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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Commonwealth Development Authority:

We have audited the accompanying statements of net assets of the Commonwealth Development Authority (CDA), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), as of September 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of CDA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CDA's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Commonwealth Development Authority as of September 30, 2010 and 2009, and their changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). This supplementary information is the responsibility of the Commonwealth Development Authority's management. We did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 there is insufficient analysis of the basic financial statements.

Our audits were conducted for the purpose of forming an opinion on the Commonwealth Development Authority's basic financial statements. The Combining Statement of Net Assets, the Combining Statement of Revenues, Expenses and Changes in Net Assets and the Combining Statement of Cash Flows as of and for the year ended September 30, 2010 (pages 41 through 43) are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the Commonwealth Development Authority's management. The Combining Statement of Net Assets, the Combining Statement of Revenues, Expenses and Changes in Net Assets and the Combining Statement of Cash Flows as of and for the year ended September 30, 2010 have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2011, on our consideration of internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLC

August 1, 2011

COMMONWEALTH DEVELOPMENT AUTHORITY

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Management's Discussion and Analysis
Year Ended September 30, 2010

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, 2010, with selected comparative information for the fiscal years ended September 30, 2009 and 2008. 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 that are appointed staggered four-year terms by the Governor of the CNMI. CDA maintains its main office in Saipan and branch offices in Tinian and Rota.

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 for the Qualifying Certificate Program (QC). The QC is a tax incentive program to encourage new investment within 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 making loans, 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, 2010, DCD's net loans receivable was $12,204,023, which was a decrease of $653,935 or 5% compared to 2009. As of September 30, 2009, DCD's net loans receivable was $12,857,958, which was a decrease of $331,757 or 3% compared to 2008. The cause of the decrease in fiscal year 2010 was due to increased collection efforts and a more accurate analysis of loan collateral values. In fiscal year 2009, the decrease was due to the relative lack of new loans combined with normal principal reduction via scheduled payments.

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% 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 allowance for the loan from 100% in fiscal year 2009 to 50% in fiscal year 2010.

DBD continues to hold preferred stock in 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 opportunity to receive funds loaned to CUC through dividends on the preferred stock; which will be recorded in the Revolving Fund for CIP projects.

DBD and DCD, Continued

Unfortunately, with the Asian economic crisis in the early 1990's and the subsequent "Global Economic Crisis" beginning in late 2007, many of the projects financed by DCD loans have suffered significantly in value both as going concerns and in terms of the fair market value of the loans' underlying collateral. Events such as the attacks on 9/11, the SARS epidemic, the war in Iraq and sharp increases in fuel prices have had significant negative impact on the CNMI's tourist-based economy. Local factors such as significant increases in utility charges and the loss of the major tax base provided by the garment manufacturing industry only served to make weathering the external crises more difficult.

In 2004, the CNMI was swept by two major typhoons, Tingting and Chaba, devastating CDA-funded clients in the Marine and Agriculture loan categories. While these categories of loans are slowly recovering, there continues to be high delinquency rates.

As stated earlier, the net value of DCD's loan portfolio after recoveries (bad debts) was $12,204,023 in 2010 and $12,857,958 in 2009. Total recoveries (bad debts) were $550,526 and $(796,207) in 2010 and 2009, respectively. These figures represent the estimated potential loss of value of the loans and accrued interest for the respective fiscal years. The recoveries for fiscal year 2010 were primarily due to more loans being returned to non-delinquent status via efforts of the Loan Department and more accurate valuation of collateral backing the loans. The ultimate collection of the principal value of loans is DCD's greatest financial concern.

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. Qualified 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 of 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 no choice but 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. Given the extremely depressed state of the real estate market in the CNMI, 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

NMHC is a multifaceted organization that offers direct housing loans, housing loan guarantees, rental properties, housing and community development and where necessary, infrastructure development.

NMHC has finalized the closing of Tottotville and 45 houses are fully occupied and sold to respective homeowners. With closure of the Expansion Project, NMHC is in process of transferring infrastructure values to CUC and the Department of Public Works (DPW). During FY 2005, homeowners filed complaints with respect to the poor workmanship in the construction of their homes and NMHC is still attempting resolution with the homeowners. The designer/construction manager and contractor for the subdivision have been contacted and all parties are addressing the areas of complaints. Mediation was also pursued; however, major issues being disputed are still unresolved by parties involved. Court hearings are ongoing with the latest held on January 5, 2010. NMHC has settled with the forty-five (45) homeowners and is planning to file litigation on the contractor and the construction manager.

NMHC, Continued

Another major concern is Public Law (PL) 15-48 which Governor Benigno R. Fitial signed into law on March 13, 2007. This law repealed in its entirety, 2 CMC §§ 4486 and 4498, and amended 2 CMC §4497 to eliminate the moratorium extended to NMHC on the loan made to NMHC by the Marianas Public Land Trust (MPLT). PL 15-48 imposes serious financial burdens as NMHC was required to commence payment to MPLT. During FY 2008, MPLT and NMHC finalized a portfolio transfer and resolved the financial burden imposed on NMHC.

Mortgage Credit Division

The Mortgage & Credit Division has revised the HUD-funded HOME Program policies and procedures and, as a result, twelve rehabilitation loans/grants and twenty-one new construction loans/deferred loans have been entertained and/or presented to the Board for approval. Existing HOME clients are also covered by the new policies and procedures as they can also be assisted through loan modifications or loan-to-grant conversions. Aside from loans for rehabilitation or new construction, NMHC also provides grants for the elderly or persons with disabilities.

In June 2008, the Agreement Between the Parties, the U.S. Department of Agriculture (USDA) Rural Development (USDA RD) and NMHC to Resolve Defaulted USDA Rural Development Loans was executed. This agreement has been established to outline the steps and mutually agreed-upon terms in liquidating defaulted USDA RD loans which NMHC agreed to act as trustee on deeds of trust securing USDA RD housing loans in the CNMI. The loans and properties covered by this agreement are accelerated accounts and accounts that are expected to be accelerated in the near future. This agreement encompasses forty-eight (48) seriously delinquent loans.

On July 30, 2008, Public Law 110-289, or the Housing and Economic Recovery Act of 2008 (HERA), created the Neighborhood Stabilization Program (NSP). NSP is a HUD program which provides emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their respective communities. NSP provides grants to every state and local community to purchase foreclosed or abandoned homes and to rehabilitate, resale, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. Through NSP, NMHC has secured two contracts with NMHC-approved contractors to rehabilitate (including fencing and installation of typhoon shutters) seven (7) foreclosed properties (six (6) in Kagman and one (1) in Dan Dan). Once the rehabilitation work is completed, NMHC will make these units available for purchase to low income families with income levels at or below 80 percent of the Area Median Income.

Aside from HUD-funded programs, NMHC still administers the U.S. Department of Veterans Affairs' (VA) Native American Direct Loan Program and USDA's Section 504 Program.

Program and Housing Division

A. Saipan Housing Choice Voucher Program

In FY 2010, the Housing Choice Voucher Program utilized 341 vouchers, forty-two (42) of which were given to applicants on the waiting list. In January 2009, the waiting list was closed due to the number of applicants on the list. Demand for the Housing Choice Voucher Program is high due to the portability of the program and the applicant's ability to select a unit in an area of their choice.

B. Saipan Multi-Family/New Construction Program

At the end of fiscal year 2010, Mihaville had forty-six occupants of forty-eight units and Koblerville had thirty-two occupants of thirty-four units. Although Mihaville and Koblerville are almost at full capacity, there has been a turnover of tenants due to tenant requests to relocate. Both properties are well maintained and NMHC will continue its efforts to prepare for future REAC inspections.

Program and Housing Division, Continued

C. Short-Term Goals

Goals for the Program and Housing Division are to a) maintain efforts to apply for additional rental vouchers by continuing to monitor HUD's Notices of Funding Availability (NOFA) and/or Super NOFAs for potential opportunities to increase its voucher count in the future; b) improve voucher management by addressing certain performance indicators to potentially increase its Section 8 Management Assessment Program (SEMAP) Rating; c) increase customer satisfaction; and d) continue planning efforts towards the development and possible implementation of the Family Self-Sufficiency Program should the severe economic conditions begin to improve in the CNMI.

Rota Field Office

A. Rota Housing Choice Voucher Program

At the end of fiscal year 2010, twenty-four Housing Choice Vouchers (HCV) were utilized on Rota. This figure represents a one voucher decrease from the total number of vouchers utilized in the previous fiscal year, and is half of the total number of HCV (50) that were awarded by HUD to the island of Rota after Typhoon Pongsona. The demand for additional vouchers still exists, especially since qualified families prefer the HCV Program over the Multi-Family/New Construction Program for a variety of reasons. The NMHC Rota Field Office receives numerous calls from interested families inquiring about the availability of vouchers. However, with the knowledge of the limited availability of vouchers and long waiting period, many qualified families choose not to go through the application process. The waiting list for the HCV Program is currently closed.

B. Rota Multi-Family/New Construction Program

The NMHC Rota Multi-Family/New Construction Program has been experiencing a low occupancy rate for several years. At the end of fiscal year 2010, eleven of thirty housing units at the Liyo' Housing Subdivision were occupied. This figure translates to a 36.66% occupancy rate. The low occupancy rate could be attributed to the following factors:

1. HCV Program

    a. The existence of the HCV Program has led to many qualified applicants for housing assistance wanting to apply for this program instead;

    b. Applicants qualified for housing assistance prefer the HCV Program because of the ability to choose a housing unit at a preferred location; and

    c. Housing units registered under the HCV Program are typically semi to fully furnished, unlike the housing units under the Multi-Family/New Construction Program.

2. Condition of the Housing Units

    a. Safety concerns have been one of the biggest reasons why the NMHC Rota Field Office struggles to occupy the vacant units under the Multi-Family/New Construction Program. The housing units at the Liyo' Housing Subdivision have undergone and continue to undergo constant repairs due to hairline and severe cracks that are formed on the walls and ceilings due to the condition of rebars which have been slowly deteriorating because of moisture. Maintaining these units is costing NMHC significant amounts of money annually for materials and labor.

Rota Field Office, Continued

B. Rota Multi-Family/New Construction Program, Continued

3. Utility Security Deposit

    a. Applicants find it very difficult to afford the security deposit required by CUC in order to connect to utilities. NMHC requires a receipt of payment for utility connection prior to moving in a tenant.

