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

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Commonwealth Development Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Commonwealth Development Authority (CDA), a component unit of the Commonwealth of the Northern Mariana Islands, which comprise the statements of net position as of September 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth Development Authority as of September 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise CDA's basic financial statements. The Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows as of and for the year ended September 30, 2013 (pages 43 through 45) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2014 on our consideration of CDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CDA's internal control over financial reporting and compliance.

Deloitte & Touche LLC

June 4, 2014

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Management's Discussion and Analysis
Year Ended September 30, 2013

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, 2013, with selected comparative information for the fiscal years ended September 30, 2012 and 2011. 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 who are appointed for staggered four-year terms by the Governor of the CNMI. CDA maintains its main office in Saipan and a branch office in Rota. The Tinian branch is temporarily closed.

DBD and DCD

DBD generally engages in government and public sector activities while DCD engages in private sector activities. Additionally, on December 1, 2000, CDA was given administrative authority 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 granting loans and loan guarantees and providing financial, technical and advisory assistance to the private sector in the CNMI.

DCD's primary activity relates to the servicing of its direct loan portfolio. As of September 30, 2013, DCD's net loans receivable was $10,620,842, which was a decrease of $675,799 or 6% compared to 2012. As of September 30, 2012, DCD's net loans receivable was $11,296,641, which was a decrease of $2,281,326 or 17% compared to 2011. The cause of the net decrease in fiscal year 2013 can be attributed partly to the continuation of the loan moratorium and the write-off of delinquent loan accounts due to court judgment. Also, several loan revisions due to loan judgments, a 2% debt relief program, asset foreclosures and delinquent loan accounts contributed to an increase in the allowance. In fiscal year 2012, the decrease can be attributed partly to the CDA Board of Directors' decision to implement a loan moratorium.

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

DBD and DCD, Continued

DBD continues to hold preferred stock in the Commonwealth Utilities Corporation (CUC) based on the conversion of debt dated September 30, 2009. See note 6 to the financial statements for more detailed information. The conversion has permitted CUC to move ahead with greater flexibility in obtaining financing and has given CDA the possibility of receiving funds loaned to CUC through dividends on the preferred stock, which will be recorded in the Revolving Fund for CIP projects.

As stated earlier, the net value of DCD's loan portfolio after recoveries was $10,620,842 in 2013 and $11,296,641 in 2012. Total bad debts were $43,846 and $2,609,625 in 2013 and 2012, respectively. These figures represent the estimated potential loss of value of the loans and accrued interest for the respective fiscal years. The decrease in bad debts for fiscal year 2013 was partly due to the ongoing CDA loan moratorium, the increase in collections on several delinquent borrowers and foreclosures via efforts of the Loan Department and a 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. Qualifying borrowers are encouraged to restructure their delinquent loans at new, less-burdensome interest rates (typically 2%) and the accrued interest is set aside so that the new loan has a chance of being fully amortized if the new payment schedule is adhered to. This gives borrowers who were previously in seemingly hopeless situations new hope 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 been forced to foreclose on properties collateralizing the loans or accept properties through deed in lieu of foreclosure. CDA then attempts to sell or lease properties to recover as much of the loan principal as possible. Given the extremely depressed state of the real estate market in the CNMI, the value realized on foreclosed properties 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 (including low income housing tax credits) and where necessary, infrastructure development.

Mortgage & Credit Division

In fiscal year 2013, the Mortgage & Credit Division processed forty-five HOME Investment Partnerships Program (HOME) loan applications which were subsequently approved by the NMHC Board of Directors. Of the forty-five approved loans, eleven were closed during the year. Moreover, of the eleven closed loans, ten HOME assisted projects were completed; specifically, six new construction/purchase and four rehabilitation projects for fiscal year 2013.

The table below further illustrates a breakdown of the type of assistance provided for the year as well as the corresponding loan and grant amounts.

NMHC, Continued

Mortgage & Credit Division, Continued

Type of Assistance	2013		2012	
	Number of Loans	Amount	Number of Loans	Amount
Deferred	3	$ 161,000	6	$ 319,030
Direct	4	219,800	10	534,400
Grant	1	40,000	2	80,000
Loan and grant	3	120,000	1	40,000
TOTAL	**11**	**$ 540,800**	**19**	**$ 973,430**

Program and Housing Division (PHD)

A. Saipan Housing Choice Voucher (HCV) Program

In fiscal year 2013, the HCV Program utilized three hundred-eleven vouchers. Six vouchers were for applicants previously on the waiting list. In addition, there were eleven families who ended their participation in or were terminated from the program and nineteen portable families for the year ended September 30, 2013. Demand for the HCV 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

In fiscal year 2013, Mihaville had forty-seven occupants of forty-eight units and Koblerville had thirty-three occupants of thirty-four units. Although Mihaville and Koblerville are almost at full capacity, there has been a continued turnover of tenants due to lease violations. Both properties are well maintained and NMHC will continue its efforts to prepare for the Real Estate Assessment Center inspections.

C. Short-Term Goals

Goals for the PHD 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 NMHC's voucher count in the future; b) improve voucher management by addressing certain performance indicators to potentially increase its Section 8 Management Assessment Program rating; c) increase customer satisfaction; and d) continue planning efforts towards the development and possible implementation of the Family Self-Sufficiency Program should the economic conditions begin to improve in the CNMI.

Rota Field Office

A. Rota HCV Program

For fiscal year 2013, the NMHC Rota Field Office had seventeen families participating in the Section 8 HCV Program.

B. Rota Multi-Family/New Construction Program

The NMHC Rota Multi-Family/New Construction Program is improving its leasing efforts. At the end of fiscal year 2013, seventeen of thirty housing units at the Liyo' Housing Subdivision were occupied. This figure translates to a 56.66% occupancy rate which represents a 10% decrease from fiscal year 2012.

NMHC, Continued

Rota Field Office, Continued

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, the NMHC Rota Field Office must continue with repairs and maintenance of the units and ultimately find a more adequate long-term solution to their deteriorating conditions. The NMHC Rota Field Office will have to provide additional amenities to the units such as basic furnishings (beds, dining tables, etc.), community gardens, playgrounds or picnic grounds and improve lighting conditions at night to attract qualified families. Finally, the NMHC Rota Field Office will continue to work with the Mayor's Office, 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 programs.

