion of debt dated September 30, 2009. See note 7 to the financial statements for more detailed information. The conversion has permitted CUC to move ahead with greater flexibility in obtaining financing and has given CDA the possibility of receiving funds loaned to CUC through dividends on the preferred stock, which will be recorded in the Revolving Fund for CIP projects.

As stated earlier, the net value of DCD's loan portfolio after recoveries was $10,851,257 in 2015 and $10,366,328 in 2014. Total recoveries were $969,552 and $917,382 in 2015 and 2014, respectively. These figures represent the estimated potential recovery of value of the loans and accrued interest for the respective fiscal years. The recovery in fiscal year 2015 was due to the restructuring of some loans to a 2% interest rate, extended repayment terms and capitalization of accrued interest.

The CDA Board of Directors has given management greater flexibility in pursuing solutions to the high delinquency rate among CDA borrowers and continues to emphasize the need to work with clients, or within the judicial system when necessary, to resolve delinquent loans.

In response to the difficulties experienced by virtually all of DCD's borrowers, management has been working on solutions that can benefit both CDA and the borrowers. One such solution is the Debt-Relief Program. Qualifying borrowers are encouraged to restructure their delinquent loans at new, less-burdensome interest rates (typically 2%) and the accrued interest is set aside so that the new loan has a chance of being fully amortized if the new payment schedule is adhered to. This gives borrowers who were previously in seemingly hopeless situations new hope for paying off their loans and retaining possession of their collateral. While CDA may potentially lose some of the accrued interest that has been set aside, the reality is that this accrued interest would likely have never been recovered if the original loan terms had not been modified.

In cases where borrowers are in default and there is no workable solution for repayment of the loan, CDA has been forced to foreclose on properties collateralizing the loans or accept properties through deed in lieu of foreclosure. CDA then attempts to sell or lease properties to recover as much of the loan principal as possible. The value realized on foreclosed property sales is often significantly less than the balance of the loan. In cases where CDA is unable to obtain a reasonable value for a foreclosed property, management may decide to defer disposal of the property until market conditions improve.

NMHC

Major Programs of NMHC

NMHC operates the following programs:

- *Housing Choice Voucher Program (HCVP):*

  Under this Program, the U.S. Department of Housing and Urban Development (HUD) provides rental supplements to the owners of existing private housing who rent to qualifying individuals. NMHC processes all applicants for the Section 8 Housing Assistance Payments (HAP) Program, places approved applicants in housing and pays the owner of the private housing a monthly rental supplement. Under the conditions of an annual contributions contract, HUD reimburses NMHC for the rental supplements and the administrative cost of managing the program, up to a per unit limit established in the annual contributions contract.

- *Section 8 HAP Program:*

  The HAP Program is HUD-funded under which NMHC receives rental subsidies pursuant to a HAP contract to provide housing for very low-income families, low-income families, elderly and non-elderly disabled individuals. Under NMHC's HAP contract, NMHC provides 118 housing rental units for which Section 8 assistance will be provided. The Program restricts eligible families to citizens of the United States and noncitizens of the United States who have achieved certain eligible immigration status. In fiscal years 2015, 2014 and 2013, NMHC received $1,346,858, $1,394,877 and $1,371,701, respectively, under this Program.

- *HOME Investment Partnerships Program (HOME)*

  Under this Program, NMHC provides single-family housing loans and grants to eligible low-income families to construct new homes or rehabilitate existing homes.

- *Community Development Block Grant (CDBG)*

  CDBG is a HUD-funded program provided to the Commonwealth of the Northern Mariana Islands (CNMI) as a U.S territory, to fund CNMI community projects that benefit low- and moderate-income people, to prevent or eliminate slums or blight and to address the threat to health or safety. Community projects may include acquisition, relocation, demolition and rehabilitation of housing and commercial buildings, construction of public facilities and capital improvements, construction and maintenance of neighborhood centers, conversion of school buildings, public services, economic development and job creation/retention activities. CDBG funds can also be used for preservation and restoration of historic properties in low-income neighborhoods.

- *Neighborhood Stabilization Program (NSP)*

  NSP is a HUD-funded program established by the U.S. Congress to stabilize communities that have suffered from housing loan foreclosures and abandonment through the purchase and redevelopment of foreclosed and abandoned homes and residential properties.

- *Emergency Solutions Grant (ESG)*

  HUD provides funds to NMHC under this Program to rehabilitate and operate emergency shelters and transitional shelters, provide essential social services and prevent homelessness.

- *Low-Income Housing Projects in Lieu of Tax Credits (LIHTC) Program*

  NMHC is the government agency authorized to administer the LIHTC Program in the CNMI. The LIHTC Program is available to owners/developers of qualifying buildings and projects that meet certain low-income occupancy and rent restrictions. Section 42 of the Internal Revenue Code provides that the CNMI prepare a Qualified Allocation Plan (QAP) to determine housing priorities and to give preference to projects serving the lowest income tenants and projects obligated to serve qualified tenants for the longest periods.

  NMHC has developed a QAP for 2015 which describes the basis NMHC will use to allocate LIHTCs among qualified owners/developers. The tax credit allocated to the CNMI for 2015 was $3,563,034. As of September 30, 2015, there were two new applicants; however, these were awarded after the end of the fiscal year. Art Ridge Village Homes received $3,460,947 in tax credits for a 60-unit project and Guma Familia Estates received $1,705,028 in tax credits as a forward commitment.

FINANCIAL HIGHLIGHTS

Combined Statements of Net Position
As of September 30, 2015, 2014 and 2013

	2015	2014	$ Change	% Change	2013
Current assets	$ 8,912,466	$ 7,301,825	$ 1,610,641	22%	$ 8,208,067
Other assets	10,679,345	10,032,219	647,126	6%	9,179,533
Capital assets, net	9,132,694	9,294,850	(162,156)	-2%	9,645,235
Foreclosed real estate, net	2,354,655	2,324,705	29,950	1%	1,985,553
Noncurrent assets	15,568,963	16,250,842	(681,879)	-4%	14,047,855
Total assets	$ 46,648,123	$ 45,204,441	$ 1,443,682	3%	$ 43,066,243
Current liabilities	$ 7,423,294	$ 6,485,918	$ 937,376	14%	$ 4,995,895
Noncurrent liabilities	9,341,293	8,866,159	475,134	5%	8,499,401
Total liabilities	16,764,587	15,352,077	1,412,510	9%	13,495,296
Net investment in capital assets	9,132,694	9,294,850	(162,156)	-2%	9,645,235
Restricted	20,750,842	20,557,514	193,328	1%	19,925,712
Total net position	29,883,536	29,852,364	31,172	0%	29,570,947
Total liabilities and net position	$ 46,648,123	$ 45,204,441	$ 1,443,682	3%	$ 43,066,243

FINANCIAL HIGHLIGHTS, CONTINUED

Combined Statements of Revenues, Expenses and Changes in Net Position Years Ended September 30, 2015, 2014 and 2013

	2015	2014	$ Change	% Change	2013
Operating revenues	$ 8,488,002	$ 8,569,689	$ (81,687)	-1%	$ 8,205,177
Recoveries (bad debts)	807,265	965,539	(158,274)	-16%	(195,047)
Net operating revenues	9,295,267	9,535,228	(239,961)	-3%	8,010,130
Operating expenses	8,660,535	9,860,923	(1,200,388)	-12%	8,529,296
Operating income (loss)	634,732	(325,695)	960,427	-295%	(519,166)
Total nonoperating revenues, net	276,498	607,112	(330,614)	-54%	585,788
Income before transfers	911,230	281,417	629,813	224%	66,622
Transfers out for capital development grants	(880,058)	-	(880,058)	100%	(25,827)
Change in net position	31,172	281,417	(250,245)	-89%	40,795
Net position - beginning	29,852,364	29,570,947	281,417	1%	29,530,152
Net position - ending	$ 29,883,536	$ 29,852,364	$ 31,172	0%	$ 29,570,947

Combined Statements of Cash Flows Years Ended September 30, 2015, 2014 and 2013

	2015	2014	$ Change	% Change	2013
Cash flows from operating activities	$ 984,321	$ 326,100	$ 658,221	202%	$ (140,304)
Cash flows from capital and related financing activities	(167,405)	1,403,943	(1,571,348)	-112%	1,510,797
Cash flows from investing activities	(596,539)	(2,617,034)	2,020,495	-77%	(980,598)
Net increase (decrease) in cash and cash equivalents	220,377	(886,991)	1,107,368	-125%	389,895
Cash and cash equivalents at beginning of year	2,193,840	3,080,831	(886,991)	-29%	2,690,936
Cash and cash equivalents at end of year	$ 2,414,217	$ 2,193,840	$ 220,377	10%	$ 3,080,831

Condensed Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows by division for the year ended September 30, 2015 follows, with comparative information for the years ended September 30, 2014 and 2013:

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position Years Ended September 30, 2015, 2014 and 2013

Development Banking Division

	2015	2014	$ Change	% Change	2013
Operating revenues:					
Interest and fees on loans	$ 115,600	$ 121,954	$ (6,354)	-5%	$ 128,056
Interest on investments	16,996	6,997	9,999	143%	8,460
Other	81	130,135	(130,054)	-100%	-
	132,677	259,086	(126,409)	-49%	136,516
Recoveries	128,939	124,843	4,096	3%	122,156
Net operating revenues	261,616	383,929	(122,313)	-32%	258,672

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2015, 2014 and 2013, Continued

Development Banking Division, Continued

	2015	2014	$ Change	% Change	2013
Operating expenses:					
Professional fees	1,875	543	1,332	245%	24,218
Other	26,436	25,790	646	3%	27,299
Total operating expenses	28,311	26,333	1,978	8%	51,517
Operating income	233,305	357,596	(124,291)	-35%	207,155
Nonoperating revenues (expenses):					
Other income	224,944	143,411	81,533	57%	207,271
Interest expense	(42,549)	(49,195)	6,646	-14%	(58,571)
Total nonoperating revenues, net	182,395	94,216	88,179	94%	148,700
Income before transfers	415,700	451,812	(36,112)	-8%	355,855
Transfers out for capital development grants	(880,058)	-	(880,058)	100%	(25,827)
Change in net position	$ (464,358)	$ 451,812	$ (916,170)	-203%	$ 330,028