Despite the problems that exist within the Multi-Family/New Construction Program, efforts to increase the occupancy rate at the Liyo' Housing Subdivision are ongoing. The Rota Field Office advertises the vacant units and informs the general public of the housing assistance available to qualified applicants. Print advertisements and notices posted on the local television channel are some of the methods used to reach the public. Furthermore, constant repairs and maintenance are being conducted to ensure the units meet HUD's Uniform Physical Condition Standards so that NMHC may continue to provide housing assistance to families in need.

C. Short-Term Goals

The goal of the NMHC Rota Field Office is to increase the occupancy rate at the Liyo' Housing Subdivision. To attain this goal, NMHC must continue with the repairs and maintenance of the units and ultimately find a more adequate long-term solution to the deteriorating conditions. NMHC will have to provide additional amenities to clients, such as providing basic furniture (beds, dining tables, etc.), improving lighting, creating a community garden, providing a small playground or picnic grounds, etc., to attract qualified families. Finally, the NMHC Rota Field Office will continue to work with the Mayor's office and other agencies such as the Department of Community & Cultural Affairs and the Northern Marianas Protection & Advocacy Systems Inc. to promote and educate the local community about the housing assistance available through our Section 8 Program.

Tinian Field Office

A. Section 8 Programs: Multi-Family/New Construction and Voucher Programs

1. The Tinian Multi-Family/New Construction Program has twenty units. All of the units are fully occupied; however, there is a turnover of tenants due to tenants obtaining employment and preferring to move into an inexpensive residence despite the condition. In the past, people have been reluctant to apply to the program, but with ongoing renovation and maintenance we have managed to keep these units occupied. In addition, people previously visualized the area as a "ghetto", but that outlook has changed.

2. There were five vouchers issued; however, only one is being utilized on Tinian and the other four were transferred to Saipan. There have been inquiries from Tinian students enrolled at the Northern Marianas College who have to relocate to Saipan. People are still encouraged to apply to the program even if there is a shortage of vouchers. This is one way for us to justify requesting for additional vouchers for Tinian. Some applicants request to be included on the waiting list for both programs.

B. Loans

1. The Tinian Field Office continues to work with applicants whose loans have been approved but not disbursed. There are also new applications for renovation or construction of new homes. The delay was due to changes to the HOME Program policies and procedures which were approved on July 23, 2009 and the additional requirement of environmental assessment on the properties. One of the goals is to work with management and local leadership to address the needs of the new homesteaders. There were 475 homestead applicants that drew homestead properties in various areas around Tinian; however, the survey for these lots has not been completed.

NMHC, Continued

Tinian Field Office - Program and Housing Division

A. Tinian Housing Choice Voucher Program

Since 2008, Tinian has had only one voucher of the 341 CNMI vouchers. Although, the waiting list for Saipan was closed in January 2009, the waiting list for Tinian remained open, and some of the forty-two Saipan vouchers were issued to Tinian applicants. Merging the waiting lists for all three islands had a negative impact as Tinian applicants were placed at the bottom of the list.

B. Tinian Multi-Family/New Construction Program

Tinian has twenty units which were fully occupied except at the end of the year when two units were vacated for renovation and exterminating. The units were inspected and upgraded throughout the year to ensure that the Housing Quality Standards (HQS) for the annual REAC inspections were met. The tenant turnover was due to household members gaining employment or relocation to other places or to units that were less stringent on rules.

C. Short-Term Goals

The short-term goal for the Tinian Field Office is to a) continue to work with the Saipan office to increase the number of vouchers; b) improve the outlook of the Section 8 housing area; c) continue to work with families in maintaining safe and sanitary conditions of the units; d) reduce renovation costs; and e) upgrade the basketball court.

Community Development Block Grant (CDBG)

NMHC received $1,386,572 in CDBG funding in fiscal year 2010. As stated in the Consolidated Plan, community development goals include the following:

- Support the construction or rehabilitation of facilities such as fire stations and the purchase of life saving and fire protection equipment to ensure the utmost safety for the people in the CNMI;
- Promote community health and encourage sportsmanship and team building for the youth of the CNMI;
- Provide basic services to the CNMI community: water, harbors, sewer systems, well-maintained streets and sidewalks, quality business districts and cultural centers; and
- Create a community environment that is both functional and inviting to businesses, residents and tourists.

Because of the limited funding in fiscal year 2010, NMHC only allocated funding to the following projects:

- Purchase of life saving and fire protection equipment for the Tinian Fire Station;
- A&E design for the Tinian Fire Station;
- Rehabilitation of the Dan Dan Children's Park; and
- Susupe Sports Complex Softball Field Fencing.

Emergency Shelter Grant (ESG)

NMHC received $62,844 in ESG grants in fiscal year 2010. As in previous years, ESG has been allocated to the Guma Esperansa shelter and the Division of Youth Services (DYS) shelter. The Guma Esperansa shelter serves women and their children who are victims of domestic violence and human trafficking. The DYS Shelter serves youth who are victims of child abuse/neglect and are runaways. ESG funding is used to assist with the operational costs and essential services of both shelters.

NMHC, Continued

Homeless Prevention and Rapid Re-Housing Program (HPRP)

In fiscal year 2010, NMHC received $589,165 though HPRP and used the funds to assist low-income individuals and families with rent and utilities to prevent such individuals and families from becoming homeless. The funds will also be used to house individuals and families who are currently homeless. As of September 30, 2010, NMHC expended more than 50% of the total funds and assisted approximately 200 families.

Community Development Block Grant-Recovery Funds (CDBG-R)

NMHC received $1,374,719 through the CDBG-R Program which were used for projects that increased economic efficiency, improved infrastructure and provided for investment in environmental protection. The following projects were funded through the CDBG-R grant:

- Grotto Bathrooms Infrastructure Improvement;
- Sinapalo Elementary School Public Facility;
- Tinian Infiltration System Infrastructure Improvement; and
- Chalan Kanoa Kios Ku Leadership Courtyard Public Facility.

Neighborhood Stabilization Program (NSP)

NMHC received $364,162 through NSP, made possible through the Housing and Economic Recovery Act of 2008, which was designed to address foreclosures across the United States of America and the insular areas. NMHC used the funds to purchase and rehabilitate foreclosed and abandoned residential properties/homes and provided opportunities to borrowers to own their homes. As of September 30, 2010, a total of seven homes were rehabilitated.

Combined Statements of Net Assets, Statements of Revenues, Expenses and Changes in Nets Assets and Statements of Cash Flows as of and for the year ended September 30, 2010 follows, with comparative information as of and for the years ended September 30, 2009 and 2008:

Combined Statements of Net Assets
As of September 30, 2010, 2009 and 2008

	2010	**2009**	**$ Change**	**% Change**	**2008**
Current assets	$ 9,547,772	$ 5,601,394	$ 3,946,378	70%	$ 8,487,821
Other assets	9,941,084	13,822,477	(3,881,393)	-28%	13,604,236
Capital assets	13,872,311	14,308,503	(436,192)	-3%	14,231,597
Noncurrent assets	13,451,676	12,421,357	1,030,319	8%	11,474,721
Total assets	**$ 46,812,843**	**$ 46,153,731**	**$ 659,112**	**1%**	**$ 47,798,375**
Current liabilities	$ 3,882,223	$ 3,884,224	$ (2,001)	-0%	$ 3,892,380
Noncurrent liabilities	6,096,157	5,705,221	390,936	7%	6,079,863
Total liabilities	**9,978,380**	**9,589,445**	**388,935**	**4%**	**9,972,243**
Invested in capital assets	13,872,311	14,308,503	(436,192)	-3%	14,231,597
Restricted	22,962,152	22,255,783	706,369	3%	23,594,535
Total net assets	**36,834,463**	**36,564,286**	**270,177**	**1%**	**37,826,132**
Total liabilities and net assets	**$ 46,812,843**	**$ 46,153,731**	**$ 659,112**	**1%**	**$ 47,798,375**

Combined Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2010, 2009 and 2008

	2010	2009	$ Change	% Change	2008
Operating revenues	$ 8,046,824	$ 11,154,596	$ (3,107,772)	-28%	$ 10,949,005
Recoveries (bad debts)	3,159,411	(1,205,618)	4,365,029	-362%	(3,069,279)
Net operating revenues	**11,206,235**	**9,948,978**	**1,257,257**	**13%**	**7,879,726**
Operating expenses	9,740,214	10,112,607	(372,393)	-4%	8,902,422
Operating income (loss)	**1,466,021**	**(163,629)**	**1,629,650**	**-996%**	**(1,022,696)**
Total nonoperating revenues (expenses), net	(817,851)	(237,245)	(580,606)	245%	2,760,676
Income (loss) before transfers	**648,170**	**(400,874)**	**1,049,044**	**-262%**	**1,737,980**
Transfers out for capital development grants	(377,993)	(860,972)	482,979	-56%	(1,139,387)
Change in net assets	**270,177**	**(1,261,846)**	**1,532,023**	**-121%**	**598,593**
Net assets - beginning	36,564,286	37,826,132	(1,261,846)	-3%	37,227,539
Net assets - ending	**$ 36,834,463**	**$ 36,564,286**	**$ 270,177**	**1%**	**$ 37,826,132**

Combined Statements of Cash Flows
Years Ended September 30, 2010, 2009 and 2008

	2010	2009	$ Change	% Change	2008
Cash flows from operating activities	$ (1,019,069)	$ (1,571,290)	$ 552,221	-35%	$ 1,536,815
Cash flows from capital and related financing activities	(864,608)	410,073	(1,274,681)	-311%	(9,481,244)
Cash flows from investing activities	3,889,876	376,196	3,513,680	934%	8,658,500
Net increase (decrease) in cash and cash equivalents	**2,006,199**	**(785,021)**	**2,791,220**	**-356%**	**714,071**
Cash and cash equivalents at beginning of year	2,216,725	3,001,746	(785,021)	-26%	2,287,675
Cash and cash equivalents at end of year	**$ 4,222,924**	**$ 2,216,725**	**$ 2,006,199**	**91%**	**$ 3,001,746**