Tinian Field Office

A. Tinian HCV Program

Since 2008, Tinian has had only one voucher holder. The waiting list for Tinian has been separated and NMHC will continue to work closely with the PHD to issue more vouchers to eligible Tinian residents interested in participating in the Section 8 HCV Program.

B. Tinian Multi-Family/New Construction Program

Tinian has twenty units which are fully leased to the end of fiscal year 2013.

C. Short-Term Goals

Goals for the NMHC Tinian Field Office are 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 ownership of the units so that safe and sanitary conditions are maintained; d) reduce renovation costs; and e) upgrade the basketball court.

Community Development Block Grant (CDBG)

In fiscal year 2013, NMHC received $251,785 in CDBG funding. As stated in NMHC's Annual Action Plan, community development goals include the following:

- Construct or rehabilitate facilities that will improve services delivered to the public;
- Recreational facilities;
- Infrastructure upgrades;
- Public services; and
- Rehabilitate/remove slum and blight (neighborhood revitalization, particularly in the villages of Garapan and Chalan Kanoa)

In fiscal year 2013, projects selected include the construction of the new Koblerville Junior High School facility (the school gymnasium will be the first facility within the campus to be built), renovation of the Kagman and Susupe fire stations, expansion of the Division of Youth Services shelter and purchase of an ambulance for the Rota fire station.

The above projects fulfill the goals listed in the Consolidated Plan which are to improve the delivery of services to the general public and to promote community health, team work and sportsmanship.

Emergency Solutions Grant (ESG)

In fiscal year 2013, NMHC received $48,743 in ESG funding which was subgranted to Karidat Social Services to manage the program. Financial assistance such as rental assistance, utility deposits and utility allowances are offered to families who are eligible under the "literally homeless" category for a period of ten months. As of fiscal year 2013, NMHC, in coordination with Karidat Social Services, was able to assist a total of ten families.

Economic Development Initiative (EDI) Program

The CNMI received $200,000 from the Economic Development Initiative, in which NMHC and the Joeten-Kiyu Public Library worked together to initiate the roof rehabilitation project of the Joeten-Kiyu Public Library. The EDI grant agreement was executed on January 1, 2011. Due to the lengthy planning process, an environmental assessment was not completed until January 12, 2012. Upon undergoing the procurement process, a contractor was selected and the notice to proceed was issued on September 4, 2012. The project was completed in fiscal year 2013. In fiscal year 2013, NMHC subgranted $200,000 in EDI funding to the Division of Lands and Natural Resources (DLNR) for the Garapan Public Market. NMHC currently monitors and oversees the project in coordination with DLNR and the Department of Public Works.

Neighborhood Stabilization Program (NSP)

The CNMI was granted $364,162 in NSP funding 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. The CNMI used the funding to purchase and rehabilitate foreclosed and abandoned residential properties/homes and provide opportunities for borrowers to own their home.

The CNMI signed an agreement with the U.S. Department of Housing and Urban Development on March 14, 2011 to administer the NSP3 program. The grant amounted to $300,002 and was used to rehabilitate five properties in Kagman, one property in Tinian and one property in Rota. As of September 30, 2013, all seven properties were rehabilitated and four are occupied.

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

NMHC is the agency authorized to allocate the LIHTC Program in the CNMI. The United States 1986 Tax Reform Act created the federal low-income housing tax credit under Section 42 of the Internal Revenue Code (the Code) to assist the development of low-income rental housing by providing qualified owners with credit to offset their federal tax obligations. The LIHTC Program is available to owners/developers of qualifying buildings and projects that meet certain low-income occupancy and rent restrictions.

Section 42 of the Code provides that the CNMI prepare a Qualified Allocation Plan (QAP) to determine housing priorities and to give preference to projects serving the lowest income tenants and projects obligated to serve qualified tenants for the longest periods. The QAP must incorporate selection criteria, which includes project location, housing need characteristics, sponsor characteristics, tenant populations with special needs and public housing waiting lists.

NMHC has developed a QAP for 2013. The tax credit allocated to the CNMI for 2013 was $2,590,000. As of September 30, 2013, Isa Villas was the only new applicant who was awarded a reservation letter of $2,030,626 which is equivalent to $20,306,260 of tax credits to build thirty-five single detached three and four bedroom homes.

FINANCIAL HIGHLIGHTS

Combined Statements of Net Position
As of September 30, 2013, 2012 and 2011

	2013	2012	$ Change	% Change	2011
Current assets	$ 8,208,067	$ 7,792,725	$ 415,342	5%	$ 10,788,961
Other assets	9,179,533	8,179,493	1,000,040	12%	6,878,114
Capital assets	9,645,235	9,681,058	(35,823)	0%	9,062,174
Foreclosed real estate	1,985,553	2,123,774	(138,221)	-7%	3,074,454
Noncurrent assets	14,047,855	14,539,198	(491,343)	-3%	15,104,769
Total assets	**$ 43,066,243**	**$ 42,316,248**	**$ 749,995**	**2%**	**$ 44,908,472**
Current liabilities	$ 4,995,895	$ 4,940,041	$ 55,854	1%	$ 3,239,830
Noncurrent liabilities	8,499,401	7,846,055	653,346	8%	7,308,393
Total liabilities	**13,495,296**	**12,786,096**	**709,200**	**6%**	**10,548,223**
Invested in capital assets	9,645,235	9,681,058	(35,823)	0%	9,062,174
Restricted	19,925,712	19,849,094	76,618	0%	25,298,075
Total net position	**29,570,947**	**29,530,152**	**40,795**	**0%**	**34,360,249**
Total liabilities and net position	**$ 43,066,243**	**$ 42,316,248**	**$ 749,995**	**2%**	**$ 44,908,472**