Development Corporation Division

	2015	2014	$ Change	% Change	2013
Operating revenues:					
Interest and fees on loans	$ 624,122	$ 511,305	$ 112,817	22%	$ 706,316
Interest on investments	12,582	54,090	(41,508)	-77%	4,863
Other	247,475	483,526	(236,051)	-49%	201,181
	884,179	1,048,921	(164,742)	-16%	912,360
Recoveries (bad debts)	1,088,902	1,029,663	59,239	6%	6,306
Net operating revenues	1,973,081	2,078,584	(105,503)	-5%	918,666
Operating expenses:					
Salaries and wages	478,085	511,794	(33,709)	-7%	402,243
Employee benefits	218,080	247,188	(29,108)	-12%	251,298
Professional fees	85,456	121,690	(36,234)	-30%	111,087
Office rent	5,868	6,593	(725)	-11%	55,926
Travel	56,603	33,945	22,658	67%	29,221
Depreciation	42,322	41,044	1,278	3%	36,055
Other	153,627	123,320	30,307	25%	190,978
Total operating expenses	1,040,041	1,085,574	(45,533)	-4%	1,076,808
Operating income (loss)	933,040	993,010	(59,970)	-6%	(158,142)
Nonoperating revenues (expenses):					
Other income	5,122	5,586	(464)	-8%	955
Gain on sale of foreclosed real estate	53,300	70,800	(17,500)	-25%	-
Other expense	(7,987)	(12,000)	4,013	-33%	(11,164)
Total nonoperating revenues (expenses), net	50,435	64,386	(13,951)	-22%	(10,209)
Change in net position	$ 983,475	$ 1,057,396	$ (73,921)	-7%	$ (168,351)

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2015, 2014 and 2013, Continued

Northern Marianas Housing Corporation

	2015	2014	$ Change	% Change	2013
Operating revenues	$ 7,496,936	$ 7,287,472	$ 209,464	3%	$ 7,183,600
Bad debts	(410,576)	(188,967)	(221,609)	117%	(323,509)
Net operating revenues	7,086,360	7,098,505	(12,145)	-0%	6,860,091
Operating expenses	7,617,973	8,774,806	(1,156,833)	-13%	7,428,270
Operating loss	(531,613)	(1,676,301)	1,144,688	-68%	(568,179)
Nonoperating revenues, net	43,668	448,510	(404,842)	-90%	447,297
Change in net position	$ (487,945)	$ (1,227,791)	$ 739,846	-60%	$ (120,882)

Condensed Comparative Statements of Cash Flows
Years Ended September 30, 2015, 2014 and 2013

Development Banking Division

	2015	2014	$ Change	% Change	2013
Cash flows from operating activities	$ 122,257	$ 256,832	$ (134,575)	-52%	$ 111,929
Cash flows from capital and related financing activities	(620,305)	198,316	(818,621)	-413%	197,108
Cash flows from investing activities	498,048	(455,148)	953,196	-209%	(309,037)
Net change in cash and cash equivalents	-	-	-	0%	-
Cash and cash equivalents at beginning of year	-	-	-	0%	-
Cash and cash equivalents at end of year	$ -	$ -	$ -	0%	$ -

Development Corporation Division

	2015	2014	$ Change	% Change	2013
Cash flows from operating activities	$ 712,966	$ (196,669)	$ 909,635	-463%	$ (180,769)
Cash flows from capital and related financing activities	365,788	883,003	(517,215)	-59%	568,576
Cash flows from investing activities	(750,000)	(2,000,000)	1,250,000	-63%	-
Net increase (decrease) in cash and cash equivalents	328,754	(1,313,666)	1,642,420	-125%	387,807
Cash and cash equivalents at beginning of year	1,660,930	2,974,596	(1,313,666)	-44%	2,586,789
Cash and cash equivalents at end of year	$ 1,989,684	$ 1,660,930	$ 328,754	20%	$ 2,974,596

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Cash Flows
Years Ended September 30, 2015, 2014 and 2013, Continued

Northern Marianas Housing Corporation

	2015	2014	$ Change	% Change	2013
Cash flows from operating activities	$ 149,098	$ 265,937	$ (116,839)	-44%	$ (71,464)
Cash flows from capital and related financing activities	87,112	322,624	(235,512)	-73%	745,113
Cash flows from investing activities	(344,587)	(161,886)	(182,701)	113%	(671,561)
Net (decrease) increase in cash and cash equivalents	(108,377)	426,675	(535,052)	-125%	2,088
Cash and cash equivalents at beginning of year	532,910	106,235	426,675	402%	104,147
Cash and cash equivalents at end of year	$ 424,533	$ 532,910	$ (108,377)	-20%	$ 106,235

DCD and DBD

- In 2015, DCD had net operating revenues of $1,973,081 while DBD had revenues of $261,616. A significant part of the change in net operating revenues is due to loan and foreclosed real estate recoveries. DCD recorded recoveries of $1,088,902 in 2015 compared to recoveries of $1,517,382 and bad debts of $487,719 in 2014. DBD recorded recoveries of $128,939 and $124,843 in 2015 and 2014, respectively, which brought the allowance for its loans to 50% in 2015 and 2014. Interest and fees earned on loans for DCD increased by $112,817 or 22% in fiscal year 2015 which is significantly attributed to payments received from CDA's approved sale of leasehold mortgage. Interest and fees earned on loans for DCD in fiscal year 2014 decreased by $195,011 or 28%. DBD had a decrease of $6,354 or 5% in fiscal year 2015 compared to a decrease of $6,102 or 5% in fiscal year 2014.

- In 2014, DCD's invested surplus funds in time certificates of deposit (TCDs) to take advantage of better interest rates. Related earnings on investments decreased from $54,090 for the year ended September 30, 2014 to $12,582 for the year ended September 30, 2015, a decrease of $41,508. DBD also invested in TCDs in fiscal year 2015 due to the continued decline of interest earned on savings deposits. Earnings on interest and dividends on investments increased from $6,997 for the year ended September 30, 2014 to $16,996 for the year ended September 30, 2015, an increase of $9,999 or 143%. The increase in DBD's investments in fiscal year 2015 reflects CDA's goal in maximizing earnings from its surplus funds.

- In fiscal year 2015, operating expenses for DCD decreased by $45,533 or 4% from fiscal year 2014. DBD's operating expenses increased by $1,978 or 8% from fiscal year 2014. Efforts of management and staff are ongoing to reduce DCD's expenses. DBD's expenses were due to reimbursements paid to DCD to cover shared costs.

FINANCIAL HIGHLIGHTS, CONTINUED

DCD and DBD, Continued

- As reflected above, DCD's bad debts and foreclosed real estate losses continue to reflect a highly volatile trend. CDA management and staff renewed efforts to reverse this trend by working with loan clients, finding innovative ways to restore their loans to "performing" status and pursuing realization of value from collateralizing assets for loans that have no hope of recovery.

- DBD and DCD's combined change in net position decreased by $990,091 or 66% from 2014 to 2015 which was due to several deficiency judgments and foreclosures on previously non-performing loans and the resulting change in the valuation allowance.

- In fiscal year 2015, DCD reserved $750,000 for a micro loan program with a maximum loan amount of $25,000. Further, the Board of Directors changed its three bank denial letter requirement to one for loans greater than $3,000 but not to exceed $25,000.

NMHC

- Total assets increased by 1% from $19,176,018 in 2014 to $19,349,479 in 2015 and by 2% from $18,764,946 in 2013 to $19,176,018 in 2014. Current assets of $1,868,269 and $1,889,773 as of September 30, 2015 and 2014, respectively, are primarily comprised of cash, current portion of loans receivable, finance lease receivables, receivables from tenants and receivables from a court-ordered settlement award from a contractor.

- Total other assets as of September 30, 2015 and 2014 was $4,988,680 and $4,619,902, respectively, which is an increase of 8%. This increase is attributable to Direct Family Home Loan collections deposited in a loan guaranty reserve during fiscal year 2015.

- Foreclosed real estate increased by 34% from $511,912 in 2014 to $687,212 in 2015. This growth was spurred by NMHC's more aggressive effort to foreclose on its delinquent Direct Family Home Loans during fiscal year 2015.

- NMHC's total net position decreased by 8% from $5,856,140 in 2014 to $5,368,195 in 2015. This decrease is a result of increases in total assets and total liabilities. Total net position decreased by 17% from $7,083,931 in 2013 to $5,856,140 in 2014. Net position represents NMHC's equity after liabilities are subtracted from assets. Net position is divided into two major categories. The first category, net investment in capital assets, indicates NMHC's equity in land, buildings and improvement and machinery and equipment, net of related outstanding debt. The second category, restricted net position, has external limitations on the way in which these assets can be used.

- As of September 30, 2015, NMHC's current liabilities of $5,658,461 exceeds current assets of $1,868,269 by $3,790,192. This unfavorable financial condition was caused by NMHC's policy to place all Direct Family Home Loan collections in restricted reserve (in local bank accounts) over and above the escrow reserve and loan guaranty reserve required by the lender. The total amount of this reserve as of September 30, 2015 was approximately $3.3 million.

FINANCIAL HIGHLIGHTS, CONTINUED

NMHC, Continued

- NMHC's operating loss during fiscal years 2015 and 2014 was $531,613 and $1,676,301, respectively. This is somewhat favorable in that NMHC reduced its year-to-year operating loss by $1,144,688, or 68%. The reduction in operating loss is primarily attributable to a dramatic decrease in the provision for loan guaranty of $1,015,418.

SUBSEQUENT FINANCIAL HIGHLIGHTS

In February 2016, CDA's Board of Directors approved a CUC proposed settlement of outstanding dividends owed to CDA. The settlement includes the assignment of $3.8 million that CUC will receive from the CNMI Public School System.

In March 2016, a $1,282,477 settlement agreement for one of CDA's delinquent accounts was approved by the court.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2015 and 2014, CDA had $9,132,694 and $9,294,850, respectively, net investment in capital assets, net of accumulated depreciation where applicable. This represents a net decrease of $162,156 or 2% during fiscal year 2015.

	2015	2014	2013
Depreciable capital assets, net of accumulated depreciation	$ 1,660,164	$ 1,822,320	$ 2,072,705
Nondepreciable capital assets	7,472,530	7,472,530	7,572,530
	$ 9,132,694	$ 9,294,850	$ 9,645,235

See note 8 to the financial statements for more detailed information on CDA's capital assets and changes therein.

Long-Term Debt

At September 30, 2015 and 2014, CDA had $555,332 and $722,040, respectively, in long-term debt outstanding. See note 10 to the financial statements for more detailed information on CDA's long-term debt and changes therein.