Condensed Statements of Revenues, Expenses and Changes in Nets Assets and Statements of Cash Flows by division as of and for the year ended September 30, 2010 follows, with comparative information as of and for the years ended September 30, 2009 and 2008:

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2010, 2009 and 2008

Development Banking Division

	2010	2009	$ Change	% Change	2008
Operating revenues:					
Interest on fees and loans	$ 144,687	$ 130,386	$ 14,301	11%	$ 152,497
Interest on investments	58,026	137,577	(79,551)	-58%	270,045
Other	-	1,200	(1,200)	-100%	25,368
	202,713	269,163	(66,450)	-25%	447,910
Recoveries (bad debts)	2,792,451	(290,200)	3,082,651	-1,062%	(1,710,440)
Net operating revenues	**2,995,164**	**(21,037)**	**3,016,201**	**-14,338%**	**(1,262,530)**

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Assets, Continued
Years Ended September 30, 2010, 2009 and 2008

Development Banking Division, Continued

	2010	2009	$ Change	% Change	2008
Operating expenses:					
Professional fees	2,564	10,753	(8,189)	-76%	-
Other	8,054	156,251	(148,197)	-95%	23,692
Total operating expenses	**10,618**	**167,004**	**(156,386)**	**-94%**	**23,692**
Operating income (loss)	**2,984,546**	**(188,041)**	**3,172,587**	**-1,687%**	**(1,286,222)**
Nonoperating revenues (expenses):					
Other income	206,489	259,794	(53,305)	-21%	218,572
Interest expense	(85,089)	(92,900)	7,811	-8%	(100,972)
Total nonoperating revenues (expenses), net	**121,400**	**166,894**	**(45,494)**	**-27%**	**117,600**
Income (loss) before transfers	3,105,946	(21,147)	3,127,093	-14,787%	(1,168,622)
Transfer in to other funds	(1,050,715)	-	(1,050,715)	100%	-
Transfers out for capital development grants	(1,377,993)	(860,972)	(517,021)	60%	(1,139,387)
Change in net assets	**$ 677,238**	**$ (882,119)**	**$ 1,559,357**	**-177%**	**$ (2,308,009)**

Development Corporation Division

	2010	2009	$ Change	% Change	2008
Operating revenues:					
Interest and fees on loans	$ 441,856	$ 3,049,330	$ (2,607,474)	-86%	$ 2,912,148
Interest on investments	13,389	60,015	(46,626)	-78%	266,464
Other	78,337	256,238	(177,901)	-69%	99,652
	533,582	3,365,583	(2,832,001)	-84%	3,278,264
Recoveries (bad debts)	550,526	(796,207)	1,346,733	-169%	862,710
Net operating revenues	**1,084,108**	**2,569,376**	**(1,485,268)**	**-58%**	**4,140,974**
Operating expenses:					
Salaries and wages	532,926	434,591	98,335	23%	414,088
Provision for foreclosed real estate	523,317	575,889	(52,572)	-9%	935,106
Employee benefits	202,279	138,690	63,589	46%	168,138
Professional fees	113,675	114,060	(385)	-0%	74,184
Office rent	104,416	110,234	(5,818)	-5%	110,002
Travel	23,099	64,479	(41,380)	-64%	59,675
Depreciation	8,288	10,964	(2,676)	-24%	13,667
Other	211,036	93,072	117,964	127%	193,722
Total operating expenses	**1,719,036**	**1,541,979**	**177,057**	**11%**	**1,968,582**
Operating income (loss)	**(634,928)**	**1,027,397**	**(1,662,325)**	**-162%**	**2,172,392**
Nonoperating revenues (expenses):					
Other income	9,719	-	9,719	100%	20,000
Interest expense	-	(46,894)	46,894	-100%	-
Other expense	(11,498)	(11,520)	22	-0%	-
Total nonoperating revenues (expenses), net	**(1,779)**	**(58,414)**	**56,635**	**-97%**	**20,000**
(Loss) income before transfers	(636,707)	968,983	(1,605,690)	-166%	2,192,392
Transfers out to other funds	1,050,715	-	1,050,715	100%	-
Change in net assets	**$ 414,008**	**$ 968,983**	**$ (554,975)**	**-57%**	**$ 2,192,392**

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Assets, Continued
Years Ended September 30, 2010, 2009 and 2008

Northern Marianas Housing Corporation

	2010	2009	$ Change	% Change	2008
Operating revenues	$ 7,351,071	$ 7,675,423	$ (324,352)	-4%	$ 7,222,831
Bad debts	(183,566)	(279,025)	95,459	-34%	(2,399,030)
Net operating revenues	**7,167,505**	**7,396,398**	**(228,893)**	**-3%**	**4,823,801**
Operating expenses	8,051,102	8,559,197	(508,095)	-6%	6,910,148
Operating loss	**(883,597)**	**(1,162,799)**	**279,202**	**-24%**	**(2,086,347)**
Nonoperating revenues (expenses), net	519,139	(345,725)	864,864	-250%	2,623,076
Change in net assets	**$ (364,458)**	**$ (1,508,524)**	**$ 1,144,066**	**-76%**	**$ 536,729**

Condensed Comparative Statements of Cash Flows
Years Ended September 30, 2010, 2009 and 2008

Development Banking Division

	2010	2009	$ Change	% Change	2008
Cash flows from operating activities	$ 96,782	$ 120,521	$ (23,739)	-20%	$ 496,694
Cash flows from capital and related financing activities	(2,319,257)	1,363,752	(3,683,009)	-270%	(2,899,258)
Cash flows from investing activities	2,222,475	(1,484,273)	3,706,748	-250%	2,402,564
Net increase 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

	2010	2009	$ Change	% Change	2008
Cash flows from operating activities	$ (797,923)	$ (363,186)	$ (434,737)	120%	$ 703,237
Cash flows from capital and related financing activities	1,350,861	(718,604)	2,069,465	-288%	(5,091,559)
Cash flows from investing activities	1,695,968	492,992	1,202,976	244%	4,843,564
Net (decrease) increase in cash and cash equivalents	2,248,906	(588,798)	2,837,704	-482%	455,242
Cash and cash equivalents at beginning of year	1,112,364	1,701,162	(588,798)	-35%	1,245,920
Cash and cash equivalents at end of year	**$ 3,361,270**	**$ 1,112,364**	**$ 2,248,906**	**202%**	**$ 1,701,162**

Northern Marianas Housing Corporation

	2010	2009	$ Change	% Change	2008
Cash flows from operating activities	$ (317,928)	$ (1,328,625)	$ 1,010,697	-76%	$ 336,884
Cash flows from capital and related financing activities	103,788	(235,075)	338,863	-144%	(1,490,427)
Cash flows from investing activities	(28,567)	1,367,477	(1,396,044)	-102%	1,412,372
Net (decrease) increase in cash and cash equivalents	(242,707)	(196,223)	(46,484)	24%	258,829
Cash and cash equivalents at beginning of year	1,104,361	1,300,584	(196,223)	-15%	1,041,755
Cash and cash equivalents at end of year	**$ 861,654**	**$ 1,104,361**	**$ (242,707)**	**-22%**	**$ 1,300,584**

FINANCIAL HIGHLIGHTS

DBD and DCD

- In 2010, DCD had net operating revenues of $1,084,108 while DBD had revenues of $2,995,164. A significant part of the change in net operating revenues is due to recoveries of bad debts. DCD recorded recoveries of $550,526 in 2010 compared with bad debt expense of $796,207 in 2009. DBD recorded recoveries of $2,792,451 and bad debts expense of $290,200 in 2010 and 2009, respectively, which brought the allowance for its loans to 50% in 2010. Interest and fees earned on loans for DCD decreased by $2,607,474, or 86% in fiscal year 2010 primarily due to a change in the method used to record interest on loans by only recognizing interest earned up to 120 days if the loan is delinquent. While interest earned has decreased due to this change in methodology, the allowance for losses has also decreased proportionately. Interest and fees earned on loans for DCD in fiscal year 2009 increased by $137,182, or 5%. DBD had an increase of $14,301, or 11% in fiscal year 2010 compared to a decrease of $22,111, or 14% in fiscal year 2009.

- Another area of concern is the decrease in earnings on investments suffered by each division as interest rates on short-term investments hover near zero. DCD's invested funds increased from $641,050 at September 30, 2009 to $646,978 at September 30, 2010, an increase of $5,928, or 1%. Related earnings on investments decreased from $60,015 for the year ended September 30, 2009 to $13,389 for the year ended September 30, 2010, a decrease of $46,626, or 78%. DBD's invested funds decreased by $4,418,910, or 58%, from $7,684,205 at September 30, 2009 to $3,265,295 at September 30, 2010. Earnings on these investments decreased from $137,577 for the year ended September 30, 2009 to $58,026 for the year ended September 30, 2010, a decrease of $79,551, or 58%. The decrease in DBD's investments in fiscal year 2010 reflected a continued unattractive rate environment for investing funds. CDA's management must keep these negative trends in mind when creating budgets and making commitments for its limited funds.

- In fiscal year 2010, operating expenses for DCD, omitting the provisions for loan guaranty and foreclosed real estate, increased by $229,629, or 24%, from 2009. DBD's operating expenses decreased by $156,386, or 94% from fiscal year 2009. Efforts of management and staff are ongoing to reduce DCD's expenses. DBD's expenses decreased due to the lack of expense reimbursements paid to DCD to cover shared costs.

- As reflected above, DCD's bad debts and the provision for loan guaranty and foreclosed real estate losses continue to be highly volatile and reflect a negative trend. Only through renewed efforts by CDA to work 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 can this trend be reversed.

- DBD and DCD saw an increase in combined net assets of $1,091,246, or 5%, from 2009 to 2010. Much of this increase was due to recoveries on previously non-performing loans and the resultant changes in the valuation allowances.

NMHC

- Total assets decreased by 2% from $19,407,494 in fiscal year 2009 to $19,081,197 in fiscal year 2010 mainly due to housing assistance payment (HAP) equity being utilized to fund the deficiency in revenues received from the grantor over actual HAP payments made for fiscal year 2009. In addition, all disaster vouchers from Typhoons Tingting and Chaba were converted to regular vouchers bringing the total to 363 voucher units that NMHC now administers and monitors for compliance.