Combined Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2013, 2012 and 2011

	2013	2012	$ Change	% Change	2011
Operating revenues	$ 8,205,177	$ 11,966,896	$ (3,761,719)	-31%	$ 36,001,398
(Bad debts) recoveries	(195,047)	(3,574,808)	3,379,761	-95%	1,406,066
Net operating revenues	**8,010,130**	**8,392,088**	**(381,958)**	**-5%**	**37,407,464**
Operating expenses	8,529,296	13,287,004	(4,757,708)	-36%	35,740,430
Operating (loss) income	**(519,166)**	**(4,894,916)**	**4,375,750**	**-89%**	**1,667,034**
Total nonoperating revenues (expenses), net	585,788	266,699	319,089	120%	(3,860,503)
(Loss) income before transfers	**66,622**	**(4,628,217)**	**4,694,839**	**-101%**	**(2,193,469)**
Transfers out for capital development grants	(25,827)	(201,880)	176,053	-87%	(280,745)
Change in net position	**40,795**	**(4,830,097)**	**4,870,892**	**-101%**	**(2,474,214)**
Net position - beginning	29,530,152	34,360,249	(4,830,097)	-14%	36,834,463
Net position - ending	**$ 29,570,947**	**$ 29,530,152**	**$ 40,795**	**0%**	**$ 34,360,249**

Combined Statements of Cash Flows
Years Ended September 30, 2013, 2012 and 2011

	2013	2012	$ Change	% Change	2011
Cash flows from operating activities	$ (140,304)	$ 614,780	$ (755,084)	-123%	$ 454,395
Cash flows from capital and related financing activities	1,510,797	(1,655,457)	3,166,254	-191%	(2,731,599)
Cash flows from investing activities	(980,598)	(1,286,254)	305,656	-24%	3,072,147
Net (decrease) increase in cash and cash equivalents	**389,895**	**(2,326,931)**	**2,716,826**	**-117%**	**794,943**
Cash and cash equivalents at beginning of year	2,690,936	5,017,867	(2,326,931)	-46%	4,222,924
Cash and cash equivalents at end of year	**$ 3,080,831**	**$ 2,690,936**	**$ 389,895**	**14%**	**$ 5,017,867**

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Statements of Revenues, Expenses and Changes in Nets Position and Statements of Cash Flows by division as of and for the year ended September 30, 2013 follows, with comparative information as of and for the years ended September 30, 2012 and 2011:

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2013, 2012 and 2011

Development Banking Division

	2013	2012	$ Change	% Change	2011
Operating revenues:					
Interest on fees and loans	$ 128,056	$ 134,524	$ (6,468)	-5%	$ 140,048
Interest on investments	8,460	11,229	(2,769)	-25%	22,108
	136,516	145,753	(9,237)	-6%	162,156
Recoveries	122,156	117,646	4,510	4%	117,154
Net operating revenues	**258,672**	**263,399**	**(4,727)**	**-2%**	**279,310**
Operating expenses:					
Professional fees	24,218	-	24,218	100%	330
Other	27,299	29,320	(2,021)	-7%	32,432
Total operating expenses	**51,517**	**29,320**	**22,197**	**76%**	**32,762**
Operating income	**207,155**	**234,079**	**(26,924)**	**-12%**	**246,548**
Nonoperating revenues (expenses):					
Other income	207,271	208,477	(1,206)	-1%	208,755
Contribution to the CNMI	-	-	-	0%	(1,700,000)
Interest expense	(58,571)	(68,176)	9,605	-14%	(76,856)
Total nonoperating revenues (expenses), net	**148,700**	**140,301**	**8,399**	**6%**	**(1,568,101)**
Income (loss) before transfers	355,855	374,380	(18,525)	-5%	(1,321,553)
Transfers out for capital development grants	(25,827)	(201,880)	176,053	-87%	(280,745)
Change in net position	**$ 330,028**	**$ 172,500**	**$ 157,528**	**91%**	**$ (1,602,298)**

Development Corporation Division

	2013	2012	$ Change	% Change	2011
Operating revenues:					
Interest and fees on loans	$ 706,316	$ 530,332	$ 175,984	33%	$ 426,250
Interest on investments	4,863	8,892	(4,029)	-45%	10,533
Other	201,181	196,221	4,960	3%	164,706
	912,360	735,445	176,915	24%	601,489
Recoveries (bad debts)	6,306	(2,589,420)	2,595,726	-100%	2,061,105
Net operating revenues	**918,666**	**(1,853,975)**	**2,772,641**	**-150%**	**2,662,594**
Operating expenses:					
Salaries and wages	402,243	496,545	(94,302)	-19%	540,832
Employee benefits	251,298	267,873	(16,575)	-6%	183,880
Professional fees	111,087	115,303	(4,216)	-4%	106,339
Office rent	55,926	106,535	(50,609)	-48%	106,978
Travel	29,221	24,896	4,325	17%	14,478
Depreciation	36,055	18,859	17,196	91%	8,920
Other	190,978	111,106	79,872	72%	98,325
Total operating expenses	**1,076,808**	**1,141,117**	**(64,309)**	**-6%**	**1,059,752**

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2013, 2012 and 2011, Continued

Development Corporation Division, Continued

	2013	2012	$ Change	% Change	2011
Operating (loss) income	**(158,142)**	**(2,995,092)**	**2,836,950**	**-95%**	**1,602,842**
Nonoperating revenues (expenses):					
Other income	955	(25,580)	26,535	-104%	-
Other expense	(11,164)	(11,207)	43	0%	(34,449)
Total nonoperating revenues (expenses), net	**(10,209)**	**(36,787)**	**26,578**	**-72%**	**(34,449)**
Change in net position	**$ (168,351)**	**$ (3,031,879)**	**$ 2,863,528**	**-94%**	**$ 1,568,393**

Northern Marianas Housing Corporation

	2013	2012	$ Change	% Change	2011
Operating revenues	$ 7,183,600	$ 11,115,018	$ (3,931,418)	-35%	$ 35,270,185
Bad debts	(323,509)	(1,103,034)	779,525	-71%	(772,193)
Net operating revenues	**6,860,091**	**10,011,984**	**(3,151,893)**	**-31%**	**34,497,992**
Operating expenses	7,428,270	12,145,887	(4,717,617)	-39%	34,680,348
Operating loss	**(568,179)**	**(2,133,903)**	**1,565,724**	**-73%**	**(182,356)**
Nonoperating revenues (expenses), net	447,297	163,185	284,112	174%	(2,257,953)
Change in net position	**$ (120,882)**	**$ (1,970,718)**	**$ 1,849,836**	**-94%**	**$ (2,440,309)**