ECONOMIC OUTLOOK

DCD and DBD

CDA is affected by economic forces at play globally as well as locally. The CNMI's economic resiliency was recently tested when it was able to recover quickly from a major natural disaster. The ongoing increase in tourist arrivals confirms that tourism activity in the CNMI is improving faster than anticipated, which indicates that the worst maybe be over and, while the future remains to be uncertain, there is some reason for optimism. The approval of $13.2 million in funding by the U.S. Department of Treasury to the CNMI through the State Small Business Credit Initiative (SSBCI) has helped to spur economic growth in the CNMI. CDA continues to administer the SSBCI program and to date, close to forty businesses have been assisted through two participating banks with either collateral support or a loan purchase participation program. A total of $10.5 million was processed and close to $9.0 million have been approved. The CNMI Department of Commerce has designated CDA as the implementing agency for the CNMI SSBCI program and will continue to administer the program until 2017.

CDA's biggest challenge in the past has been funding its operations from earnings generated from its loan portfolio and investments. Management addressed this problem through a combination of revenue enhancement and expense reduction. CDA is currently working to settle several large accounts of over $5 million through a deed in lieu of foreclosure. CDA also offers finance leases with an option to purchase on some of its properties in a move not only to recover the principal balance but also to offload its property inventory acquired from foreclosures. CDA also offers a debt-relief program to bring qualified borrowers to a performing and paying status. The "price" to CDA of this program is to reduce the interest rate on these loans to 2%, which does not go far in generating income for CDA. However, management believes that if enough of the delinquent borrowers see hope of paying-off their loans and preserving their collateral, they will begin to make regular payments. Once these payments are added back to the loan fund and re-lent to qualified borrowers, the interest earned will increase to a point where CDA can operate "in the black."

NMHC

NMHC's program and operating revenues are primarily provided by the U.S federal government through operating subsidies, Section 8 HAP payments and other minor grants. The operating subsidy for 2015 was $1,346,858. Based on the CNMI's annual awards and the contract with HUD, NMHC anticipates that HUD assistance programs will continue into the foreseeable future.

Nevertheless, U.S. Congress continues to reduce Section 8 housing assistance funding. The reduction in funding adversely impacts NMHC's operating capabilities and financial position. During 2015, NMHC received $1,883,718 in federal funds for its housing and community development programs. Such assistance has typically come with use restrictions and generally limits NMHC's ability to encumber or leverage debt financing against HUD properties in its asset portfolio.

Management's Discussion and Analysis for the year ended September 30, 2014 is set forth in CDA's report on the audit of financial statements, which is dated June 4, 2015. That Discussion and Analysis explains the major factors impacting the 2014 financial statements and can be viewed at the Office of the Public Auditor's website at www.opacnmi.com.

CONTACTING CDA AND NMHC'S MANAGEMENTS

This financial report is designed to provide a general overview of CDA's financial condition and to demonstrate its accountability for monies received. If you have questions about this report or need additional financial information, contact Mr. Donnie James Militante, CDA Comptroller, P.O. Box 502149, Saipan, MP 96950-2149, or call (670) 234-7145/6293 or send email to executive@cda.gov.mp or Mr. Jesse S. Palacios, NMHC Corporate Director, P.O. Box 500514, Saipan, MP 96950-0514 or call (670) 234-6866/9447 or send email to jspalacios@nmhcgov.net.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Net Position
September 30, 2015 and 2014

ASSETS	2015	2014
Current assets:		
Cash and cash equivalents	$ 2,414,217	$ 2,193,840
Time certificates of deposit	2,750,000	2,000,000
Receivables:		
Current portion of loans receivable, net	3,010,797	2,078,890
Current portion of finance lease receivable, net	80,001	76,649
Rent, net	59,219	124,905
Accrued interest, net of allowance for doubtful accounts of $1,754,152 and $1,878,918 as of September 30, 2015 and 2014, respectively	445,507	356,849
Other, net	149,725	182,311
Notes receivable	-	275,769
Prepaid expenses	3,000	12,612
Total current assets	8,912,466	7,301,825
Other assets:		
Cash and cash equivalents, restricted	6,679,345	7,232,219
Time certificates of deposits, restricted	4,000,000	2,800,000
	10,679,345	10,032,219
Noncurrent assets:		
Loans receivable, net of current portion	14,026,697	14,699,541
Finance lease receivable, net of current portion	1,542,266	1,551,301
Depreciable capital assets, net of accumulated depreciation	1,660,164	1,822,320
Nondepreciable capital assets	7,472,530	7,472,530
Foreclosed real estate, net	2,354,655	2,324,705
Total noncurrent assets	27,056,312	27,870,397
	$ 46,648,123	$ 45,204,441
LIABILITIES AND NET POSITION		
Current liabilities:		
Current installments of note payable to related party	$ 186,289	$ 212,697
Accounts payable and accrued expenses	874,963	852,721
Unearned revenues	15,212	15,212
Due to grantor agency	799,010	916,690
Loan commitment	983,027	206,631
Reserve for loan guaranty	4,564,793	4,281,967
Total current liabilities	7,423,294	6,485,918
Note payable to related party, net of current installments	369,043	509,343
Unearned revenues, net of current portion	8,972,250	8,356,816
Total liabilities	16,764,587	15,352,077
Commitments and contingencies		
Net position:		
Net investment in capital assets	9,132,694	9,294,850
Restricted	20,750,842	20,557,514
Total net position	29,883,536	29,852,364
	$ 46,648,123	$ 45,204,441

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2015 and 2014

	2015	2014
Operating revenues:		
Section 8 income:		
Federal housing assistance rentals	$ 4,788,251	$ 5,019,865
Tenant share	30,933	66,368
Community Development Block Grants (CDBG) Program	1,069,977	1,154,835
Interest and fees on loans	1,019,457	875,811
HOME Investment Partnership Program Grant	803,016	155,465
HOME Investment Partnership Grant program income	225,796	233,039
Low Income Housing Tax Credit	168,338	-
Emergency Shelter Grants (ESG) Program	55,914	117,841
Interest and dividends on investments	29,578	61,087
Housing rental	22,166	24,461
Economic Development Initiative (EDI) Program	17,104	196,024
Neighborhood Stabilization Program (NSP) Grant	3,865	47,599
Other	253,607	617,294
	8,488,002	8,569,689
Recovery of loan impairment	744,493	853,258
Recovery of investment impairment	-	600,000
Recovery of (provision for) foreclosed real estate	62,772	(487,719)
Net operating revenues	9,295,267	9,535,228
Operating expenses:		
Section 8 rental	2,829,346	3,063,935
CDBG Program	1,069,977	1,154,835
HOME Investment Partnership Program Grant	803,016	155,465
HOME Investment Partnership Grant program income	225,796	233,039
ESG Program	55,914	117,841
EDI Program	17,104	196,024
NSP Grant	3,865	47,599
Operations:		
Salaries and wages	1,232,087	1,175,415
Utilities	467,874	524,450
Repairs and maintenance	414,149	516,289
Employee benefits	363,750	366,190
Provision for loan guaranty	282,826	1,298,244
Professional fees	199,073	252,668
Depreciation	192,696	266,315
Travel	172,236	138,382
Rent	20,781	21,750
Other	310,045	332,482
Total operating expenses	8,660,535	9,860,923
Operating income (loss)	634,732	(325,695)
Nonoperating revenues (expenses):		
Other income	230,066	148,997
Litigation judgment	55,923	45,828
Interest income	24,191	29,021
Gain on sale of foreclosed real estate	16,854	15,785
Interest expense	(42,549)	(49,195)
Other expense	(7,987)	(12,000)
Recovery	-	362,176
Gain on sale of land	-	66,500
Total nonoperating revenues, net	276,498	607,112
Income before transfers	911,230	281,417
Transfers out for capital development grants	(880,058)	-
Change in net position	31,172	281,417
Net position - beginning	29,852,364	29,570,947
Net position - ending	$ 29,883,536	$ 29,852,364

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from interest and fees on loans receivable	$ 918,799	$ 880,622
Interest and dividends on investments	28,996	59,016
Cash payments to suppliers for goods and services	(389,705)	(406,395)
Cash received from customers	546,118	278,236
Cash payments to employees for services	(1,450,167)	(1,422,603)
Cash received from federal grant awards	6,846,243	6,913,139
Cash payments from federal grant awards	(6,304,941)	(6,200,238)
Cash received for loan commitment	776,396	206,631
Cash received from interest on notes receivable	12,582	17,692
Net cash provided by operating activities	984,321	326,100
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(30,540)	(15,930)
Proceeds from sale of capital assets	-	4,985
Proceeds from sale of foreclosed real estate	337,300	70,250
Net receipts of loans receivable	754,252	828,432
Net receipts of notes receivable	275,769	324,231
Net receipts of finance lease receivable	85,712	115,478
Proceeds from sale of land	-	166,500
Gain on sale of foreclosed real estate	53,300	70,800
Cash received from litigation judgment	13,256	45,828
Transfers for capital development grants	(880,058)	-
Transfers for loan commitment	(776,396)	(206,631)
Net cash (used for) provided by capital and related financing activities	(167,405)	1,403,943
Cash flows from investing activities:		
Purchase of restricted cash and cash equivalents and time certificates of deposit	(620,730)	(2,646,055)
Interest received	24,191	29,021
Net cash used for investing activities	(596,539)	(2,617,034)
Net increase (decrease) in cash and cash equivalents	220,377	(886,991)
Cash and cash equivalents at beginning of year	2,193,840	3,080,831
Cash and cash equivalents at end of year	$ 2,414,217	$ 2,193,840
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 634,732	$ (325,695)
Adjustments to reconcile operating income (loss) to net cash provided by operating activites:		
Recovery of loan impairment	(744,493)	(853,258)
Recovery of investment impairment	-	(600,000)
Recovery	-	362,176
Provision for loan guaranty	282,826	1,298,244
(Recovery of) provision for foreclosed real estate	(62,772)	487,719
Depreciation	192,696	266,315
Gain on disposal of capital assets	-	(4,985)
Gain on foreclosure of collateral	-	(195,442)
Finance lease revenue	(48,342)	(171,349)
Other	12,822	(6,414)
(Increase) decrease in assets:		
Receivables:		
Rent	65,686	(12,114)
Finance lease	9,813	11,631
Employees	888	-
Other	31,698	(93,361)
Accrued interest	(88,658)	20,432
Prepaid expenses	9,612	(8,441)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	22,242	(74,607)
Unearned revenues	6,855	30,147
Loan commitment	776,396	206,631
Due to grantor agency	(117,680)	(11,529)
Net cash provided by operating activities	$ 984,321	$ 326,100

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Cash Flows, Continued
Years Ended September 30, 2015 and 2014

	2015	2014
Supplemental disclosure of noncash capital and related financing activities:		
Recognition of loans receivable:		
Noncash increase in loans receivable	$ 651,246	$ 344,642
Noncash increase in other receivables	-	433,238
Noncash increase in unearned revenue	(651,246)	(502,111)
Noncash increase in revenue	-	(275,769)
	$ -	$ -
Recognition of foreclosed properties:		
Noncash increase in foreclosed real estate	$ 340,924	$ 502,417
Noncash decrease in loans receivable	(382,424)	(631,788)
Noncash increase in finance lease receivable	41,500	129,371
	$ -	$ -
Loan payable to MPLT:		
Noncash decrease in note payable to related party	$ 166,708	$ 109,903
Noncash interest expense	42,549	49,195
Noncash other income	(224,944)	(143,411)
Noncash decrease (increase) in interest payable	15,687	(15,687)
	$ -	$ -

See accompanying notes to financial statements.