- Total liabilities slightly increased by 1% from $7,427,196 in fiscal year 2009 to $7,465,357 in fiscal year 2010 and total net assets decreased by 3% from $11,980,298 in fiscal year 2009 to $11,615,840 in fiscal year 2010.

- Net operating revenues decreased by 3% from $7,396,398 in fiscal year 2009 to $7,167,505 in fiscal year 2010. The decrease is primarily attributable to the decrease in CDBG grant revenues offset by the new HPRP and HOME grants in fiscal year 2010.

FINANCIAL HIGHLIGHTS, CONTINUED

NMHC, Continued

- Total operating expenses decreased by 6% from $8,559,197 in fiscal year 2009 to $8,051,102 in fiscal year 2010. The decrease is primarily attributable to decreases in repairs and maintenance, the provision for loan guaranty, travel, CDBG Program Grant and ESG Program Grant expenses.

ECONOMIC OUTLOOK

DBD and DCD

CDA is being affected by the negative economic forces at play globally as well as locally. If the recent trend in the performance of CDA's assets were to continue, a question of CDA's viability to continue operating as an independent entity must be addressed. CDA is currently not able to fund its ongoing operations from earnings generated by its loan portfolio and investments, and must use its cash reserves to cover this shortfall. The budget for fiscal year 2011 also reflects a significant shortfall. Management is addressing this problem in several ways. As mentioned above, the "Debt-Relief Program" brings qualified borrowers from a delinquent, non-paying status to a performing, paying status. The "price" to CDA of this program is to reduce the rate of interest on these loans to 2%, a rate that 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." Of course, beyond these revenue-side enhancements, management is pursuing meaningful expense reductions.

While there is no simple solution to reverse the deterioration of CDA's loan portfolio, management believes there is still time and are still steps that can be taken to improve the likelihood of CDA's continuing existence as a contributing member of the CNMI Government and be a beneficial part of the economy of the CNMI.

NMHC

The CNMI's economic outlook continues to be uncertain. Austerity measures continue to be in effect government wide in fiscal year 2010 to compensate for decreased revenues. The tourism industry and the garment industry, which played material roles in driving the CNMI's economy, have been in decline for a number of years. A series of unfortunate events hindered the return of tourist arrival levels to that enjoyed in the 1990's and thus the industry and the economy continue to suffer. Tourism overall appears to be on the rebound and partially stabilized. The garment industry has declined almost entirely, compounding the CNMI's economic woes. While several efforts are underway to look at alternative industries to revive the economy no immediate appreciable growth is anticipated in the foreseeable future.

As a result of the dwindling resources available for NMHC, the budget of federal funds will also be affected and is expected to decrease until recovery. As such, NMHC continues to apply the cost reduction approach to lower the deficit for every fiscal year. NMHC continues to take internal measures to ensure that this would not result in a deficit. The continuing economic challenges may result in further budget reductions in fiscal year 2011 but NMHC has mechanisms in place to closely monitor such actions and is actively pursuing alternative funding opportunities to compensate for reductions in the traditional sources of funding.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2010 and 2009, CDA had $13,872,311 and $14,308,503, respectively, invested in capital assets, net of depreciation where applicable. This represents a net decrease of $430,692, or 3%, during fiscal year 2010.

CAPITAL ASSETS AND DEBT ADMINISTRATION, CONTINUED

Capital Assets, Continued

	2010	2009	2008
Property and equipment, net	$ 1,619,043	$ 1,968,305	$ 2,303,333
Land	9,650,313	9,747,313	9,650,313
Foreclosed real estate	2,602,955	2,592,885	2,277,951
	$ 13,872,311	$ 14,308,503	$ 14,231,597

See notes 8 and 9 to the financial statements for more detailed information on CDA's capital assets and changes therein.

Long-Term Debt

At September 30, 2010 and 2009, CDA had $1,252,843 and $1,374,243, respectively, in long-term debt outstanding. At September 30, 2010 and 2009, NMHC had $-0- and $510,656, respectively, in long-term debt outstanding. See notes 6 and 10 to the financial statements for more detailed information on CDA's long-term debt and changes therein.

CONTACTING CDA'S AND NMHC'S MANAGEMENT

This financial report is designed to provide a general overview of CDA's financial condition and to demonstrate its accountability for monies received. The Management's Discussion and Analysis for the year ended September 30, 2009 is set forth in the report on the audit of CDA's financial statements which is dated October 18, 2010. That Discussion and Analysis explains the major factors impacting the 2009 financial statements. If you have questions about this report or the 2009 or 2008 reports or need additional financial information, contact Mr. Stuart Smith, 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. Joshua T. Sasamoto, NMHC Corporate Director, P.O. Box 500514, Saipan, MP 96950-0514, or call (670) 234-6866/9447 or send email to jtsasamoto@nmhc.gov.mp.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Net Assets
September 30, 2010 and 2009

ASSETS	2010	2009
Current assets:		
Cash and cash equivalents	$ 4,222,924	$ 2,216,725
Receivables:		
Current portion of loans receivable, net	4,497,462	2,644,196
Finance lease, net	27,219	-
Rent, net	108,114	89,142
Accrued interest, net of allowance for doubtful accounts of $3,807,939 and $24,688,477 as of September 30, 2010 and 2009, respectively	571,044	482,925
Other, net	120,679	145,241
Prepaid expenses	330	23,165
Total current assets	9,547,772	5,601,394
Other assets:		
Cash and cash equivalents, restricted	6,028,811	5,497,222
Time certificates of deposit, restricted	3,912,273	8,325,255
Total other assets	9,941,084	13,822,477
Noncurrent assets:		
Loans receivable, net	12,856,860	12,421,357
Finance lease, net of current portion	594,816	-
Property and equipment, net	1,619,043	1,968,305
Land	9,650,313	9,747,313
Foreclosed real estate, net	2,602,955	2,592,885
Total noncurrent assets	27,323,987	26,729,860
	$ 46,812,843	$ 46,153,731
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current installment of note payable to related party	$ 131,900	$ 122,100
Accounts payable and accrued expenses	647,277	977,932
Due to related party	500,000	387,488
Deferred revenues	13,129	11,002
Due to grantor agency	565,261	783,795
Reserve for loan guaranty	2,024,656	1,601,907
Total current liabilities	3,882,223	3,884,224
Note payable to related party, net of current installments	1,120,943	1,252,143
Deferred revenues, net of current portion	4,975,214	4,453,078
Total liabilities	9,978,380	9,589,445
Commitments and contingencies		
Net assets:		
Invested in capital assets	13,872,311	14,308,503
Restricted	22,962,152	22,255,783
Total net assets	36,834,463	36,564,286
	$ 46,812,843	$ 46,153,731

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Interest and fees on loans	$ 1,000,105	$ 3,689,485
Section 8 income:		
Federal housing assistance rentals	5,088,251	4,964,888
Tenant share	126,008	81,547
HPRP Program Grant	451,828	-
HOME Investment Partnership Grant program income	432,926	-
CDBG Program Grant	369,231	1,528,092
NSP Program Grant	224,416	-
HOME Investment Partnership Program Grant	171,381	-
Interest on investments	71,415	197,592
ESG Program Grant	43,554	52,874
Other	67,709	640,118
	8,046,824	11,154,596
Recoveries (bad debts)	3,159,411	(1,205,618)
Net operating revenues	11,206,235	9,948,978
Operating expenses:		
Section 8 rental	3,422,919	3,406,966
Salaries and wages	1,115,186	1,016,147
Provision for foreclosed real estate	673,053	575,889
Repairs and maintenance	521,929	942,372
HPRP Program Grant	451,828	-
HOME Investment Partnership Grant program income	432,926	-
Provision for loan guaranty	422,749	772,280
Depreciation	378,228	406,602
Employee benefits	372,737	322,691
Utilities	369,704	318,942
CDBG Program Grant	369,318	1,528,092
Professional fees	262,645	264,914
NSP Program Grant	224,416	-
HOME Investment Partnership Program Grants	171,381	-
Office rent	111,616	114,473
Travel	86,981	162,670
ESG Program Grant	43,554	52,435
Other	309,044	228,134
Total operating expenses	9,740,214	10,112,607
Operating income (loss)	1,466,021	(163,629)
Nonoperating revenues (expenses):		
Settlement expense	-	(286,062)
Other income	270,253	212,900
Interest income	8,483	14,989
Interest expense	(85,089)	(93,440)
Contribution to the CNMI	(1,000,000)	-
Other expense	(11,498)	(85,632)
Total nonoperating revenues (expenses), net	(817,851)	(237,245)
Income (loss) before transfers	648,170	(400,874)
Transfers out for capital development grants	(377,993)	(860,972)
Change in net assets	270,177	(1,261,846)
Net assets - beginning	36,564,286	37,826,132
Net assets - ending	$ 36,834,463	$ 36,564,286

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash received from interest and fees on loans receivable	$ 690,832	$ 724,324
Interest and dividends on investments	97,892	236,349
Cash payments to suppliers for goods and services	(887,806)	(1,238,258)
Cash received from customers	239,984	576,715
Cash payments to employees for services	(1,315,690)	(1,156,562)
Cash received from federal grant awards	6,563,053	5,573,592
Cash payments from federal grant awards	(6,407,334)	(6,287,450)
Net cash used for operating activities	(1,019,069)	(1,571,290)
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(28,966)	(71,574)
Acquisition of land	-	(97,000)
Proceeds from sale of land	108,000	-
Net receipts of loans receivable	833,337	1,424,365
Interest paid on notes payable	-	(540)
Payments for settlements	-	(286,062)
Acquisition of foreclosed properties	-	(74,112)
Contribution to the CNMI	(1,000,000)	-
Transfers to CNMI	(23,018)	-
Transfers for capital development grants	(753,961)	(485,004)
Net cash (used for) provided by capital and related financing activities	(864,608)	410,073
Cash flows from investing activities:		
Net proceeds from restricted cash and cash equivalents and time certificates of deposit	3,881,393	361,207
Interest received	8,483	14,989
Net cash provided by investing activities	3,889,876	376,196
Net increase (decrease) in cash and cash equivalents	2,006,199	(785,021)
Cash and cash equivalents at beginning of year	2,216,725	3,001,746
Cash and cash equivalents at end of year	$ 4,222,924	$ 2,216,725
Reconciliation of operating income (loss) to net cash used for operating activities:		
Operating income (loss)	$ 1,466,021	$ (163,629)
Adjustments to reconcile operating income (loss) to net cash used for operating activites:		
Bad debts	(3,159,411)	1,205,618
Provision for loan guaranty	422,749	772,280
Provision for foreclosed real estate	673,053	575,889
Depreciation	378,228	406,602
Gain on sale of land	(11,000)	-
(Increase) decrease in assets:		
Receivables:		
Rent	(51,103)	(81,589)
Other	6,686	(50,896)
Accrued interest	(282,796)	(2,926,404)
Prepaid expenses	22,835	4,289
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(330,656)	(202,990)
Deferred revenues	64,859	(138,198)
Due to grantor agency	(218,534)	(972,262)
Net cash used for operating activities	$ (1,019,069)	$ (1,571,290)

See accompanying notes to financial statements.