Condensed Comparative Statements of Cash Flows
Years Ended September 30, 2013, 2012 and 2011

Development Banking Division

	2013	2012	$ Change	% Change	2011
Cash flows from operating activities	$ 111,929	$ 155,006	$ (43,077)	-28%	$ 172,974
Cash flows from capital and related financing activities	197,108	25,939	171,169	660%	(1,778,867)
Cash flows from investing activities	(309,037)	(180,945)	(128,092)	71%	1,605,893
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

	2013	2012	$ Change	% Change	2011
Cash flows from operating activities	$ (180,769)	$ (537,370)	$ 356,601	-66%	$ (423,065)
Cash flows from capital and related financing activities	568,576	(1,183,046)	1,751,622	-148%	722,022
Cash flows from investing activities	-	-	-	0%	646,978
Net increase (decrease) in cash and cash equivalents	387,807	(1,720,416)	2,108,223	-123%	945,935
Cash and cash equivalents at beginning of year	2,586,789	4,307,205	(1,720,416)	-40%	3,361,270
Cash and cash equivalents at end of year	**$ 2,974,596**	**$ 2,586,789**	**$ 387,807**	**15%**	**$ 4,307,205**

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Cash Flows
Years Ended September 30, 2013, 2012 and 2011, Continued

Northern Marianas Housing Corporation

	2013	2012	$ Change	% Change	2011
Cash flows from operating activities	$ (71,464)	$ 997,144	$ (1,068,608)	-107%	$ 704,486
Cash flows from capital and related financing activities	745,113	(498,350)	1,243,463	-250%	(1,674,754)
Cash flows from investing activities	(671,561)	(1,105,309)	433,748	-39%	819,276
Net (decrease) increase in cash and cash equivalents	2,088	(606,515)	608,603	-100%	(150,992)
Cash and cash equivalents at beginning of year	104,147	710,662	(606,515)	-85%	861,654
Cash and cash equivalents at end of year	**$ 106,235**	**$ 104,147**	**$ 2,088**	**2%**	**$ 710,662**

DCD and DBD

- In 2013, DCD had net operating revenues of $918,666 while DBD had $258,672. A significant part of the change in net operating revenues was due to a decrease in bad debts recorded. DCD recorded bad debts of $43,846 in 2013 compared with $2,609,625 in 2012. DBD recorded recoveries of $122,156 and $117,646 in 2013 and 2012, respectively, which brought the allowance for its loans to 50% and 49% in 2013 and 2012, respectively. Interest and fees earned on loans for DCD increased by $175,984 or 33% in fiscal year 2013 primarily due to large payments received from several delinquent loans via efforts of the Loan Department. Interest and fees earned on loans for DCD in fiscal year 2012 increased by $104,082 or 24%. DBD had a decrease of $6,468 or 5% in fiscal year 2013 compared to a decrease of $5,524 or 4% in fiscal year 2012.

- Another area of concern is the decrease in earnings on investments suffered by each division as investments and interest rates continue to decline. DCD has not re-invested funds in time certificates of deposit since fiscal year 2011. Related earnings on investments decreased from $8,892 for the year ended September 30, 2012 to $4,863 for the year ended September 30, 2013, which is a decrease of $4,029 or 45%. DBD has not invested any funds since fiscal year 2012. Earnings on savings deposits decreased from $11,229 for the year ended September 30, 2012 to $8,460 for the year ended September 30, 2013, which is a decrease of $2,769 or 25%. The decrease in DBD's investments in fiscal year 2013 reflects 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 2013, operating expenses for DCD decreased by $64,309 or 6% from fiscal year 2012. DBD's operating expenses increased by $22,197 or 76% from fiscal year 2012. Efforts of management and staff are ongoing to reduce DCD's expenses. DBD's expenses increased due to expense reimbursements paid to DCD to cover shared costs.

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

- DBD and DCD saw an increase in combined net position of $161,677 or 106%, from 2013 to 2012. Much of this increase was due to several deficiency judgments and foreclosures on previously non-performing loans and the resultant change in the valuation allowances

FINANCIAL HIGHLIGHTS, CONTINUED

NMHC

- Total assets increased by 4% from $18,061,903 in fiscal year 2012 to $18,764,946 in fiscal year 2013 and by 2% from $17,715,303 in fiscal year 2011 to $18,061,903 in fiscal year 2012 mainly due to increases in current and other assets.

- Total liabilities increased by 8% from $10,857,090 in fiscal year 2012 to $11,681,015 in fiscal year 2013 and by 27% from $8,539,772 in fiscal year 2011 to $10,857,090 in fiscal year 2012.

- Total net position decreased by 2% from $7,204,813 in fiscal year 2012 to $7,083,931 in fiscal year 2013 and by 21% from $9,175,531 in fiscal year 2011 to $7,204,813 in fiscal year 2012.

- Net operating revenues decreased by 31% from $10,011,984 in fiscal year 2012 to $6,860,091 in fiscal year 2013 and by 71% from $34,497,992 in fiscal year 2011 to $10,011,984 in fiscal year 2012. The decreases in fiscal years 2013 and 2012 are attributable to decreases in LIHTC Program grant revenues.

- Total operating expenses decreased by 39% from $12,145,887 in fiscal year 2012 to $7,428,270 in fiscal year 2013 and by 65% from $34,680,348 in fiscal year 2011 to $12,145,887 in fiscal year 2012. The decreases in fiscal years 2013 and 2012 are primarily attributable to decreases in expenses incurred under the LIHTC Program, CDBG program and the HPRP grant.

2013 SUBSEQUENT FINANCIAL HIGHLIGHTS

DCD and DBD

In November 2013, CDA began receiving ground lease payments from Triple J Saipan, Inc. for its Pacific Gardenia property.

On February 6, 2014, Transunion approved CDA's application to report on borrowers who borrowed under their personal names and corporate loans that have fallen on personal guarantees.