(1) Reporting Entity

The Commonwealth Development Authority (CDA), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was created as an autonomous public agency of the CNMI pursuant to Public Law 4-49 as amended by Public Laws 4-63 and 5-27. CDA is affiliated with all other component units of the CNMI Government. CDA's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of CDA is to stimulate the economic development of the CNMI.

The functions of CDA are carried out through a Development Banking Division (DBD, government and public sector activities), a Development Corporation Division (DCD, private sector activities), and the Northern Marianas Housing Corporation (NMHC). NMHC, formerly the Mariana Islands Housing Authority (MIHA), was established to assist in the development and administration of low cost residential housing in the Northern Mariana Islands. MIHA was empowered to provide low cost residential housing and employment through the construction, maintenance, and repair of such housing. On October 20, 1994, Executive Order 94-3 became effective which abolished MIHA and all of its functions, assets and liabilities were transferred to CDA. CDA established NMHC as a division to account for the operations, assets and liabilities of MIHA. NMHC is governed by a seven member Board of Directors appointed by the Board of Directors of CDA. The purpose and functions of the two divisions and NMHC are as follows:

DBD:

- To receive and hold United States economic assistance for economic development loans provided under Section 702(c) of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the Covenant);

- To aid in the financing of capital improvement projects and other projects undertaken by the CNMI and its autonomous public agencies;

- To achieve the greatest possible return, in terms of economic development, on the funds made available to the CNMI by the United States in accordance with the Covenant; and on such other funds as may be made available to CDA as capital contributions;

- To disseminate modern practices and techniques of financing, management and business administration in order to raise the levels of efficiency and productivity in all sectors; and

- To serve as the Northern Marianas development bank identified in Article IX, Section 6(c) of the Constitution.

As such, DBD considers all its net position restricted for such purposes.

(1) Reporting Entity, Continued

DCD:

- To identify, formulate, initiate, stimulate and facilitate business and commercial enterprises, with special emphasis on agricultural and marine resources, manufacturing and processing activities, import substitution, export development and responsible use of indigenous raw materials;

- To identify, formulate, initiate, stimulate and facilitate business and commercial enterprises where a service necessary and vital to economic development is required, or where profit incentives are not sufficient to attract private sector investors; and

- To serve as the economic development loan fund agency for qualified private sector enterprises.

As such, DCD considers all its net position, except net investment in capital assets, to be restricted for such purposes. DCD also administers the State Small Business Credit Initiative (SSBCI) loan program funded by the U.S. Department of Treasury through the CNMI and CDA serves as the disbursing agent as well as performs loan documentation preparation. The loans are not reflected in the accompanying financial statements.

NMHC:

- To administer direct loans to qualified individuals for housing construction;

- To participate as guarantor or trustee in housing loan programs;

- To develop and construct rental housing;

- To construct and/or administer various other Federal and local residential and housing projects; and

- To participate in projects subsidized by the U.S. Department of Housing and Urban Development (HUD). Upon completion of the projects, the residential units are rented to qualifying families and individuals.

As such, NMHC considers all its net position, except net investment in capital assets, to be restricted for such purposes.

(2) Summary of Significant Accounting Policies

The accounting policies of CDA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. CDA utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the statements of net position. Proprietary fund operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgets

In accordance with Public Law 3-68, the Planning and Budgeting Act of 1983, CDA submits an annual budget to the CNMI Office of the Governor.

Cash and Cash Equivalents and Time Certificates of Deposit

For purposes of the statements of net position and of cash flows, cash and cash equivalents is defined as cash held in demand deposits, savings and unrestricted time certificates of deposit with a maturity date within three months of the date acquired. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. At September 30, 2015 and 2014, total cash and cash equivalents and time certificates of deposit were $15,843,562 and $14,226,059, respectively, and the corresponding bank balances were $9,140,586 and $8,067,655, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. Bank deposits in the amount of $500,000 were FDIC insured as of September 30, 2015 and 2014. CNMI law does not require component units to collateralize their bank accounts and thus CDA's deposits in excess of FDIC insurance are uncollateralized.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses.

Capital Assets

Capital assets are recorded at cost. Depreciation is provided by using the straight-line method over the estimated useful lives of the assets. Current policy is to capitalize items in excess of $500.

(2) Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

Long-lived assets for which management has committed to a plan to dispose of the assets, whether by sale or abandonment, are reported at the lower of carrying amount or fair value less costs to sell.

Land

Land is recorded at fair market value at the date of acquisition. Valuations are periodically performed by management and adjustments are made to reflect the land at the lower of the carrying amount or fair market value. The carrying amount of the land is evaluated on an annual basis to determine impairment by estimating the recoverable value. Recoverable value is based on management's historical knowledge and changes in market conditions from the time of valuation. An impairment loss is recognized in the period in which it arises.

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value at the date of foreclosure less estimated selling costs establishing a new cost basis. Valuations are periodically performed by management and adjustments are made to reflect the real estate at the lower of the carrying amount or fair value less estimated costs to sell. Operating expenses or income, reductions in estimated values, and gains or losses on disposition of such properties are charged to current operations.

Loans Receivable, Interest Receivable and Allowance for Loan Losses

Loans and interest receivable are stated at the amount of unpaid principal and interest, reduced by an allowance for loan losses. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. The allowance for loan losses is established through a provision for doubtful accounts charged to expense. Loans are charged against the allowance for loan losses when management believes that the collection of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may be uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay.

Finance Lease Receivables

Finance lease receivables are carried at the aggregate of lease rental receivable less unearned finance lease income. Unearned finance lease income is amortized on a straight line basis over the lease term.

(2) Summary of Significant Accounting Policies, Continued

Restricted Cash and Cash Equivalents and Time Certificates of Deposit

As described in note 1, DBD receives and holds United States economic assistance for economic development loans provided under Section 702(c) of the Covenant. The *Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands* requires that a revolving fund be established into which repayments of principal and interest from revenue-producing projects shall be deposited for financing of additional revenue-producing capital development projects. From its inception on October 1, 1985, DBD has exclusively accounted for Covenant 702(c) funding and thus represents the required revolving fund.

As described in note 1, DCD serves as the economic development loan fund agency for qualified private sector enterprises. DCD accounts for all funds received by the former Northern Mariana Islands Economic Development Loan Fund pursuant to Article VII, Section 702(c) of the Covenant from February 15, 1975 through September 30, 1985. In addition to the aforementioned financial resources, DCD has been designated as the administrative agency for economic development loans transferred from the Trust Territory of the Pacific Islands government to the CNMI. DCD represents a revolving fund to account for economic development loans to qualified private sector enterprises.

As described in note 1, NMHC administers various Federal and local residential and housing projects. In administering these programs, NMHC is required to maintain certain funds as collateral or in accounts which are restricted for specific purposes.

Revenue Recognition

Operating revenues include all direct revenues such as interest and fees on loans, administrative fee, federal grants and interest on investments.

Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Interest on loans is accrued and credited to income based on the principal amount outstanding for performing loans. DCD recognizes interest income on nonperforming loans based on management’s assessment of collectability. Due to current confines of NMHC’s system, interest on nonperforming loans is accrued and credited to income; however, a bad debt expense is recognized for the amount of interest deemed uncollectible. NMHC are currently working to be able to prospectively cease recognition of interest income on nonperforming loans.

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

Administrative fee revenue represents 75% of the 5% tax credit reserved for approved applicants of the Low Income Housing Tax Credit (LIHTC). NMHC is the government agency authorized to administer the LIHTC Program in the CNMI. The LIHTC program is available to owners/developers of qualifying buildings and projects that meet certain low-income occupancy and rent restrictions. NMHC recorded LIHTC administrative fee revenue of $168,338 and $-0- as of September 30, 2015 and 2014, respectively.

Federal grant revenues are recognized when allowable expenses are incurred.

Unearned Revenues

Unearned revenue is recognized when cash, receivables or other assets are recorded prior to being earned. Unearned revenue of DCD represents prepaid lease income on foreclosed real estate held for lease of $664,639 and $657,784 as of September 30, 2015 and 2014, respectively. Amounts to be recognized over the terms of the leases are as follows:

Year ending September 30,	Lease Recognition
2016	$ 15,212
2017	15,213
2018	15,213
2019	15,213
2020	15,212
2021 - 2025	69,920
2026 - 2030	65,967
2031 - 2035	67,650
2036 - 2040	67,650
2041 - 2045	67,650
2046 - 2050	67,650
2051 - 2055	59,112
2056 - 2060	54,249
2061	68,728
	$ 664,639

Unearned revenues of NMHC represent recorded loans receivable from individuals eligible under the HOME Investment Partnership and Neighborhood Stabilization programs administered by NMHC. NMHC recorded unearned revenue of $8,322,823 and $7,714,244 for the years ended September 30, 2015 and 2014, respectively, which have been presented as long-term in the accompanying financial statements.

(2) Summary of Significant Accounting Policies, Continued

Loan Commitments

Loan commitments are funds received from the CNMI for the SSBCI cash collateral support program deposited in a financial institution subject to FDIC and funds for loans approved and not yet disbursed at year end. Loan commitment funds as of September 30, 2015 and 2014 was $983,027 and $206,631, respectively.

Compensated Absences

Vested or accumulated vacation leave is recorded as benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Accumulated sick pay benefits as of September 30, 2015 and 2014 was approximately $400,591 and $327,059, respectively.

Recovery

Public Law 9-66 requires public corporations or other autonomous agencies to pay to the Commonwealth Treasurer an amount not less than one percent of total operation budgets, and such funds will be deposited into a special account of the CNMI general fund to be solely used for the operations and activities of the Office of the Public Auditor (OPA). OPA had taken the position that operation budgets include both local and federal funding sources. On December 25, 2014, OPA and NMHC agreed to exempt NMHC from paying the 1% OPA fee as funds received by NMHC are not locally generated and, therefore, are not subject to Public Law 9-66. NMHC recognized a recovery of $362,176 during the year ended September 30, 2014.