Statements of Cash Flows
Years Ended September 30, 2010 and 2009

	2010	2009
Supplemental disclosure of noncash capital and related financing activities:		
Recognition of foreclosed properties:		
Noncash increase in foreclosed real estate	$ 1,002,588	$ 948,823
Noncash decrease in loans receivable	(1,002,588)	(948,823)
	$ -	$ -
Loan restructuring:		
Noncash increase in loans receivable	$ 136,569	$ 724,689
Noncash decrease in accrued interest	(128,217)	(719,409)
Noncash decrease in other receivables	(8,352)	(5,280)
	$ -	$ -
Loan payable to MPLT:		
Noncash decrease in note payable to related party	$ 121,400	$ 120,000
Noncash interest expense	85,089	92,900
Noncash other income	(206,489)	(212,900)
	$ -	$ -
Write-off of due to CDA:		
Noncash decrease in due to CDA	$ (510,656)	$ -
Noncash increase in nonoperating other income	510,656	-
	$ -	$ -

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 under Public Law 5-37 to assist in the development and administration of low cost residential housing in the Northern Mariana Islands. In 1977, Public Law 5-37 was succeeded by Public Law 5-67, which empowered MIHA 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 a division (i.e., NMHC) to account for the operations, assets and liabilities of MIHA. NMHC is governed by a five 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:

Development Banking Division:

- 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 assets restricted for such purposes.

Development Corporation Division:

- 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;

(1) Reporting Entity, Continued

Development Corporation Division, Continued:

- 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 assets, except net assets invested in capital assets, to be restricted for such purposes.

Northern Marianas Housing Corporation:

- 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 assets, except net assets invested 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. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. CDA has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

(2) Summary of Significant Accounting Policies, Continued

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 assets. Proprietary fund operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net assets. 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 assets and 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, 2010 and 2009, total cash and cash equivalents and time certificates of deposit were $14,164,008 and $16,039,202, respectively, and the corresponding bank balances were $14,341,968 and $16,594,050, respectively. Of the bank balance amounts, $14,341,968 and $16,594,050 are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance as of September 30, 2010 and 2009, respectively. Bank deposits in the amount of $822,675 and $842,382 were FDIC insured as of September 30, 2010 and 2009, respectively. 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.

Property and Equipment

Property and equipment 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.

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.

(2) Summary of Significant Accounting Policies, Continued

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 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. Foreclosed real estate amounted to $2,602,955 and $2,592,885 at September 30, 2010 and 2009, respectively.

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.

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.

(2) Summary of Significant Accounting Policies, Continued

Restricted Cash and Cash Equivalents and Time Certificates of Deposit, Continued

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, 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.

Federal grant revenues are recognized when allowable expenses are incurred.

Non-operating revenues primarily result from capital and financing activities and forgiveness of debt.

Deferred Revenues

Deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. Deferred revenues include prepaid lease income on foreclosed real estate held for lease and recorded loans receivable from individuals eligible under the HOME Investment Partnerships program administered by NMHC.

Compensated Absences

Vested or accumulated vacation leave is recorded as benefits accrue to employees. No liability is recorded for nonvesting rights to receive sick pay benefits. Accumulated sick pay benefits as of September 30, 2010 and 2009 was approximately $251,917 and $198,305, respectively.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan

CDA contributes to the Northern Mariana Islands Retirement Fund's (the Fund) defined benefit plan (DB Plan) and defined contribution plan (DC Plan), a cost sharing, and multi-employer plan (the Plan) established and administered by the CNMI.

The Plan provides retirement, security and other benefits to employees, and their spouses and dependents, of the CNMI Government and CNMI agencies, instrumentalities and public corporations. Benefits are based on the average annual salary of the beneficiary over the term of credited service. Public Law No. 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, is the authority under which benefit provisions are established. Public Law No. 6-17 was subsequently amended by Public Law Nos. 6-41, 8-24, 8-30, 8-31, 8-39, 9-25, 9-45, 10-8, 10-19 and 11-9.

GASB Statement No. 45 requires employers to record other postemployment benefits (OPEB) expense for their contractually required contributions to the OPEB plan. CDA has complied with GASB 45 by recording OPEB expense based on the statutorial determined contribution rate of the Fund. CDA's OPEB liability is incorporated into the contribution amount. It is the understanding of the management of CDA that the statutorial determined contribution rate of the Fund incorporates both the pension liability and the OPEB liability. GASB 45 also requires detailed disclosure of information related to the OPEB plan and CDA management was unable to obtain this information from the Fund financial report. CDA management is unable to obtain the required disclosures and is of the opinion that such information must be obtained from the Fund. It is the position of the management of CDA that the Fund is solely responsible for disclosure of OPEB information.

The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Northern Mariana Islands Retirement Fund, P.O. Box 501247, Saipan, MP, 96950-1247.

Defined Benefit Plan (DB Plan)

DB Plan members are required to contribute 6.5% and 9% of their annual covered salary for Class I and Class II members, respectively. On June 14, 2007, Public Law No. 15-70 was enacted to amend the NMIRF Act to improve the DB Plan's fiscal solvency. Public Law No. 15-70 provides for increasing employee contributions to the DB Plan by 1% per year beginning in fiscal year 2008 until reaching 10.5% for Class I members and 11% for Class II members. CDA is required to contribute at an actuarially determined rate. The actuarially determined contribution rate for the fiscal years ended September 30, 2010 and 2009 is 51.0578% of covered payroll based on an actuarial valuation as of October 1, 2008 issued in May 2010. The established statutory rate at September 30, 2010 and 2009 is 37.3909% of covered payroll.

(2) Summary of Significant Accounting Policies, Continued

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 is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. The DC Plan by its nature is fully funded on a current basis from employer and member contributions.

CDA's contributions to the Fund for the years ended September 30, 2010, 2009 and 2008 were $293,626, $263,263 and $266,396, respectively, which were equal to the required contributions for each year.

Net Assets

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, has required CDA to establish net asset categories as follows:

- Invested in capital assets; capital assets, net of accumulated depreciation.

- Restricted:

  Nonexpendable - Net assets subject to externally imposed stipulations that CDA maintain them permanently. At September 30, 2010 and 2009, CDA does not have nonexpendable net assets.

  Expendable - Net assets 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 investments in capital assets, to be restricted for economic development.

- Unrestricted; net assets that are not subject to externally imposed stipulations. As CDA considers all assets, except investments in capital assets, to be restricted for economic development, CDA does not have unrestricted net assets of September 30, 2010 and 2009.

New Accounting Standards

During fiscal year 2010, CDA implemented the following pronouncements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* for calculating the annual required contribution (ARC) adjustment.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of CDA.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of CDA.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of CDA.

(2) Summary of Significant Accounting Policies, Continued

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.

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

Development Banking Division

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, 2010 and 2009, restricted cash and cash equivalents and time certificates of deposit amounting to $5,866,450 and $8,088,925, respectively, consist of time certificates of deposit with maturity periods ranging from seven to sixteen months and amounts held in demand deposit accounts. These investments are presented at fair value in the accompanying financial statements, in accordance with GASB Statement No. 31.

Development Corporation Division

At September 30, 2010 and 2009, restricted cash and cash equivalents and time certificates of deposit consist of time certificates of deposit with maturity periods ranging from six to nine months and amounts held in demand deposit accounts. Restricted cash and cash equivalents and time certificates of deposit amounted to $646,978 and $2,342,946 at September 30, 2010 and 2009, respectively, and comprise amounts maintained as a guarantee against loans issued by the bank and for loan activities. These investments are presented at fair value in the accompanying financial statements in accordance with GASB Statement No. 31.

Northern Marianas Housing Corporation

NMHC maintains depository accounts with financial institutions in the CNMI which are restricted for various purposes, as detailed below. At September 30, 2010 and 2009, restricted cash and cash equivalents consist of amounts held in demand deposit accounts. Of the amounts detailed below, $278,298 and $287,255 at September 30, 2010 and 2009, respectively, is FDIC insured. Accordingly, the deposits are exposed to custodial credit risk.

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

	2010	2009
Restricted cash and cash equivalents:		
Escrow and savings accounts maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA Rural Development loans	$ 2,169,557	$ 2,163,848
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	880,916	832,543
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development	197,480	197,214
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	13,211	26,430
Other depository accounts reserved for various purposes	166,492	170,571
	$ 3,427,656	$ 3,390,606

CDA's investments in time certificates of deposit had the following maturities at September 30, 2010:

	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
DBD	$ 3,265,295	$ 3,265,295	$ -	$ -	$ -
DCD	646,978	646,978	-	-	-
	$ 3,912,273	$ 3,912,273	$ -	$ -	$ -

(4) Loans Receivable

Development Banking Division

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, 2010 and 2009, the revolving fund consists of one note receivable from the Commonwealth Ports Authority (CPA), bearing interest at 2.5% per annum, with quarterly principal and interest payments in the amount of $204,113, with maturity date of November 16, 2014. Proceeds are used for the Saipan Harbor Project. On June 29, 2010, the note was revised with monthly principal and interest payments in the amount of $31,000, with maturity date of June 15, 2030.

(4) Loans Receivable, Continued

Development Corporation Division

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.

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.