On March 12, 2014, CDA approved the first State Small Business Credit Initiative (SSBCI) loan through the Loan Purchase Participation Program.

On March 12, 2014, CDA's equity investment of $600,000 in Arctic Circle was converted into a chattel mortgage loan for $649,000 @ 7% interest.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013 and 2012, CDA had $9,645,235 and $9,681,058, respectively, invested in capital assets, net of depreciation where applicable. This represents a net decrease of $35,823 or 0.4%, during fiscal year 2013.

	2013	2012	2011
Property and equipment, net	$ 2,072,705	$ 2,108,528	$ 1,673,992
Land	7,572,530	7,572,530	7,388,182
	$ 9,645,235	$ 9,681,058	$ 9,062,174

See note 7 to the financial statements for more detail information on CDA's capital assets and changes therein.

CAPITAL ASSETS AND DEBT ADMINISTRATION, CONTINUED

Long-Term Debt

At September 30, 2013 and 2012, CDA had $831,943 and $980,643, respectively, in long-term debt outstanding. See note 9 to the financial statements for more detailed information on CDA's long-term debt and changes therein.

ECONOMIC OUTLOOK

DCD and DBD

CDA is being affected by the negative economic forces at play globally as well as locally. Recent data confirms that tourism activity in the CNMI are improving faster than anticipated, which indicates that the worst maybe be over and, while the future remains to be uncertain, there is some reason for optimism. The approval by the U.S. Department of Treasury of $13.2 million in funding, with $4.35 million already received by the CNMI Department of Commerce (DOC), which is the first of three disbursements to the CNMI through the SSBCI, a component of President Obama's Small Job Business Job Act of 2010, are expected to help spur economic growth in the CNMI. The CNMI DOC has designated CDA as the implementing agency for the CNMI SSBCI programs.

CDA is slowly closing the gap to fund its ongoing operations from earnings generated by its loan portfolio and investments. Management is addressing this problem through a combination of, but not limited to, revenue enhancements and expenditure reductions. CDA has since moved its office to a newly acquired building to save $77,000 in annual office rental. The budget for fiscal year 2014 is expected to reflect some moderate shortfalls. CDA also offers finance leases with an option to purchase on some of its properties in a move not only to recover principal balances but also to offload its property inventory acquired from foreclosures. CDA also offers a debt-relief program to bring 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."

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

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 and continues to take internal measures to ensure that NMHC would not operate in a deficit. The continuing economic challenges may result in further budget reductions in fiscal year 2014 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.

Management's Discussion and Analysis for the year ended September 30, 2012 is set forth in CDA's report on the audit of financial statements, which is dated August 19, 2013. That Discussion and Analysis explains the major factors impacting the 2012 financial statements and can be viewed at the Office of the Public Auditor's website at www.opacnmi.com.

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. If you have questions about this report or need additional financial information, contact Mr. Donnie James Militante, CDA Comptroller, P.O. Box 502149, Saipan, MP 96950-2149, or call (670) 234-7145/6293 or send email to executive@cda.gov.mp or Mr. Jesse S. Palacios, NMHC Corporate Director, P.O. Box 500514, Saipan, MP 96950-0514 or call (670) 234-6866/9447 or send email to jspalacios@nmhc.gov.mp.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Net Position
September 30, 2013 and 2012

ASSETS	2013	2012
Current assets:		
Cash and cash equivalents	$ 3,080,831	$ 2,690,936
Receivables:		
Current portion of loans receivable, net	4,622,902	4,694,123
Current portion of finance lease receivable, net	78,610	72,401
Rent, net	16,834	18,768
Accrued interest, net of allowance for doubtful accounts of $1,368,165 and $1,344,061 as of September 30, 2013 and 2012, respectively	377,281	276,315
Other, net	27,438	35,959
Prepaid expenses	4,171	4,223
Total current assets	8,208,067	7,792,725
Other assets:		
Cash and cash equivalents, restricted	9,179,533	8,179,493
Noncurrent assets:		
Loans receivable, net of current portion	12,454,526	13,090,607
Finance lease receivable, net of current portion	1,593,329	1,448,591
Property and equipment, net	2,072,705	2,108,528
Land	7,572,530	7,572,530
Foreclosed real estate, net	1,985,553	2,123,774
Total noncurrent assets	25,678,643	26,344,030
	$ 43,066,243	$ 42,316,248
LIABILITIES AND NET POSITION		
Current liabilities:		
Current installment of note payable to related party	$ 157,100	$ 140,300
Accounts payable and accrued expenses	911,641	1,178,001
Deferred revenues	15,212	56,012
Due to grantor agency	928,219	942,938
Reserve for loan guaranty	2,983,723	2,622,790
Total current liabilities	4,995,895	4,940,041
Note payable to related party, net of current installments	674,843	840,343
Deferred revenues, net of current portion	7,824,558	7,005,712
Total liabilities	13,495,296	12,786,096
Commitments and contingencies		
Net position:		
Invested in capital assets	9,645,235	9,681,058
Restricted	19,925,712	19,849,094
Total net position	29,570,947	29,530,152
	$ 43,066,243	$ 42,316,248