Litigation Judgment

On November 24, 2012, a binding and unappealable judgment was issued on a lawsuit filed against the architects, the construction manager and the contractor for deficiencies in the design and construction of homes in the Tottotville Subdivision, which awarded NMHC $694,851 in damages. NMHC recorded litigation judgment revenue of $55,923 and $45,828 during the years ended September 30, 2015 and 2014, respectively, and recorded receivables of $114,802 and $157,469 (inclusive of interest of nine percent (9%) per annum) as of September 30, 2015 and 2014, respectively.

Retirement Plan

CDA contributed to the Northern Mariana Islands Retirement Fund's (NMIRF) defined benefit plan (DB Plan), a cost-sharing, multiple-employer plan established and now administered by the CNMI. On September 30, 2013, the DB Plan was transferred to the Northern Mariana Islands Settlement Fund (NMISF). CDA also contributes to a defined contribution plan (DC Plan).

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI. On September 11, 2012, Public Law 17-82 *CNMI Pension Reform Recovery Act of 2012* was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the DB plan. In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty. Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share.

On March 11, 2013, Public Law 18-02 was enacted to amend Public Law 17-82 to clarify those provisions necessary to expedite the refunds and to prevent any further frustration of the process. Included in the public law is the amendment of Section 203(a) of Title 1, Division 8, Part 3, which states that the government obligation to withhold and remit the employee's portion to the employee's defined account shall continue with respect to employees who do not terminate membership in the DB Plan. All but four active CDA employees voluntarily terminated membership in the DB Plan and CDA and NMHC contributed $153,991, $162,338 and $179,910 to the DB Plan during the years ended September 30, 2015, 2014 and 2013, respectively.

For the years ended September 30, 2015, 2014 and 2013, CDA and NMHC contributed to the U.S. Social Security system benefits of $91,138, $87,613 and $74,025, respectively.

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. CDA and NMHC are required to contribute to each member's individual account an amount equal to 4% of the member's compensation. CDA and NMHC's recorded DC contributions for the years ended September 30, 2015, 2014 and 2013 were $19,622, $24,409 and $21,127, respectively, equal to the required contributions for each year.

(2) Summary of Significant Accounting Policies, Continued

Defined Contribution Plan (DC Plan), Continued

Members of the DC Plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Net Position

CDA's net position is classified as follows:

- Net investment in capital assets; capital assets, net of accumulated depreciation.

- Restricted:

  Nonexpendable - Net position subject to externally imposed stipulations that CDA maintain them permanently. At September 30, 2015 and 2014, CDA does not have nonexpendable net position.

  Expendable - Net position whose use by CDA is subject to externally imposed stipulations that can be fulfilled by actions of CDA pursuant to those stipulations or that expire by the passage of time. As described in note 1, CDA considers all assets, except net investments in capital assets, to be restricted for economic development.

- Unrestricted; Net position that is not subject to externally imposed stipulations. As CDA considers all assets, except net investments in capital assets, to be restricted for economic development, CDA does not have unrestricted net position of September 30, 2015 and 2014.

New Accounting Standards

During fiscal year 2015, the following pronouncements were implemented:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of* GASB *Statement No. 68,* which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits through plans that are administered through trusts. Management has determined that the CNMI is legally responsible for making contributions to NMISF as a non-employer entity and that net pension obligations are allocated in total to the CNMI. Management acknowledges the requirement to recognize revenue in an amount equal to the non-employer contributing entities' (CNMI) total proportionate share of the collective pension expense that is associated with CDA. CDA has not recorded related revenues and pension expense for the year ended September 30, 2015 as amounts were not available.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this statement did not have a material effect on the accompanying financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application,* which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement No. 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, CDA has entered into off-balance sheet financial instruments consisting of commitments to extend credit and loan guarantees. Such financial instruments are recorded in the financial statements when they become payable.

Estimates

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

(2) Summary of Significant Accounting Policies, Continued

Reclassifications

Certain 2014 balances in the accompanying financial statements have been reclassified to conform to the 2015 presentation.

(3) Restricted Cash and Cash Equivalents and Time Certificates of Deposit

DBD

Restricted cash and cash equivalents and time certificates of deposit represent the proceeds of Covenant funding and liquidated revenue bonds derived from pledged Covenant funding, and are restricted for capital development purposes. Proceeds are deposited with commercial lending institutions and the securities are held in the name of CDA.

At September 30, 2015 and 2014, restricted cash and cash equivalents and time certificates of deposit amounting to $4,707,638 and $5,205,686, respectively, consist of amounts held in demand deposit accounts. These amounts are presented at fair value in the accompanying financial statements, in accordance with GASB Statement No. 31.

DCD

Restricted cash and cash equivalents represent funds for the SSBCI loan program maintained by CDA as the disbursing agent deposited with commercial lending institutions held in the name of CDA. At September 30, 2015 and 2014, restricted cash and cash equivalents for the SSBCI loan program were $983,027 and $206,631, respectively, maintained in financial institutions subject to FDIC.

NMHC

NMHC maintains depository accounts with financial institutions in the CNMI which are restricted for various purposes, as detailed below. At September 30, 2015 and 2014, restricted cash and cash equivalents consist of amounts held in demand deposit accounts which are maintained in financial institutions subject to FDIC. CNMI law does not require component units to collateralize their bank accounts and thus NMHC's deposits in excess of FDIC insurance are uncollateralized. Accordingly, the deposits are exposed to custodial credit risk.

Restricted cash and cash equivalents:

	2015	2014
Escrow and savings accounts maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA Rural Development loans	$ 3,541,127	$ 3,237,677

(3) Restricted Cash and Cash Equivalents and Time Certificates of Deposit, Continued

NMHC, Continued

Restricted cash and cash equivalents, continued:

	2015	2014
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development	200,588	200,348
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	61	91
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	979,235	1,134,808
Other depository accounts reserved for various purposes	267,669	46,978
	$ 4,988,680	$ 4,619,902

(4) Loans Receivable

DBD

As described in note 2, DBD is required to establish a revolving fund into which repayments of principal and interest from revenue-producing projects shall be deposited. At September 30, 2015 and 2014, the revolving fund consists of one note receivable from the Commonwealth Ports Authority (CPA), bearing interest at 2.5% per annum, with monthly principal and interest payments in the amount of $31,000, with maturity date of June 15, 2030. Proceeds were used for the Saipan Harbor Project.

DCD

As described in note 1, DCD was established to serve as the economic development loan fund agency for qualified private sector enterprises pursuant to Public Law 4-49. In this capacity all functions, powers, duties, funds, contracts, obligations and liabilities managed and administered by the Northern Marianas Islands Economic Development Loan Fund (EDLF) were transferred to DCD. EDLF was established pursuant to Article VII, Section 702(c) of the Covenant, dated February 15, 1975, to administer financial resources received under the Covenant which were specifically set aside for a loan program to assist the general economic development of the Northern Marianas Islands. Additionally, the Trust Territory of the Pacific Islands Government contributed to the economic development loan portfolio.

(4) Loans Receivable, Continued

DCD, Continued

Outstanding loans are due within various periods not to exceed thirty (30) years. The interest rates charged are based on the economic purpose of the loan. Production development loans bear interest at 7% to 9%, marine and agriculture loans bear interest at 4.5%, commercial development loans bear interest at 7% to 9%, and microloans bear interest at 7% to 12%. In October 2007, CDA initiated a "Debt Relief Program" (the Program) to address increasing delinquent loans. The Program provides for reduction of interest to two percent and extension of term up to thirty years with a mandated three year callable provision where warranted and justified.

NMHC

NMHC makes loans for the specific purpose of providing residents of the Northern Mariana Islands with approved low-cost housing. The loans have terms from ten to thirty-three years in duration at interest rates of 4.5% to 12%. Loans are restricted to ninety percent (90%) of the appraised value of the property or the purchase price, whichever is lower. For construction loans, the purchase price of the property is defined as the value of the land plus the estimated cost of construction.

Major classifications of economic development loans as of September 30, 2015 and 2014 (with combining information as of September 30, 2015), are as follows:

	DBD	DCD	NMHC	2015	2014
General	$ -	$ 31,831,552	$ 473,727	$ 32,305,279	$ 31,301,857
HOME Investment Partnerships Act grant	-	-	6,994,992	6,994,992	6,559,042
Marine	-	5,852,768	-	5,852,768	5,839,826
Capital development loan receivable from related party	4,499,562	-	-	4,499,562	4,757,440
Direct family home loans	-	-	2,628,212	2,628,212	2,809,173
Agriculture	-	1,464,911	-	1,464,911	1,511,706
Neighborhood Stabilization Program (NSP) grant	-	-	972,329	972,329	863,506
Housing construction	-	-	451,188	451,188	465,017
Tinian turnkey	-	-	450,564	450,564	457,470
Section 8	-	-	378,427	378,427	371,127
Home revenue bond	-	-	64,424	64,424	61,249
Housing preservation grant	-	-	16,687	16,687	17,410
Veterans aid	-	-	-	-	10,800
Loan principal receivable	4,499,562	39,149,231	12,430,550	56,079,343	55,025,623
Less allowance for loan losses	(2,249,781)	(28,297,974)	(8,494,094)	(39,041,849)	(38,247,192)
Net loans receivable	$ 2,249,781	$ 10,851,257	$ 3,936,456	$ 17,037,494	$ 16,778,431

Maturities of the above principal balances subsequent to September 30, 2015 will be as follows:

	DBD	DCD	NMHC	Total
Fully matured and others	$ -	$ 26,691,496	$ 1,495,440	$ 28,186,936
1 - 6 months	130,542	1,159,589	639,877	1,930,008
7 - 18 months	265,699	1,265,629	899,377	2,430,705
19 months - 3 years	410,826	957,682	1,220,405	2,588,913
After 3 years	3,692,495	9,074,835	8,175,451	20,942,781
	$ 4,499,562	$ 39,149,231	$ 12,430,550	$ 56,079,343

(4) Loans Receivable, Continued

Allowance for Loan Losses

An analysis of the change in the allowance for loan losses is as follows:

	DBD	DCD	NMHC	2015	2014
Balance - beginning of year	$ 2,378,720	$ 27,783,553	$ 8,084,919	$ 38,247,192	$ 38,448,631
(Recovery of) provision for loan losses	(128,939)	(969,552)	409,175	(689,316)	(918,455)
Effect of summary judgments	-	1,487,871	-	1,487,871	1,200,518
Write-off of loans	-	(3,898)	-	(3,898)	(483,502)
Balance - end of year	$ 2,249,781	$ 28,297,974	$ 8,494,094	$ 39,041,849	$ 38,247,192

During the years ended September 30, 2015 and 2014, CDA increased loans receivable and the allowance for loan losses by $1,487,871 and $1,200,518, respectively, based on summary judgments issued by the courts.