Northern Marianas Housing Corporation

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, 2010 and 2009 (with combining information as of September 30, 2010), are as follows:

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	2010	2009
General	$ -	$ 28,081,020	$ 634,543	$ 28,715,563	$ 30,193,026
Capital development loan receivable from related party	5,721,041	-	-	5,721,041	5,803,610
Marine	-	4,878,054	-	4,878,054	4,782,096
HOME Investment Partnerships Act grant	-	-	4,146,238	4,146,238	3,632,866
Direct family home loans	-	-	2,909,690	2,909,690	3,122,978
Agriculture	-	2,446,341	-	2,446,341	2,458,593
Tinian turnkey	-	-	496,769	496,769	531,440
Housing construction	-	-	454,739	454,739	453,397
Section 8	-	-	163,177	163,177	166,063
Home revenue bond	-	-	94,791	94,791	80,370
Housing preservation grant	-	-	30,239	30,239	33,020
Trust Territory Guaranteed	-	-	-	-	1,484
Loan principal receivable	5,721,041	35,405,415	8,930,186	50,056,642	51,258,943
Less allowance for loan losses	(2,860,520)	(23,201,392)	(6,640,408)	(32,702,320)	(36,193,390)
Net loans receivable	$ 2,860,521	$ 12,204,023	$ 2,289,778	$ 17,354,322	$ 15,065,553

(4) Loans Receivable, Continued

Maturities of the above principal balances subsequent to September 30, 2010, will be as follows:

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Total
Fully matured and others	$ -	$ 18,812,608	$ 1,918,811	$ 20,731,419
1 - 6 months	114,862	4,479,390	282,625	4,876,877
7 - 18 months	234,111	3,557,730	396,020	4,187,861
19 months - 3 years	362,363	3,255,703	541,056	4,159,122
After 3 years	5,009,705	5,299,984	5,791,674	16,101,363
	$ 5,721,041	$ 35,405,415	$ 8,930,186	$ 50,056,642

Allowance for Loan Losses

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

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	2010	2009
Balance - beginning of year	$ 5,803,610	$ 23,823,896	$ 6,565,884	$ 36,193,390	$ 100,803,113
(Recovery of) provision for loan losses	(2,943,090)	(550,526)	74,524	(3,419,092)	(635,676)
Reclassification	-	-	-	-	(281,770)
Write-off of loans	-	(71,978)	-	(71,978)	(63,692,277)
Balance - end of year	$ 2,860,520	$ 23,201,392	$ 6,640,408	$ 32,702,320	$ 36,193,390

(5) Finance Lease Receivable

Direct financing lease receivables are comprised of the following:

Finance lease receivables	$ 1,001,028
Less: unearned finance lease income	378,993
Finance lease receivables, net	$ 622,035

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 plus the outstanding lease receivable and related accrued interest. Finance lease income for the year ended September 30, 2010 amounted to $37,153. Future minimum lease rentals and future minimum lease income under these arrangements as of September 30, 2010, are as follows:

Year ending September 30,	Minimum Lease Rentals	Minimum Lease Income	Net Amount
2011	$ 48,185	$ 20,966	$ 27,219
2012	48,185	20,966	27,219
2013	48,185	20,966	27,219
2014	52,684	20,966	31,718
2015	54,185	20,966	33,219
Thereafter	749,604	274,163	475,441
	$ 1,001,028	$ 378,993	$ 622,035

(6) Due from/to Other Funds

Due from/to balances between NMHC and DBD resulted from loans made by CDA to the former MIHA. On February 3, 1999, CNMI Public Law 11-57 authorized CDA to write-off the portion of these loans not considered recoverable through the sale of housing units resulting in $510,656 owed to DBD by NMHC. On July 27, 2010, CDA's Board of Directors approved the write-off of this balance as it was not considered recoverable due to the transfer of housing units to the Marianas Public Land Trust. DBD had provided an allowance of $456,611 of this balance as of September 30, 2009.

Due from/to balances between DBD and DCD resulted from the use of restricted funding between the two divisions. During the year ended September 30, 2010, CDA revised estimations made to determine write-off amounts for due from/to balances between DBD and DCD, to comply with Public Law 11-57. As such, $402,849 in due from/to balances between DBD and DCD were eliminated and $647,866 in cash was transferred from DBD accounts to DCD accounts. DBD recorded a transfer out to DCD and DCD recorded a transfer in from DBD for $1,050,715.

All due from/to balances and transfers of CDA are eliminated in the basic financial statements.

(7) Preferred Stock With Related Party

A Memorandum of Agreement (MOA) was established between CDA and 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 to CDA amounting to $45,000,000 and yielding annual dividends of two percent per annum. 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 stocks. 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 are to be paid to CDA beginning October 1, 2012. 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.

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 annual 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, 2010, 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.

(7) Preferred Stock With Related Party, Continued

Future 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) for subsequent fiscal years are as follows:

Year ending September 30,	Principal Amount	Interest	Total
2011	$ -	$ -	$ -
2012	-	-	-
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 - 2020	3,219,989	2,180,011	5,400,000
2021 - 2025	2,359,170	3,040,830	5,400,000
2026 - 2030	1,566,474	3,293,526	4,860,000
2031 - 2035	1,055,328	3,444,672	4,500,000
2036 - 2039	637,179	2,962,821	3,600,000
	$ 11,309,651	$ 15,690,349	$ 27,000,000

(8) Property and Equipment

Property and equipment consist of the following at September 30, 2010 and 2009:

Development Corporation Division

	Estimated Useful Lives	Balance at October 1, 2009	Additions	Deletions	Balance at September 30, 2010
Structure and improvements	7 years	$ 475,959	$ -	$ -	$ 475,959
Vehicles/office equipment	3 - 5 years	140,459	995	(54,616)	86,838
Computer equipment	3 - 5 years	126,222	1,370	(57,646)	69,946
Furniture and fixtures	7 years	125,619	-	(7,195)	118,424
		868,259	2,365	(119,457)	751,167
Less accumulated depreciation		(835,114)	(8,288)	119,393	(724,009)
		$ 33,145	$ (5,923)	$ (64)	$ 27,158

	Estimated Useful Lives	Balance at October 1, 2008	Additions	Deletions	Balance at September 30, 2009
Structure and improvements	7 years	$ 475,959	$ -	$ -	$ 475,959
Vehicles/office equipment	3 - 5 years	123,860	16,599	-	140,459
Computer equipment	3 - 5 years	124,123	2,099	-	126,222
Furniture and fixtures	7 years	125,619	-	-	125,619
		849,561	18,698	-	868,259
Less accumulated depreciation		(824,150)	(10,964)	-	(835,114)
		$ 25,411	$ 7,734	$ -	$ 33,145

(8) Property and Equipment, Continued

Northern Marianas Housing Corporation

	Estimated Useful Lives	Balance at October 1, 2009	Additions	Deletions	Balance at September 30, 2010
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	$ 2,480,870	$ 7,468	$ -	$ 2,488,338
Section 8 Koblerville Housing	30 years	1,944,074	3,293	-	1,947,367
Section 8 Rota Housing	30 years	1,176,787	7,310	-	1,184,097
Section 8 Tinian Housing	30 years	1,070,025	1,503	-	1,071,528
Section 8 Housing Phase II	30 years	635,929	900	-	636,829
Section 8 Housing Phase I	30 years	600,515	-	-	600,515
		7,908,200	20,474	-	7,928,674
Other:					
Koblerville infrastructure	30 years	2,214,991	-	-	2,214,991
Tinian infrastructure	30 years	608,500	-	-	608,500
Building and improvements	20 years	478,231	-	-	478,231
Equipment and computers	3 - 8 years	564,377	6,191	-	570,568
Vehicles	3 years	150,477	-	-	150,477
		4,016,576	6,191	-	4,022,767
		11,924,776	26,665	-	11,951,441
Less accumulated depreciation		(9,989,616)	(369,940)	-	(10,359,556)
		$ 1,935,160	$ (343,275)	$ -	$ 1,591,885

	Estimated Useful Lives	Balance at October 1, 2008	Additions	Deletions	Balance at September 30, 2009
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	$ 2,467,456	$ 13,414	$ -	$ 2,480,870
Section 8 Koblerville Housing	30 years	1,937,998	6,076	-	1,944,074
Section 8 Rota Housing	30 years	1,176,787	-	-	1,176,787
Section 8 Tinian Housing	30 years	1,065,154	4,871	-	1,070,025
Section 8 Housing Phase II	30 years	635,929	-	-	635,929
Section 8 Housing Phase I	30 years	600,515	-	-	600,515
		7,883,839	24,361	-	7,908,200
Other:					
Koblerville infrastructure	30 years	2,214,991	-	-	2,214,991
Tinian infrastructure	30 years	608,500	-	-	608,500
Building and improvements	20 years	478,231	-	-	478,231
Equipment and computers	3 - 8 years	535,862	28,515	-	564,377
Vehicles	3 years	150,477	-	-	150,477
		3,988,061	28,515	-	4,016,576
		11,871,900	52,876	-	11,924,776
Less accumulated depreciation		(9,593,978)	(395,638)	-	(9,989,616)
		$ 2,277,922	$ (342,762)	$ -	$ 1,935,160

NMHC also holds title to approximately 338,000 and 339,000 square meters of land acquired at no cost which was originally held for development of low income rental housing or resale to low income families for construction of housing at September 30, 2010 and 2009, respectively. The land is recorded on NMHC's financial statements at estimated fair value of $9,650,313 and $9,747,313 at September 30, 2010 and 2009, respectively. 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.