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2013 and 2012

	2013	2012
Operating revenues:		
Section 8 income:		
Federal housing assistance rentals	$ 4,990,898	$ 5,088,590
Tenant share	120,972	113,164
Interest and fees on loans	1,171,796	1,034,363
HOME Investment Partnership Program Grant	684,142	655,640
Neighborhood Stabilization Program (NSP) Grant	299,939	5,401
Community Development Block Grants (CDBG) Program	251,785	1,036,852
HOME Investment Partnership Grant program income	190,980	235,708
Economic Development Initiative (EDI) Program	183,844	-
Emergency Shelter Grants (ESG) Program	79,602	94,667
Housing rental	23,054	12,626
Interest on investments	13,323	20,121
Low-Income Housing Projects in Lieu of Tax Credits (LIHTC) Program Grant	-	2,895,004
Deferred HOME loans program income	15,905	472,344
Homelessness Prevention and Rapid Re-Housing Program (HPRP) Grant	-	48,445
Other	178,937	253,971
	8,205,177	11,966,896
Bad debts	(237,915)	(3,595,013)
Recovery of foreclosed real estate	42,868	20,205
Net operating revenues	8,010,130	8,392,088
Operating expenses:		
Section 8 rental	3,153,059	3,226,627
HOME Investment Partnership Program Grant	684,142	655,640
NSP Grant	299,939	5,401
CDBG Program	251,785	1,036,852
HOME Investment Partnership Grant program income	190,980	235,708
EDI Program	183,844	-
ESG Program	79,602	94,667
LIHTC Program Grant	-	2,895,004
HPRP Grant	-	48,445
Operations:		
Salaries and wages	1,072,137	1,123,609
Utilities	531,393	561,191
Repairs and maintenance	432,023	588,416
Provision for loan guaranty	360,933	1,244,046
Employee benefits	358,300	472,718
Professional fees	282,314	314,063
Depreciation	240,532	288,879
Travel	88,968	136,352
Rent	65,826	117,335
Other	253,519	242,051
Total operating expenses	8,529,296	13,287,004
Operating loss	(519,166)	(4,894,916)
Nonoperating revenues (expenses):		
Litigation judgment	522,838	-
Other income	208,226	182,897
Interest income	19,442	15,125
Interest expense	(58,571)	(68,176)
(Loss) gain on sale of foreclosed properties	(94,983)	148,060
Other expense	(11,164)	(11,207)
Total nonoperating revenues (expenses), net	585,788	266,699
Loss before transfers	66,622	(4,628,217)
Transfers out for capital development grants	(25,827)	(201,880)
Change in net position	40,795	(4,830,097)
Net position - beginning	29,530,152	34,360,249
Net position - ending	$ 29,570,947	$ 29,530,152

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from interest and fees on loans receivable	$ 1,087,635	$ 1,517,220
Interest and dividends on investments	13,323	27,189
Cash payments to suppliers for goods and services	(906,319)	(1,309,344)
Cash received from customers	273,352	246,405
Cash payments to employees for services	(1,323,435)	(1,391,482)
Cash received from federal grant awards	6,666,472	11,034,835
Cash payments from federal grant awards	(5,951,332)	(9,510,043)
Net cash (used for) provided by operating activities	(140,304)	614,780
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(207,001)	(129,095)
Proceeds from sale of property and equipment	3,692	-
Proceeds from sale of foreclosed real estate	119,417	532,438
Net receipts of loans receivable	1,159,866	(1,841,130)
Net disbursements of finance lease receivable	(21,526)	(195,733)
(Loss) gain on sale of foreclosed real estate	(40,662)	179,943
Cash received from litigation judgment	522,838	-
Transfers for capital development grants	(25,827)	(201,880)
Net cash provided by (used for) capital and related financing activities	1,510,797	(1,655,457)
Cash flows from investing activities:		
Purchase of restricted cash and cash equivalents	(1,000,040)	(1,301,379)
Interest received	19,442	15,125
Net cash used for investing activities	(980,598)	(1,286,254)
Net increase (decrease) in cash and cash equivalents	389,895	(2,326,931)
Cash and cash equivalents at beginning of year	2,690,936	5,017,867
Cash and cash equivalents at end of year	$ 3,080,831	$ 2,690,936
Reconciliation of operating loss to net cash (used for) provided by operating activities:		
Operating loss	$ (519,166)	$ (4,894,916)
Adjustments to reconcile operating loss to net cash (used for) provided by operating activites:		
Bad debts	237,915	3,595,013
Provision for loan guaranty	360,933	1,244,046
Recovery of foreclosed real estate	(42,868)	(20,205)
Depreciation	240,532	288,879
(Gain) loss on disposal of property and equipment	(1,400)	1,117
Finance lease revenue	(51,632)	(38,459)
Other	(11,164)	-
(Increase) decrease in assets:		
Receivables:		
Rent	77,191	(18,409)
Finance lease	(21,745)	(420,447)
Other	8,521	(40,172)
Accrued interest	(84,162)	489,925
Prepaid expenses	52	(3,822)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(266,360)	(494,892)
Deferred revenues	(52,232)	(47,406)
Due from/to grantor agency	(14,719)	974,528
Net cash (used for) provided by operating activities	$ (140,304)	$ 614,780

See accompanying notes to financial statements.

Statements of Cash Flows
Years Ended September 30, 2013 and 2012

	2013	2012
Supplemental disclosure of noncash capital and related financing activities:		
Recognition of loans receivable:		
Noncash increase in loans receivable	$ 830,278	$ -
Noncash increase in deferred revenue	(830,278)	-
	$ -	$ -
Recognition of foreclosed properties:		
Noncash decrease in foreclosed real estate	$ -	$ (811,000)
Noncash increase in property and equipment	-	811,000
	$ -	$ -
Noncash decrease in foreclosed real estate	$ (8,306)	$ (284,742)
Noncash decrease in loans receivable	(47,738)	(92,814)
Noncash increase in finance lease receivable	56,044	377,556
	$ -	$ -
Loan payable to MPLT:		
Noncash decrease in note payable to related party	$ 148,700	$ 140,300
Noncash interest expense	58,571	68,176
Noncash other income	(207,271)	(208,476)
	$ -	$ -

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 NMHC as a division to account for the operations, assets and liabilities of MIHA. NMHC is governed by a seven member Board of Directors appointed by the Board of Directors of CDA. The purpose and functions of the two divisions and NMHC are as follows:

DBD:

- To receive and hold United States economic assistance for economic development loans provided under Section 702(c) of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the Covenant);
- To aid in the financing of capital improvement projects and other projects undertaken by the CNMI and its autonomous public agencies;
- To achieve the greatest possible return, in terms of economic development, on the funds made available to the CNMI by the United States in accordance with the Covenant; and on such other funds as may be made available to CDA as capital contributions;
- To disseminate modern practices and techniques of financing, management and business administration in order to raise the levels of efficiency and productivity in all sectors; and
- To serve as the Northern Marianas development bank identified in Article IX, Section 6(c) of the Constitution.