(5) Notes Receivable

On March 12, 2014, CDA and Arctic Circle entered into an agreement to convert shares of Arctic Circle into a note, and established monthly repayments inclusive of 7% interest commencing on the date of the note. The note was secured by a chattel mortgage loan for $649,000. As of September 30, 2015 and 2014, the note receivable balance was $-0- and $275,769, respectively.

(6) Finance Leases

DCD

CDA leases certain foreclosed real estate properties for periods ranging from ten to twenty-five years under direct finance leases. The leases bear interest at fixed rates ranging from 4.5% to 5.0% and provide options to purchase at $1 and $100 plus the outstanding lease receivable and related accrued interest. Finance lease income for the years ended September 30, 2015 and 2014 amounted to $48,342 and $47,211, respectively. Future minimum lease rentals and future minimum lease income under these arrangements as of September 30, 2015, are as follows:

Year ending September 30,	Minimum Lease Rentals	Minimum Lease Income	Net 2015	Net 2014
2015	$ -	$ -	$ -	$ 63,099
2016	111,625	47,646	63,979	63,099
2017	111,625	47,646	63,979	63,099
2018	111,625	47,646	63,979	63,099
2019	115,787	47,573	68,214	67,332
2020	113,553	46,773	66,780	-
Thereafter	1,716,476	981,962	734,514	762,587
	$ 2,280,691	$ 1,219,246	1,061,445	1,082,315
	Less current portion		63,980	63,099
	Noncurrent portion		$ 997,465	$ 1,019,216

(6) Finance Leases, Continued

NMHC

NMHC leases certain foreclosed real estate properties for periods ranging from fifteen to thirty years bearing interest at fixed rates ranging from 2% to 6% and with options to purchase at $100 plus the outstanding lease receivable and related accrued interest. Finance lease income for the years ended September 30, 2015 and 2014 amounted to $22,166 and $24,461, respectively. Future minimum lease rentals under these arrangements as of September 30, 2015 and 2014, are as follows:

Year ending September 30,	Minimum Lease Rentals	Minimum Lease Income	Net 2015	Net 2014
2015	$ -	$ -	$ -	$ 13,550
2016	52,603	36,582	16,021	13,387
2017	41,339	26,954	14,385	14,025
2018	41,339	26,261	15,078	14,986
2019	41,339	25,529	15,810	15,410
2020	41,339	24,757	16,582	-
Thereafter	775,973	293,027	482,946	474,277
	$ 993,932	$ 433,110	560,822	545,635
	Less current portion		16,021	13,550
	Noncurrent portion		$ 544,801	$ 532,085

(7) Investments

A Memorandum of Agreement (MOA) was established between CDA and the Commonwealth Utilities Corporation (CUC) on November 21, 2002, as amended in January 2004, to waive a portion of the capital development loans receivable and to provide for the conversion into equity ownership of the balance. Public Laws 13-35, 13-36 and 16-17 were enacted to effectuate the settlement of disputes between CDA and CUC as required by the MOA.

On May 7, 2009, CUC and CDA, entered into a Preferred Stock Agreement (the Agreement) to effectuate the terms and conditions of the MOA by requiring CUC to issue shares of cumulative, non-convertible and non-transferrable preferred stock of $45,000,000 to CDA and yielding annual dividends of two percent. The Commonwealth Public Utilities Commission approved the Agreement on September 3, 2009. The Agreement provides CUC the right to purchase from CDA up to $16,200,000 of the $45,000,000 preferred stock through offset against CUC’s future, internally-funded capital improvement projects. Subject to CUC purchase exception, CDA shall not transfer any of its rights, title or interest to such preferred stock. Further, the Agreement provides for deferral of the dividend payments for the first three years after issuance, with such deferred dividend payments being amortized, interest free, over a fifteen-year period. Dividends were to be paid to CDA beginning October 1, 2012 but were not received. The Agreement cancels and discharges the indebtedness of CUC to CDA of $61,568,750 in principal and $138,670,797 in accrued interest, including related late charges and any other charges owed by CUC on the capital development loans.

(7) Investments, Continued

CUC issued to CDA forty-five shares of preferred stock with a par value of $1,000,000 per share for a total aggregate value of $45,000,000 dated September 28, 2009. The preferred stock yields guaranteed dividends at two percent per annum payable quarterly in advance. The dividends of the preferred stock are cumulative from and after October 1, 2009 and bear no interest. CDA has taken the position that the value of the preferred stock represents the net present value of the future stream of dividend payments required by CUC and not the face value of the stock itself. At September 30, 2015 and 2014, CDA has recorded an investment of $11,309,651, with a corresponding 100% valuation allowance, based on the discounted cash flows of the future dividend payments at 6.27% per annum. In accordance with the Agreement, CDA was to receive dividends of $5,400,000 during the year ended September 30, 2015, which were factored into the recorded investment. Such dividends were not received justifying the 100% valuation allowance.

Minimum receipts (which do not factor in CUC's right to purchase up to $16,200,000 of preferred stock through offset against CUC's future, internally-funded capital improvement projects) under the original agreement are as follows:

Year ending September 30,	Principal Amount	Interest	Total
2013	$ 875,589	$ 204,411	$ 1,080,000
2014	822,775	257,225	1,080,000
2015	773,147	306,853	1,080,000
2016	726,512	353,488	1,080,000
2017	682,691	397,309	1,080,000
2018 - 2022	2,843,258	2,556,742	5,400,000
2023 - 2027	2,083,152	3,316,848	5,400,000
2028 - 2032	1,271,875	3,228,125	4,500,000
2033 - 2037	931,857	3,568,143	4,500,000
2038 - 2039	298,795	1,501,205	1,800,000
	$ 11,309,651	$ 15,690,349	$ 27,000,000

(8) Capital Assets

Capital assets consist of the following at September 30, 2015 and 2014:

DCD

	Estimated Useful Lives	Balance at October 1, 2014	Additions	Deletions	Balance at September 30, 2015
Capital assets not being depreciated:					
Land, net		$ 184,348	$ -	$ -	$ 184,348
Capital assets being depreciated:					
Structure and improvements	7 years	702,213	-	-	702,213
Vehicles/office equipment	3 - 5 years	118,242	2,496	-	120,738
Computer equipment	3 - 5 years	48,054	1,049	-	49,103
Furniture and fixtures	7 years	99,805	-	-	99,805
		968,314	3,545	-	971,859
Less accumulated depreciation		(266,267)	(42,322)	-	(308,589)
Total capital assets being depreciated		702,047	(38,777)	-	663,270
Total capital assets, net		$ 886,395	$ (38,777)	$ -	$ 847,618

(8) Capital Assets, Continued

DCD, Continued

	Estimated Useful Lives	Balance at October 1, 2013	Additions	Deletions	Balance at September 30, 2014
Capital assets not being depreciated:					
Land, net		$ 184,348	$ -	$ -	$ 184,348
Capital assets being depreciated:					
Structure and improvements	7 years	702,213	-	-	702,213
Vehicles/office equipment	3 - 5 years	110,857	7,385	-	118,242
Computer equipment	3 - 5 years	40,244	7,810	-	48,054
Furniture and fixtures	7 years	114,741	735	(15,671)	99,805
		968,055	15,930	(15,671)	968,314
Less accumulated depreciation		(240,894)	(41,044)	15,671	(266,267)
Total capital assets being depreciated		727,161	(25,114)	-	702,047
Total capital assets, net		$ 911,509	$ (25,114)	$ -	$ 886,395

NMHC

	Estimated Useful Lives	Balance at October 1, 2014	Additions	Deletions	Balance at September 30, 2015
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	$ 2,500,086	$ -	$ -	$ 2,500,086
Section 8 Koblerville Housing	30 years	1,954,050	-	-	1,954,050
Section 8 Rota Housing	30 years	1,200,484	-	-	1,200,484
Section 8 Tinian Housing	30 years	1,084,553	-	-	1,084,553
Section 8 Housing Phase II	30 years	637,704	-	-	637,704
Section 8 Housing Phase I	30 years	600,515	-	-	600,515
		7,977,392	-	-	7,977,392
Other:					
Koblerville infrastructure	30 years	2,214,991	-	-	2,214,991
Tinian infrastructure	30 years	608,500	-	-	608,500
Building and improvements	20 years	858,231	-	-	858,231
Equipment and computers	3 - 8 years	550,079	-	-	550,079
Vehicles	3 years	188,835	26,995	-	215,830
		4,420,636	26,995	-	4,447,631
		12,398,028	26,995	-	12,425,023
Less accumulated depreciation		(11,277,755)	(150,374)	-	(11,428,129)
		$ 1,120,273	$ (123,379)	$ -	$ 996,894

	Estimated Useful Lives	Balance at October 1, 2013	Additions	Deletions	Balance at September 30, 2014
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	$ 2,500,086	$ -	$ -	$ 2,500,086
Section 8 Koblerville Housing	30 years	1,954,050	-	-	1,954,050
Section 8 Rota Housing	30 years	1,200,484	-	-	1,200,484
Section 8 Tinian Housing	30 years	1,084,553	-	-	1,084,553
Section 8 Housing Phase II	30 years	637,704	-	-	637,704
Section 8 Housing Phase I	30 years	600,515	-	-	600,515
		7,977,392	-	-	7,977,392
Other:					
Koblerville infrastructure	30 years	2,214,991	-	-	2,214,991
Tinian infrastructure	30 years	608,500	-	-	608,500
Building and improvements	20 years	858,231	-	-	858,231
Equipment and computers	3 - 8 years	555,867	-	(5,788)	550,079
Vehicles	3 years	209,085	-	(20,250)	188,835
		4,446,674	-	(26,038)	4,420,636
		12,424,066	-	(26,038)	12,398,028
Less accumulated depreciation		(11,078,522)	(225,271)	26,038	(11,277,755)
		$ 1,345,544	$ (225,271)	$ -	$ 1,120,273

(8) Capital Assets, Continued

NMHC, Continued

NMHC also holds title to approximately 335,542 square meters of land as follows:

1. Lot 014 R 01, containing an area of 31,407 square meters, more or less, and the improvements thereon, located at As Liyo, Rota, CNMI.
2. Lot 021 T 03, containing an area of 143,623 square meters, more or less, located at San Jose, Tinian, CNMI.
3. Lot 021 T 01, containing an area of 26,250 square meters, more or less, and the improvements thereon, located at San Jose, Tinian, CNMI.
4. Lot 005 I 001, containing an area of 40,554 square meters, more or less, and the improvements thereon, located at Koblerville, Saipan, CNMI.
5. Lot 014 D 75, containing an area of 10,923 square meters, more or less, located at Garapan, Saipan, CNMI.
6. Lot 003 D 27, and a portion of Lot 014 D 75, collectively containing an area of 5,824 square meters, more or less, located at Garapan, Saipan, CNMI.
7. Lot 071 D 01, containing an area of 37,145 square meters, more or less, and the improvements thereon, located at Garapan, Saipan, CNMI.
8. Lot 014 D 01, containing an area of 39,816 square meters, more or less, and the improvements thereon, located at Garapan, Saipan, CNMI.