(9) Foreclosed Real Estate

A summary of the changes in foreclosed real estate and the related valuation allowance as of September 30, 2010 and 2009 is as follows:

	Development Corporation Division		Northern Marianas Housing Corporation	2010	2009
	For Sale	For Lease			
Foreclosed Real Estate					
Balance at beginning of year	$ 2,065,460	$ 1,841,541	$ 429,114	$ 4,336,115	$ 4,126,788
Additions	560,000	-	251,619	811,619	948,823
Deletions	-	(646,541)	(126,691)	(773,232)	(58,000)
Reclassifications	(659,000)	659,000	-	-	-
Increase (decline) in market value	-	4,000	-	4,000	(681,496)
	1,966,460	1,858,000	554,042	4,378,502	4,336,115
Valuation allowance	(818,230)	(957,317)	-	(1,775,547)	(1,743,230)
Balance at end of year	$ 1,148,230	$ 900,683	$ 554,042	$ 2,602,955	$ 2,592,885
Valuation Allowance					
Balance at beginning of year	$ 963,230	$ 780,000	$ -	$ 1,743,230	$ 1,848,837
Recoveries	(145,000)	-	-	(145,000)	(105,607)
Provision	-	177,317	-	177,317	-
Balance at end of year	$ 818,230	$ 957,317	$ -	$ 1,775,547	$ 1,743,230

(10) Note Payable to Related Party

Development Banking Division

Note payable at September 30, 2010 and 2009, is as follows:

	2010	2009
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, and is being repaid from earnings of the investments pursuant to CNMI Public Law 11-72. As of September 30, 2010, CDA recorded other income amounting to $206,489.	$ 1,252,843	$ 1,374,243

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
2011	$ 131,900	$ 77,056	$ 208,956
2012	140,300	68,161	208,461
2013	148,700	58,720	207,420
2014	157,100	48,730	205,830
2015	165,500	38,193	203,693
2016 - 2018	509,343	46,236	555,579
	$ 1,252,843	$ 337,096	$ 1,589,939

(10) Note Payable to Related Party, Continued

Changes in notes payable for the years ended September 30, 2010 and 2009, are as follows:

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Due Within One Year
DBD	$ 1,374,243	$ -	$ (121,400)	$ 1,252,843	$ 131,900

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Due Within One Year
DBD	$ 1,494,243	$ -	$ (120,000)	$ 1,374,243	$ 122,100

(11) Contribution to the CNMI

On June 8, 2010, a State of Emergency was declared by the Governor of the CNMI due to the imminent incapacity of CUC to provide critical power generation service to the CNMI and the extreme, immediate threat that it poses. Article III §10 of the CNMI Constitution authorizes the Governor to take necessary steps to respond to emergencies. On June 9, 2010, the Governor reprogrammed certain amounts from CDA in response to the State of Emergency declaration. On June 17, 2010, CDA contributed $1,000,000 to the CNMI pursuant to the declaration of the State of Emergency.

(12) 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 perimeter fencing and other facility improvements at the Sinapalo Elementary School pursuant to Public Law 16-24 of $255,629 and $-0- for the years ended September 30, 2010 and 2009, respectively, (b) transfers to the CNMI Department of Public Safety for the purchase of vehicles for the benefit of the residents of the First Senatorial District pursuant to Public Law No. 14-2 of $48,061 and $-0- for the years ended September 30, 2010 and 2009, respectively, and (c) transfers to the CNMI for capital projects of the CNMI First and Second Senatorial Districts pursuant to Public Law No. 13-56 $121,465 and $860,972 for the years ended September 30, 2010 and 2009, respectively.

(13) Related Party Transactions

CDA maintains depository accounts in FDIC insured financial institutions. A Board member of CDA is currently the President/Regional Manager of one of these financial institutions. CDA's deposits in this financial institution amounted to $14,341,968 and $15,931,361 as of September 30, 2010 and 2009, respectively. Management is of the opinion that transactions with this financial institution are of similar terms and conditions as with unrelated parties.

(14) Settlement Expense

In November and December 2006, thirty-five homeowners filed a lawsuit against NMHC, architects, the construction manager and the contractor for deficiencies in the design and construction of homes in the Tottotville Subdivision. On February 25, 2009, NMHC entered into settlement agreements with the thirty-five homeowners for $6,200 each to remove NMHC from the lawsuit. During the year ended September 30, 2009, NMHC paid a total of $286,062 of settlement fees including legal and professional fees which is recorded as settlement expense in the accompanying statements of revenues, expenses and changes in net assets.

(15) Commitments and Contingencies

Commitments

CDA leases certain foreclosed real estate properties for periods ranging from one to fifty-five years. On December 14, 2007, CDA entered into a sublease agreement for a portion of its office space in Saipan. The sublease is for a period of two years commencing from December 1, 2007 for annual rental of $24,000. The sublease was extended up to June 1, 2010 for a total rental of $9,878 from December 1, 2009 to June 1, 2010. Lease income for the years ended September 30, 2010 and 2009 amounted to $41,185 and $71,364, respectively. Minimum future lease income is as follows:

Year ending September 30,	Minimum Lease Income Due
2011	$ 73,751
2012	69,751
2013	64,151
2014	68,651
2015	70,151
Thereafter	1,410,368
	$ 1,756,823

Under a lease agreement beginning April 30, 2003 and expiring September 30, 2020, CDA leases office space in Saipan. The lease agreement provides for an annual rental of $96,000 during the term of the lease. Also, CDA leases its office space in Tinian for an annual rental of $7,200. The related lease agreement is expiring on February 28, 2012. Rental expense for these leases for each of the years ended September 30, 2010 and 2009 is $104,400.

(15) Commitments and Contingencies, Continued

Commitments, Continued

Total minimum future rentals under these operating leases as of September 30, 2010 are as follows:

Year ending September 30,	
2011	$ 103,200
2012	99,000
2013	96,000
2014	96,000
2015	96,000
2016 - 2019	480,000
	$ 970,200

Contingencies

CDA is authorized to guarantee up to 90% of the principal of loans and lines of credit made by financial institutions to qualified borrowers, in addition to approving direct loans. The amounts for which CDA was contingently liable under this arrangement at September 30, 2010 and 2009, was $17,995 and $25,980, respectively. As of September 30, 2010, no provision for any liability or potential loss that may result from this matter has been recorded in the accompanying financial statements.

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 $1,756,591 have been set forth in NMHC's Single Audit Report for the year ended September 30, 2010. 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.

NMHC has entered into an agreement with the USDA Rural Development (RD) (formerly the U.S. Farmers Home Administration or FmHA) 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 the RD loans. As security under the agreement, NMHC is required to maintain an escrow account of $286,436. Beginning September 30, 1993, the amount in the escrow account will be reduced each year by the product of $1,500 multiplied by the number of loans paid in full for that particular year, or 4% of the total outstanding balance, whichever is less. As of September 30, 2010 and 2009, NMHC has guaranteed outstanding loans of approximately $11,888,084 and $14,779,148, respectively. As of September 30, 2010 and 2009, the balance in the escrow account was $260,443 and $259,793, respectively. This amount is included in "restricted cash and cash equivalents" in the accompanying financial statements. As of September 30, 2010 and 2009, the amount of delinquent loans related to the agreement was $5,419,055 and $5,893,782, respectively. Of the total delinquent loans, the amount with demand notices from RD was $1,326,216 and $1,260,205 at September 30, 2010 and 2009, respectively, for which NMHC recorded a liability included in "provision for loan guaranty" in the accompanying financial statements. NMHC management has recorded additional liabilities of $698,440 and $341,702 for the remaining defaulted loans of $4,092,839 and $4,633,577 at September 30, 2010 and 2009, respectively.

(15) Commitments and Contingencies, Continued

Contingencies, Continued

In June 2008, NMHC entered into an agreement with RD to resolve defaulted RD loans. The agreement has been established to outline the steps and mutually agreed-upon terms in liquidating defaulted RD loans. The agreement encompasses forty-eight seriously delinquent guaranteed loans totaling $3,126,371. However, this number may decline if any accounts cure before the related auction dates. On June 5, 2008, NMHC's Board of Directors approved a resolution to restrict $1,521,923 of NMHC's funds for the purpose of paying any amount due and payable to RD pursuant to the agreement. The eventual outcome of this matter cannot be presently determined and, accordingly, no provision for any liability or potential loss that may result from this matter has been recorded in the accompanying financial statements.

As of September 30, 2010 and 2009, the total funds deposited in savings accounts which are reserved for RD loans amounted to $1,909,114 and $1,904,055, respectively. This amount is included in the "restricted cash and cash equivalents" in the accompanying financial statements.

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, 2010 and 2009, NMHC was contingently liable for $926,879 and $1,102,655, 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, 2010 and 2009 was $13,211 and $26,430, respectively, which is included in "restricted cash and cash equivalents" in the accompanying financial statements. As of September 30, 2010 and 2009, the total defaulted loans related to this arrangement were $502,637 and $-0-, respectively.

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, 2010 and 2009, NMHC was contingently liable to these institutions for $2,392,896 and $2,463,509, respectively. As of September 30, 2010 and 2009, the total defaulted loans related to these arrangements were $371,635 and $-0-, respectively.

(16) 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.

(17) Subsequent Events

On March 11, 2008, CDA and the CNMI Department of Finance (DOF) entered into Memorandum of Agreement to resolve certain tax liens that remained in place against property owned by CDA in anticipation of the sale of the property and division of sales proceeds therefrom. On March 24, 2011, a release of tax liens was issued by DOF for liens against four parcels of real property for the agreed consideration of $500,000. These tax liens are subordinate to some of the mortgages foreclosed by CDA. At September 30, 2010, CDA has recorded a current liability amounting to $500,000.

On July 26, 2011, CDA transferred $1,700,000 to the CNMI pursuant to the declaration of the State of Emergency regarding an imminent threat to the disruption of the delivery of critical health care services to the people of the CNMI.

On October 4, 2010, NMHC received a grant from the U.S. Department of Treasury (US Treasury) of $26.877 million for Low-Income Housing Projects in Lieu of Tax Credits for 2009. This grant is authorized under Section 1602 of the American Recovery and Reinvestment Tax Act of 2009. On October 15, 2010, NMHC entered into a Section 1602 Exchange Fund Agreement with Sandy Homes LLC to finance the construction of qualified low-income housing project known as Sandy Beach Homes consisting of sixty (60) three-bedroom units, which will be income-restricted and rent-restricted pursuant to Section 42 of the Internal Revenue Code. NMHC has received federal funds of about $12.939 million from the US Treasury and the same amount was disbursed to Sandy Beach Homes as of March 31, 2011.