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

DCD:

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

(1) Reporting Entity, Continued

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

NMHC:

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

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

- To develop and construct rental housing;

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

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

As such, NMHC considers all its net position, except net position 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. CDA utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

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

(2) Summary of Significant Accounting Policies, Continued

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

For purposes of the statements of net position 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. At September 30, 2013 and 2012, total cash and cash equivalents were $12,260,364 and $10,870,429, respectively, and the corresponding bank balances were $12,339,707 and $10,960,933, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. Bank deposits in the amount of $395,708 and $395,358 were FDIC insured as of September 30, 2013 and 2012, 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.

Land

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

Foreclosed Real Estate

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

(2) Summary of Significant Accounting Policies, Continued

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.

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.

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

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

Federal grant revenues are recognized when allowable expenses are incurred.

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

On October 4, 2010, NMHC received a $26.877 million grant from the U.S. Department of Treasury (US Treasury) 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 Beach Homes LLC to finance the construction of a 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 received federal funds of $-0- and $2,895,004 from the US Treasury, and the same amounts were disbursed to Sandy Beach Homes, during the years ended September 30, 2013 and 2012, respectively.

Deferred Revenues

Deferred revenue is recognized when cash, receivables or other assets are recorded prior to being earned. Deferred revenue of DCD represents prepaid lease income on foreclosed real estate held for lease of $627,367 and $679,869 as of September 30, 2013 and 2012, respectively. Amounts to be recognized over the terms of the leases are as follows:

Year ending September 30,	Lease Recognition
2014	$ 15,212
2015	15,213
2016	15,213
2017	15,213
2018	15,213
2019 - 2023	71,603
2024 - 2028	67,650
2029 - 2033	67,650
2034 - 2038	67,650
2039 - 2043	67,650
2044 - 2048	67,650
2049 - 2053	63,366
2054 - 2058	57,010
2059 - 2061	21,343
	$ 627,636

(2) Summary of Significant Accounting Policies, Continued

Deferred Revenues, Continued

Deferred revenues of NMHC represent recorded loans receivable from individuals eligible under the HOME Investment Partnership and Neighborhood Stabilization programs administered by NMHC. NMHC recorded deferred HOME loan revenue of $15,905 and $472,344 for the years ended September 30, 2013 and 2012, respectively, and deferred revenues of $7,212,133 and $6,381,855 as of September 30, 2013 and 2012, respectively, have been presented as long-term in the accompanying financial statements.

Compensated Absences

Vested or accumulated vacation leave is recorded as benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Accumulated sick pay benefits as of September 30, 2013 and 2012 was approximately $318,822 and $301,760, respectively.

Litigation Judgment

On November 24, 2012, a binding and unappealable judgment was issued on a lawsuit filed against the architects, the construction manager and the contractor for deficiencies in the design and construction of homes in the Tottotville Subdivision, which awarded NMHC $694,851 in damages. Due to uncertainties, NMHC has elected to record this award upon receipt of cash. NMHC received $522,838 during the year ended September 30, 2013 and continues to pursue the remaining $190,322 (inclusive of interest of nine percent (9%) per annum).

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 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.

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.

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan (DB Plan)

The DB Plan provides retirement, disability, security and other benefits to employees of the CNMI Government and CNMI agencies, instrumentalities and public corporations and their spouses and dependents. 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 (NMIRF) 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, 11-9, 11-95, 13-60, 15-14, 15-70, 15-126, 16-2, 16-36, 17-79 and 17-82.

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. The actuarial contribution rate for fiscal years ended September 30, 2013 and 2012 have yet to be determined. The actuarially determined contribution rate for the fiscal year ended September 30, 2010 is 72.7215% of covered payroll based on an actuarial valuation as of October 1, 2010 issued in October 2012. The established statutory rate at September 30, 2013 and 2012 is 72.7215% and 60.8686%, respectively, of covered payroll. CDA's recorded DB contributions to the Fund for the years ended September 30, 2013, 2012 and 2011 were $179,910, $311,421 and $234,203, respectively, equal to the required statutory contributions for each year.

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI. Authorization of participation has not been obtained from the U.S. Government. On September 11, 2012, Public Law 17-82 *CNMI Pension Reform Recovery Act of 2012* was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the DB plan. In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty. Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share.

On March 11, 2013, Public Law 18-12 was enacted to amend Public Law 17-82 to clarify those provisions necessary to expedite the refunds and to prevent any further frustration of the process. Included in the public law is the amendment of Section 203(a) of Title 1, Division 8, Part 3, which states that the government obligation to withhold and remit the employee's portion to the employee's defined account shall continue with respect to employees who do not terminate membership in the Defined Benefit Plan.

(2) Summary of Significant Accounting Policies, Continued

Defined Benefit Plan (DB Plan), Continued

At September 30, 2013, CDA contributed social security benefits of $24,748. In addition, all but four active employees voluntarily terminated membership in the DB Plan.

At September 30, 2013, NMHC contributed social security benefits of $49,277. In addition, all active employees voluntarily terminated membership in the DB Plan.

On August 7, 2013, the United States District Court for the Northern Mariana Islands issued an order for the preliminary approval of Civil Case No. 09-00023, Class Action Settlement (Settlement), between a retiree (individually and on behalf of similarly-situated persons) and the CNMI, NMIRF and others. The Settlement includes the creation of a Settlement Fund to accept the transfer of NMIRF assets, receive annual contributions and payments by the CNMI and to carry out the consent judgment entered by the District Court.

As part of the Settlement, the CNMI agrees to make minimum annual payments to the Settlement Fund to allow for the payment of 75% of Class Members' full benefits annually during the Settlement Fund's expected life and as determined by an independent actuary appointed by the Trustee and approved by the District Court. In addition, the Settlement authorizes NMIRF to distribute employee contributions (exclusive of interest) of $10,000,000 to former members of the DB Plan who elected to terminate their membership in accordance with Public Law 17-82 with the remainder to be distributed upon final approval of the Settlement agreement. On September 30, 2013, the United States District Court for the Northern Mariana Islands approved the Settlement agreement.

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. CDA's recorded DC contributions for the years ended September 30, 2013, 2012 and 2011 were $21,127, $27,764 and $27,869, respectively, equal to the required contributions for each year.