The above land was acquired at no cost and was originally held for development of low income rental housing or resale to low income families for construction of housing. The land is recorded on NMHC's financial statements at estimated fair value of $7,288,182 at September 30, 2015 and 2014, which is net of impairment loss valuation allowance of $2,262,131 based on broker's opinions obtained during the year ended September 30, 2011. Public Law 6-34 provides NMHC, subject to certain terms and conditions, the authority to lease for commercial development certain land situated in the North Garapan Subdivision Annex No. 2. NMHC is currently in the process of promoting the development of the abovementioned land to allow NMHC to meet its future commitments.

On March 30, 2014 and May 7, 2014, NMHC sold Lot Nos. 003 D 22 and 003 D16, respectively, for a sum total of $166,500, resulting in a gain on sale of land of $66,500.

(9) Foreclosed Real Estate

A summary of the changes in foreclosed real estate and the related valuation allowance as of September 30, 2015 and 2014 is as follows:

	DCD		NMHC	2015	2014
	For Sale	For Lease			
Foreclosed Real Estate:					
Balance at beginning of year	$ 1,833,036	$ 1,798,000	$ 511,912	$ 4,142,948	$ 3,404,077
Additions	592,000	411,876	366,100	1,369,976	1,050,438
Deletions	(1,119,576)	(200,000)	(190,800)	(1,510,376)	(311,567)
	1,305,460	2,009,876	687,212	4,002,548	4,142,948
Valuation allowance	(595,730)	(1,052,163)	-	(1,647,893)	(1,818,243)
Balance at end of year	$ 709,730	$ 957,713	$ 687,212	$ 2,354,655	$ 2,324,705
Valuation Allowance:					
Balance at beginning of year	$ 837,237	$ 981,006	$ -	$ 1,818,243	$ 1,418,524
Provisions	296,000	196,157	-	492,157	487,719
Write-offs/transfers	(537,507)	(125,000)	-	(662,507)	(88,000)
Balance at end of year	$ 595,730	$ 1,052,163	$ -	$ 1,647,893	$ 1,818,243

(10) Note Payable to Related Party

	2015	2014
Note payable to Marianas Public Land Trust (MPLT), bearing interest at 6.5% per annum, due over a fifteen-year term, beginning June, 2003. The note is collateralized by the full faith and credit of the CNMI Government held in trust by MPLT, for the purpose of development and maintenance of the American Memorial Park (AMP), and is being repaid from investment earnings of MPLT's AMP Fund pursuant to CNMI Public Law 11-72. As of September 30, 2015 and 2014, CDA recorded other income of $224,944 and $143,411, respectively.	$ 555,332	$ 722,040

Principal maturities for subsequent fiscal years are as follows (estimated as repayments depend on earnings on the investments):

Year ending September 30,	Principal Balance	Interest	Total
2016	$ 186,289	$ 30,125	$ 216,414
2017	182,300	18,439	200,739
2018	186,743	5,897	192,640
	$ 555,332	$ 54,461	$ 609,793

(10) Note Payable to Related Party, Continued

Changes in notes payable for the years ended September 30, 2015 and 2014, are as follows:

	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Due Within One Year
DBD	$ 722,040	$ -	$ (166,708)	$ 555,332	$ 186,289

	Balance October 1, 2013	Additions	Reductions	Balance September 30, 2014	Due Within One Year
DBD	$ 831,943	$ -	$ (109,903)	$ 722,040	$ 212,697

(11) Transfers for Capital Development Grants

As described in note 2, DBD receives and holds U.S. economic assistance provided in the Covenant. Terms and conditions of this assistance are contained in the *Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands* (the Agreement). In accordance with the Agreement, DBD uses the proceeds, and accumulated earnings, by issuing either grants or loans to subrecipients, and acts in a pass through capacity. Revenues and expenditures related to grant agreements are recognized by the subrecipient with DBD recording expense under the caption "transfer out for capital development grants".

Transfers for capital development grants consist of (a) transfers to the CNMI for capital projects of the CNMI Third Senatorial Districts pursuant to Saipan Local Law No. 18-17 of $738,191 and -0- for the years ended September 30, 2015 and 2014, respectively, and (b) transfers to the CNMI for renovations and repair of Tinian Municipal Buildings pursuant to Public Law No. 17-8 of $141,867 and $-0- for the years ended September 30, 2015 and 2014, respectively.

(12) Related Party Transactions

CDA maintains depository accounts in FDIC insured financial institutions. A former Board member of CDA (term expired on December 31, 2014) is currently the Vice President/Regional Manager of one of these financial institutions. CDA's deposits in this financial institution amounted to $9,152,908 and $8,043,981 as of September 30, 2015 and 2014, respectively. Management is of the opinion that transactions with this financial institution are of similar terms and conditions as with unrelated parties.

(12) Related Party Transactions, Continued

NMHC purchased $4,871 and $6,536 of supplies and materials from related parties during the years ended September 30, 2015 and 2014, respectively. Related liabilities of $-0- and $951 are included within accounts payable and accrued expenses in the accompanying Statements of Net Position. Management believes that the purchases were consummated on terms equivalent to those in arm's length transactions.

(13) Commitments and Contingencies

Commitments

CDA leases certain foreclosed real estate properties for periods ranging from one to fifty-five years. CDA also leases commercial space in its building for one to two year periods with monthly leases of $100 to $600 per unit. Total lease income for the years ended September 30, 2015 and 2014 amounted to $124,609 and $109,671, respectively. Minimum future lease income for all leases is as follows:

Year ending September 30,	Minimum Lease Income Due
2016	$ 122,728
2017	74,008
2018	62,472
2019	54,096
2020	54,096
Thereafter	2,642,828
	$ 3,010,228

CDA leases its office space and equipment in Rota for an annual rental of $6,668. Total minimum future rentals are $6,468 under this operating lease for the year ending September 30, 2016.

Contingencies

NMHC participates in a number of federally assisted grant programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs of $253,163 have been set forth in NMHC's Single Audit Report for the year ended September 30, 2015. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

(13) Commitments and Contingencies, Continued

Contingencies, Continued

NMHC has entered into an agreement with the USDA Rural Development (RD) whereby NMHC assists borrowers in obtaining RD financing for housing construction. The agreement requires NMHC to guarantee any deficiency in foreclosure proceeds should borrowers default on RD loans. As of September 30, 2015 and 2014, NMHC has guaranteed outstanding loans of $10,592,730 and $11,279,779, respectively, and the amount of delinquent loans related to the agreement was $5,699,223 and $5,334,532, respectively. As of September 30, 2015 and 2014, total delinquent loans with demand notices from RD were $3,932,646 and $4,104,170, respectively, for which NMHC recorded liabilities incorporated in a "reserve for loan guaranty" of $4,564,793 and $4,281,967, respectively, in the accompanying financial statements exclusive of reserves for the remaining non-delinquent and delinquent loans without demand notices of $632,147 and $177,797, respectively.

As of September 30, 2015 and 2014, total restricted cash and cash equivalents which serve as escrow accounts for RD loans or will pay amounts due to RD pursuant to the agreement amounted to $3,541,127 and $3,237,677, respectively. This amount is included in "restricted cash and cash equivalents" in the accompanying financial statements. NMHC may not have sufficient liquid assets to meet its RD agreement guarantee if RD accelerates demand notices on additional delinquent loans. The amount of potential obligations arising from this matter cannot presently be determined.

NMHC entered into a loan agreement and related loan purchase agreement with a savings and loan in the CNMI whereby the savings and loan will make available up to $6,000,000 for housing loans. Under the agreements, NMHC is responsible for administering the loan purchase program and the savings and loan agrees to purchase qualified loans from NMHC. NMHC guarantees the first 25% of the principal balance plus interest on each loan sold to the savings and loan. As of September 30, 2015 and 2014, NMHC was contingently liable for $183,236 and $298,864, respectively, of the balance of loans purchased by the savings and loan. In addition, NMHC is required to maintain an account at the savings and loan equal to the lesser of 5% of all loans sold to the savings and loan or $100,000. The balance in the account at September 30, 2015 and 2014 was $61 and $91, respectively, which is included in "restricted cash and cash equivalents" in the accompanying financial statements. As of September 30, 2015 and 2014, total defaulted loans related to this arrangement were $101,041 and $136,986, respectively.

(13) Commitments and Contingencies, Continued

Contingencies, Continued

NMHC also has similar arrangements with other financial institutions whereby NMHC guarantees a varying percentage of loans issued by the banks for housing construction. At September 30, 2015 and 2014, NMHC was contingently liable to these institutions for $651,436 and $1,427,680, respectively. As of September 30, 2015 and 2014, the total defaulted loans related to these arrangements were $275,777 and $233,248, respectively.

NMHC is involved in various claims and lawsuits arising in the normal course of business. However, the ultimate outcome of the claims and lawsuits are unknown at the present time. Accordingly, no provision for any liability that might result has been made in the accompanying financial statements.