On November 2, 2010, NMHC entered into a settlement agreement with USDA RD to settle thirty-two (32) accelerated guaranteed loan accounts, which required NMHC to pay $1,326,216, calculated at the lower of 70% of market value and cost, to USDA RD on December 6, 2010. Liabilities for this amount had previously been established in a reserve for loan guaranty account. NMHC will initially bring these purchased loans into its portfolio at zero balance and record value when valuation of collateral and collectability has been determined.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Net Assets
September 30, 2010

ASSETS	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Current assets:					
Cash and cash equivalents	$ -	$ 3,361,270	$ 861,654	$ -	$ 4,222,924
Receivables:					
Loans, net	230,812	3,650,471	616,179	-	4,497,462
Finance lease, net	-	27,219	-	-	27,219
Rent, net	-	-	108,114	-	108,114
Accrued interest, net	27,235	13,856	529,953	-	571,044
Other, net	-	52,877	67,802	-	120,679
Prepaid expenses	-	330	-	-	330
Total current assets	258,047	7,106,023	2,183,702	-	9,547,772
Other assets:					
Cash and cash equivalents, restricted	2,601,155	-	3,427,656	-	6,028,811
Time certificates of deposit, restricted	3,265,295	646,978	-	-	3,912,273
Total other assets	5,866,450	646,978	3,427,656	-	9,941,084
Noncurrent assets:					
Loans receivable, net	2,629,709	8,553,552	1,673,599	-	12,856,860
Finance lease, net of current portion	-	594,816	-	-	594,816
Property and equipment, net	-	27,158	1,591,885	-	1,619,043
Land	-	-	9,650,313	-	9,650,313
Foreclosed real estate, net	-	2,048,913	554,042	-	2,602,955
Total noncurrent assets	2,629,709	11,224,439	13,469,839	-	27,323,987
	$ 8,754,206	$ 18,977,440	$ 19,081,197	$ -	$ 46,812,843
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current installment of notes payable to related party	$ 131,900	$ -	$ -	$ -	$ 131,900
Accounts payable and accrued expenses	-	125,985	521,292	-	647,277
Due to related party	-	500,000	-	-	500,000
Deferred revenues	-	13,129	-	-	13,129
Due to grantor agency	-	-	565,261	-	565,261
Reserve for loan guaranty	-	-	2,024,656	-	2,024,656
Total current liabilities	131,900	639,114	3,111,209	-	3,882,223
Notes payable to related party, net of current installments	1,120,943	-	-	-	1,120,943
Deferred revenues, net of current portion	-	621,066	4,354,148	-	4,975,214
Total liabilities	1,252,843	1,260,180	7,465,357	-	9,978,380
Net assets:					
Invested in capital assets	-	2,076,071	11,796,240	-	13,872,311
Restricted	7,501,363	15,641,189	(180,400)	-	22,962,152
Total net assets	7,501,363	17,717,260	11,615,840	-	36,834,463
	$ 8,754,206	$ 18,977,440	$ 19,081,197	$ -	$ 46,812,843

See Accompanying Independent Auditors' Report.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2010

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Operating revenues:					
Interest and fees on loans	$ 144,687	$ 441,856	$ 413,562	$ -	$ 1,000,105
Section 8 income:					
Federal housing assistance rentals	-	-	5,088,251	-	5,088,251
Tenant share	-	-	126,008	-	126,008
HPRP Program Grant	-	-	451,828	-	451,828
HOME Investment Partnership Grant program income	-	-	432,926		432,926
CDBG Program Grant	-	-	369,231	-	369,231
NSP Program Grant	-	-	224,416	-	224,416
HOME Investment Partnership Program Grant	-	-	171,381	-	171,381
Interest on investments	58,026	13,389	-	-	71,415
ESG Program Grant	-	-	43,554	-	43,554
Other	-	78,337	29,914	(40,542)	67,709
	202,713	533,582	7,351,071	(40,542)	8,046,824
Recoveries (bad debts)	2,792,451	550,526	(183,566)	-	3,159,411
Net operating revenues	2,995,164	1,084,108	7,167,505	(40,542)	11,206,235
Operating expenses:					
Section 8 rental	-	-	3,422,919	-	3,422,919
Salaries and wages	-	532,926	582,260	-	1,115,186
Provision for foreclosed real estate	-	523,317	149,736	-	673,053
Repairs and maintenance	-	7,847	514,082	-	521,929
HPRP Program Grant	-	-	451,828	-	451,828
HOME Investment Partnership Grant program income	-	-	432,926	-	432,926
Provision for loan guaranty	-	-	422,749	-	422,749
Depreciation	-	8,288	369,940	-	378,228
Employee benefits	-	202,279	170,458	-	372,737
Utilities	-	25,220	344,484	-	369,704
CDBG Program Grant	-	-	369,318	-	369,318
Professional fees	2,564	113,675	146,406	-	262,645
NSP Program Grant	-	-	224,416	-	224,416
HOME Investment Partnership Program Grant	-	-	171,381	-	171,381
Office rent	-	104,416	7,200	-	111,616
Travel	-	23,099	63,882	-	86,981
ESG Program Grant	-	-	43,554	-	43,554
Other	8,054	177,969	163,563	(40,542)	309,044
Total operating expenses	10,618	1,719,036	8,051,102	(40,542)	9,740,214
Operating income (loss)	2,984,546	(634,928)	(883,597)	-	1,466,021
Nonoperating revenues (expenses):					
Other income	206,489	9,719	510,656	(456,611)	270,253
Interest income	-	-	8,483	-	8,483
Interest expense	(85,089)	-	-	-	(85,089)
Contribution to the CNMI	(1,000,000)	-	-	-	(1,000,000)
Other expense	-	(11,498)	-	-	(11,498)
Total nonoperating revenues (expenses), net	(878,600)	(1,779)	519,139	(456,611)	(817,851)
Income (loss) before transfers	2,105,946	(636,707)	(364,458)	(456,611)	648,170
Transfer (in) out to other funds	(1,050,715)	1,050,715	-	-	-
Transfers out for capital development grants	(377,993)	-	-	-	(377,993)
Change in net assets	677,238	414,008	(364,458)	(456,611)	270,177
Net assets - beginning	6,824,125	17,303,252	11,980,298	456,611	36,564,286
Net assets - ending	$ 7,501,363	$ 17,717,260	$ 11,615,840	$ -	$ 36,834,463

See Accompanying Independent Auditors' Report.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows
Year Ended September 30, 2010

	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	$ 41,430	$ 425,847	$ 223,555	$ -	$ 690,832
Interest and dividends on investments	84,933	12,959	-	-	97,892
Cash payments to suppliers for goods and services	(29,581)	(631,219)	(227,006)	-	(887,806)
Cash received from customers	-	127,920	112,064	-	239,984
Cash payments to employees for services	-	(733,430)	(582,260)	-	(1,315,690)
Cash received from federal grant awards	-	-	6,563,053	-	6,563,053
Cash payments from federal grant awards	-	-	(6,407,334)	-	(6,407,334)
Net cash provided by (used for) operating activities	96,782	(797,923)	(317,928)	-	(1,019,069)
Cash flows from capital and related financing activities:					
Net interdivisional transactions	(647,866)	647,866	-	-	-
Acquisition of property and equipment	-	(2,301)	(26,665)	-	(28,966)
Proceeds from sale of land	-	-	108,000	-	108,000
Net receipts of loans receivable	82,570	728,314	22,453	-	833,337
Contribution to the CNMI	(1,000,000)	-	-	-	(1,000,000)
Transfers to CNMI	-	(23,018)	-	-	(23,018)
Transfers for capital development grants	(753,961)	-	-	-	(753,961)
Net cash (used for) provided by capital and related financing activities	(2,319,257)	1,350,861	103,788	-	(864,608)
Cash flows from investing activities:					
Net proceeds from (payments of) restricted cash and cash equivalents and time certificates of deposit	2,222,475	1,695,968	(37,050)	-	3,881,393
Interest received	-	-	8,483	-	8,483
Net cash provided by (used for) investing activities	2,222,475	1,695,968	(28,567)	-	3,889,876
Net increase (decrease) in cash and cash equivalents	-	2,248,906	(242,707)	-	2,006,199
Cash and cash equivalents at beginning of year	-	1,112,364	1,104,361	-	2,216,725
Cash and cash equivalents at end of year	$ -	$ 3,361,270	$ 861,654	$ -	$ 4,222,924
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ 2,984,546	$ (634,928)	$ (883,597)	$ -	$ 1,466,021
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
(Recoveries) bad debts	(2,792,451)	(550,526)	183,566	-	(3,159,411)
Provision for foreclosed real estate	-	523,317	149,736	-	673,053
Provision for loan guaranty	-	-	422,749	-	422,749
Depreciation	-	8,288	369,940	-	378,228
Gain on sale of land	-	-	(11,000)	-	(11,000)
(Increase) decrease in assets:					
Receivables:					
Rent	-	-	(51,103)	-	(51,103)
Other	-	(11,559)	18,245	-	6,686
Accrued interest	(76,350)	(16,439)	(190,007)	-	(282,796)
Prepaid expenses	-	15,954	6,881	-	22,835
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(18,963)	(196,889)	(114,804)	-	(330,656)
Deferred revenues	-	64,859	-	-	64,859
Due to grantor agency	-	-	(218,534)	-	(218,534)
Net cash provided by (used for) operating activities	$ 96,782	$ (797,923)	$ (317,928)	$ -	$ (1,019,069)
Supplemental disclosure of noncash capital and related financing activities:					
Recognition of foreclosed properties:					
Noncash increase in foreclosed real estate	$ -	$ 727,924	$ 274,664	$ -	$ 1,002,588
Noncash decrease in loans receivable	-	(727,924)	(274,664)	-	(1,002,588)
	$ -	$ -	$ -	$ -	$ -
Loan restructuring:					
Noncash increase in loans receivable	$ -	$ 136,569	$ -	$ -	$ 136,569
Noncash decrease in accrued interest	-	(128,217)	-	-	(128,217)
Noncash decrease in other receivables	-	(8,352)	-	-	(8,352)
	$ -	$ -	$ -	$ -	$ -
Loan payable to MPLT:					
Noncash decrease in note payable to related party	$ 121,400	$ -	$ -	$ -	$ 121,400
Noncash interest expense	85,089	-	-	-	85,089
Noncash other income	(206,489)	-	-	-	(206,489)
	$ -	$ -	$ -	$ -	$ -
Write-off of due to CDA:					
Noncash decrease in due to CDA	$ -	$ -	$ (510,656)	$ -	$ (510,656)
Noncash increase in nonoperating other income	-	-	510,656	-	510,656
	$ -	$ -	$ -	$ -	$ -

See Accompanying Independent Auditors' Report.