(14) Risk Management

CDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. CDA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(15) Subsequent Event

On October 14, 2016, CDA received $1,100,000 from CUC as dividend payment in arrears. The dividend receivable was factored into the recorded investment in CUC with a 100% valuation allowance. The amount received from CUC will be recognized in fiscal year 2016.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Net Position
September 30, 2015

ASSETS	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Current assets:					
Cash and cash equivalents	$ -	$ 1,989,684	$ 424,533	$ -	$ 2,414,217
Time certificates of deposit	-	2,750,000	-	-	2,750,000
Receivables:					
Current portion of loans receivable, net	262,131	1,787,651	961,015	-	3,010,797
Current portion of finance lease receivable, net	-	63,980	16,021	-	80,001
Rent, net	-	54,974	4,245	-	59,219
Accrued interest, net	17,459	80,395	347,653	-	445,507
Other, net	-	34,923	114,802	-	149,725
Note receivable	-	-	-	-	-
Prepaid expenses	-	3,000	-	-	3,000
Total current assets	279,590	6,764,607	1,868,269	-	8,912,466
Other assets:					
Cash and cash equivalents, restricted	707,638	983,027	4,988,680	-	6,679,345
Time certificates of deposits, restricted	4,000,000	-	-	-	4,000,000
	4,707,638	983,027	4,988,680	-	10,679,345
Noncurrent assets:					
Loans receivable, net of current portion	1,987,650	9,063,606	2,975,441	-	14,026,697
Finance lease receivable, net of current portion	-	997,465	544,801	-	1,542,266
Due from other funds	-	30,499	-	(30,499)	-
Depreciable capital assets, net of accumulated depreciation	-	663,270	996,894	-	1,660,164
Nondepreciable capital assets	-	184,348	7,288,182	-	7,472,530
Foreclosed real estate, net	-	1,667,443	687,212	-	2,354,655
Total noncurrent assets	1,987,650	12,606,631	12,492,530	(30,499)	27,056,312
	$ 6,974,878	$ 20,354,265	$ 19,349,479	$ (30,499)	$ 46,648,123
LIABILITIES AND NET POSITION					
Current liabilities:					
Current installments of notes payable to related party	$ 186,289	$ -	$ -	$ -	$ 186,289
Accounts payable and accrued expenses	-	580,305	294,658	-	874,963
Due to grantor agency	-	-	799,010	-	799,010
Unearned revenues	-	15,212	-	-	15,212
Loan commitment	-	983,027	-	-	983,027
Reserve for loan guaranty	-	-	4,564,793	-	4,564,793
Total current liabilities	186,289	1,578,544	5,658,461	-	7,423,294
Notes payable to related party, net of current installments	369,043	-	-	-	369,043
Due to other funds	30,499	-	-	(30,499)	-
Unearned revenues, net of current portion	-	649,427	8,322,823	-	8,972,250
Total liabilities	585,831	2,227,971	13,981,284	(30,499)	16,764,587
Net position:					
Net investment in capital assets	-	847,618	8,285,076	-	9,132,694
Restricted	6,389,047	17,278,676	(2,916,881)	-	20,750,842
Total net position	6,389,047	18,126,294	5,368,195	-	29,883,536
	$ 6,974,878	$ 20,354,265	$ 19,349,479	$ (30,499)	$ 46,648,123

See Accompanying Independent Auditors' Report.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2015

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Operating revenues:					
Section 8 income:					
Federal housing assistance rentals	$ -	$ -	$ 4,788,251	$ -	$ 4,788,251
Tenant share	-	-	30,933	-	30,933
CDBG Program	-	-	1,069,977	-	1,069,977
Interest and fees on loans	115,600	624,122	279,735	-	1,019,457
HOME Investment Partnership Program Grant	-	-	803,016	-	803,016
HOME Investment Partnership Grant program income	-	-	225,796	-	225,796
Low Income Housing Tax Credit	-	-	168,338	-	168,338
ESG Program	-	-	55,914	-	55,914
Interest and dividends on investments	16,996	12,582	-	-	29,578
Housing rental	-	-	22,166	-	22,166
EDI Program	-	-	17,104	-	17,104
NSP Grant	-	-	3,865	-	3,865
Other	81	247,475	31,841	(25,790)	253,607
	132,677	884,179	7,496,936	(25,790)	8,488,002
Recovery of loan impairment (bad debts)	128,939	969,552	(353,998)	-	744,493
Recovery of (provision for) foreclosed real estate	-	119,350	(56,578)	-	62,772
Net operating revenues	261,616	1,973,081	7,086,360	(25,790)	9,295,267
Operating expenses:					
Section 8 rental	-	-	2,829,346	-	2,829,346
CDBG Program	-	-	1,069,977	-	1,069,977
HOME Investment Partnership Program Grant	-	-	803,016	-	803,016
HOME Investment Partnership Grant program income	-	-	225,796	-	225,796
ESG Program	-	-	55,914	-	55,914
EDI Program	-	-	17,104	-	17,104
NSP Grant	-	-	3,865	-	3,865
Operations:					
Salaries and wages	-	478,085	754,002	-	1,232,087
Utilities	-	27,263	440,611	-	467,874
Repairs and maintenance	-	9,455	404,694	-	414,149
Employee benefits	-	218,080	145,670	-	363,750
Provision for loan guaranty	-	-	282,826	-	282,826
Professional fees	1,875	85,456	111,742	-	199,073
Depreciation	-	42,322	150,374	-	192,696
Travel	-	56,603	115,633	-	172,236
Rent	-	5,868	14,913	-	20,781
Other	26,436	116,909	192,490	(25,790)	310,045
Total operating expenses	28,311	1,040,041	7,617,973	(25,790)	8,660,535
Operating income (loss)	233,305	933,040	(531,613)	-	634,732
Nonoperating revenues (expenses):					
Other income	224,944	5,122	-	-	230,066
Litigation judgment	-	-	55,923	-	55,923
Interest income	-	-	24,191	-	24,191
Gain (loss) on sale of foreclosed real estate	-	53,300	(36,446)	-	16,854
Interest expense	(42,549)	-	-	-	(42,549)
Other expense	-	(7,987)	-	-	(7,987)
Total nonoperating revenues, net	182,395	50,435	43,668	-	276,498
Income (loss) before transfers	415,700	983,475	(487,945)	-	911,230
Transfers out for capital development grants	(880,058)	-	-	-	(880,058)
Change in net position	(464,358)	983,475	(487,945)	-	31,172
Net position - beginning	6,853,405	17,142,819	5,856,140	-	29,852,364
Net position - ending	$ 6,389,047	$ 18,126,294	$ 5,368,195	$ -	$ 29,883,536

See Accompanying Independent Auditors' Report.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows
Year Ended September 30, 2015

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Cash flows from operating activities:					
Cash received from interest and fees on loans receivable	$ 107,055	$ 543,146	$ 268,598	$ -	$ 918,799
Interest and dividends on investments	16,996	12,000	-	-	28,996
Cash payments to suppliers for goods and services	(1,875)	(149,681)	(238,149)	-	(389,705)
Cash received from customers	81	214,688	331,349	-	546,118
Cash payments to employees for services	-	(696,165)	(754,002)	-	(1,450,167)
Cash received from federal grant awards	-	-	6,846,243	-	6,846,243
Cash payments from federal grant awards	-	-	(6,304,941)	-	(6,304,941)
Cash received for loan commitment	-	776,396	-	-	776,396
Cash received from interest on notes receivable	-	12,582	-	-	12,582
Net cash provided by operating activities	122,257	712,966	149,098	-	984,321
Cash flows from capital and related financing activities:					
Net interdivisional transactions	1,875	(1,875)	-	-	-
Acquisition of capital assets	-	(3,545)	(26,995)	-	(30,540)
Net receipts of loans receivable	257,878	484,623	11,751	-	754,252
Net receipts of notes receivable	-	275,769	-	-	275,769
Net receipts of finance lease receivable	-	85,712	-	-	85,712
Proceeds from sale of foreclosed real estate	-	248,200	89,100	-	337,300
Gain on sale of foreclosed real estate	-	53,300	-	-	53,300
Cash received from litigation judgment	-	-	13,256	-	13,256
Transfers for capital development grants	(880,058)	-	-	-	(880,058)
Transfers for loan commitment	-	(776,396)	-	-	(776,396)
Net cash (used for) provided by capital and related financing activities	(620,305)	365,788	87,112	-	(167,405)
Cash flows from investing activities:					
Proceeds from (purchase of) restricted cash and cash equivalents and time certificates of deposit	498,048	(750,000)	(368,778)	-	(620,730)
Interest received	-	-	24,191	-	24,191
Net cash provided by (used for) investing activities	498,048	(750,000)	(344,587)	-	(596,539)
Net increase (decrease) in cash and cash equivalents	-	328,754	(108,377)	-	220,377
Cash and cash equivalents at beginning of year	-	1,660,930	532,910	-	2,193,840
Cash and cash equivalents at end of year	$ -	$ 1,989,684	$ 424,533	$ -	$ 2,414,217
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 233,305	$ 933,040	$ (531,613)	$ -	$ 634,732
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
(Recovery of loan impairment) bad debts	(128,939)	(969,552)	353,998	-	(744,493)
Provision for loan guaranty	-	-	282,826	-	282,826
(Recovery of) provision for foreclosed real estate	-	(119,350)	56,578	-	(62,772)
Expenses allocated from DCD to DBD	26,436	(26,436)	-	-	-
Depreciation	-	42,322	150,374	-	192,696
Finance lease revenue	-	(48,342)	-	-	(48,342)
Other	15,687	(2,865)	-	-	12,822
(Increase) decrease in assets:					
Receivables:					
Rent	-	40,983	24,703	-	65,686
Finance lease	-	-	9,813	-	9,813
Employees	-	-	888	-	888
Other	-	(10,969)	42,667	-	31,698
Accrued interest	(8,545)	(68,976)	(11,137)	-	(88,658)
Prepaid expenses	-	9,612	-	-	9,612
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(15,687)	150,248	(112,319)	-	22,242
Unearned revenues	-	6,855	-	-	6,855
Loan commitment	-	776,396	-	-	776,396
Due to grantor agency	-	-	(117,680)	-	(117,680)
Net cash provided by operating activities	$ 122,257	$ 712,966	$ 149,098	$ -	$ 984,321
Supplemental disclosure of noncash capital and related financing activities:					
Recognition of loans receivable:					
Noncash increase in loans receivable	$ -	$ -	$ 651,246	$ -	$ 651,246
Noncash increase in unearned revenue	-	-	(651,246)	-	(651,246)
	$ -	$ -	$ -	$ -	$ -
Recognition of foreclosed properties:					
Noncash (decrease) increase in foreclosed real estate	$ -	$ (16,500)	$ 357,424	$ -	$ 340,924
Noncash decrease in loans receivable	-	-	(382,424)	-	(382,424)
Noncash increase in finance lease receivable	-	16,500	25,000	-	41,500
	$ -	$ -	$ -	$ -	$ -
Loan payable to MPLT:					
Noncash decrease in note payable to related party	$ 166,708	$ -	$ -	$ -	$ 166,708
Noncash interest expense	42,549	-	-	-	42,549
Noncash other income	(224,944)	-	-	-	(224,944)
Noncash decrease in interest payable	15,687	-	-	-	15,687
	$ -	$ -	$ -	$ -	$ -

See Accompanying Independent Auditors' Report.