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

Net Position

CDA's net position is classified as follows:

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

  Nonexpendable - Net position subject to externally imposed stipulations that CDA maintain them permanently. At September 30, 2013 and 2012, CDA does not have nonexpendable net position.

(2) Summary of Significant Accounting Policies, Continued

Net Position, Continued

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

- Unrestricted; Net position that is not subject to externally imposed stipulations. As CDA considers all assets, except investments in capital assets, to be restricted for economic development, CDA does not have unrestricted net position of September 30, 2013 and 2012.

New Accounting Standards

During the year ended September 30, 2013, CDA implemented the following pronouncements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements, which* addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, which* improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity, and No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement no. 62 superceded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The implementation of this statement did not have a material effect on the accompanying financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of CDA.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans, which* revises existing guidance for the financial reports of most pension plans, *and Statement N*o. 68, *Accounting and Financial Reporting for Pensions*, *which* revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of CDA.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of CDA.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 69 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of these statements on the financial statements of CDA.

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.

Reclassifications

Certain 2012 balances in the accompanying financial statements have been reclassified to conform to the 2013 presentation.

(3) Restricted Cash and Cash Equivalents

DBD

Restricted cash and cash equivalents 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, 2013 and 2012, restricted cash and cash equivalents amounting to $4,750,538 and $4,441,501, respectively, consist of amounts held in demand deposit accounts. These amounts are presented at fair value in the accompanying financial statements, in accordance with GASB Statement No. 31.

(3) Restricted Cash and Cash Equivalents, Continued

NMHC

NMHC maintains depository accounts with financial institutions in the CNMI which are restricted for various purposes, as detailed below. At September 30, 2013 and 2012, restricted cash and cash equivalents consist of amounts held in demand deposit accounts. Of the amounts detailed below, $1,248,553 and $2,620,887 at September 30, 2013 and 2012, respectively, was FDIC insured. Accordingly, the deposits are exposed to custodial credit risk.

Restricted cash and cash equivalents:

	2013	2012
Escrow and savings accounts maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA Rural Development loans	$ 2,879,935	$ 2,096,359
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development	200,107	199,738
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	91	100
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	1,305,144	1,354,485
Other depository accounts reserved for various purposes	43,718	87,310
	$ 4,428,995	$ 3,737,992

(4) Loans Receivable

DBD

As described in note 2, DBD is required to establish a revolving fund into which repayments of principal and interest from revenue-producing projects shall be deposited. At September 30, 2013 and 2012, the revolving fund consists of one note receivable from the Commonwealth Ports Authority (CPA), bearing interest at 2.5% per annum, with monthly principal and interest payments in the amount of $31,000, with maturity date of June 15, 2030. Proceeds are used for the Saipan Harbor Project.

DCD

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

(4) Loans Receivable, Continued

DCD, Continued

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

NMHC

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

Major classifications of economic development loans as of September 30, 2013 and 2012 (with combining information as of September 30, 2013), are as follows:

	DBD	DCD	NMHC	2013	2012
General	$ -	$ 30,282,813	$ 517,288	$ 30,800,101	$ 30,583,882
HOME Investment Partnerships Act grant	-	-	6,403,873	6,403,873	5,831,551
Marine	-	6,280,171	-	6,280,171	5,204,784
Capital development loan receivable from related party	5,007,126	-	-	5,007,126	5,251,439
Direct family home loans	-	-	2,950,771	2,950,771	2,989,669
Agriculture	-	1,982,285	-	1,982,285	1,902,515
Neighborhood Stabilization Program (NSP) grant	-	-	680,120	680,120	475,881
Housing construction	-	-	478,401	478,401	485,355
Tinian turnkey	-	-	464,373	464,373	533,589
Section 8	-	-	365,085	365,085	224,844
Home revenue bond	-	-	94,473	94,473	94,476
Housing preservation grant	-	-	19,280	19,280	24,937
Veterans aid	-	-	-	-	184,825
Loan principal receivable	5,007,126	38,545,269	11,973,664	55,526,059	53,787,747
Less allowance for loan losses	(2,503,563)	(27,924,427)	(8,020,641)	(38,448,631)	(36,003,017)
Net loans receivable	$ 2,503,563	$ 10,620,842	$ 3,953,023	$ 17,077,428	$ 17,784,730

Maturities of the above principal balances subsequent to September 30, 2013 will be as follows:

	DBD	DCD	NMHC	Total
Fully matured and others	$ -	$ 25,222,846	$ 1,368,123	$ 26,590,969
1 - 6 months	124,541	3,736,712	468,096	4,329,349
7 - 18 months	252,760	1,841,322	866,187	2,960,269
19 months - 3 years	390,441	1,004,850	1,166,863	2,562,154
After 3 years	4,239,384	6,739,539	8,104,395	19,083,318
	$ 5,007,126	$ 38,545,269	$ 11,973,664	$ 55,526,059

(4) Loans Receivable, Continued

Allowance for Loan Losses

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

	DBD	DCD	NMHC	2013	2012
Balance - beginning of year	$ 2,625,719	$ 25,764,943	$ 7,612,355	$ 36,003,017	$ 31,594,325
(Recovery of) provision for loan losses	(122,156)	139,818	408,286	425,948	4,408,692
Effect of summary judgments	-	3,960,557	-	3,960,557	-
Write-off of loans	-	(1,940,891)	-	(1,940,891)	-
Balance - end of year	$ 2,503,563	$ 27,924,427	$ 8,020,641	$ 38,448,631	$ 36,003,017

During the year ended September 30, 2013, CDA increased loans receivable and the allowance for loan losses by $3,960,557 based on summary judgments issued by the courts.

(5) Finance Leases

DCD

CDA leases certain foreclosed real estate properties for periods ranging from ten to twenty-five years under direct finance leases. The leases bear interest at fixed rates ranging from 4.5% to 5.0% and provide options to purchase at $1 and $100 plus the outstanding lease receivable and related accrued interest. Finance lease income for the years ended September 30, 2013 and 2012 amounted to $51,633 and $38,459, respectively. Future minimum lease rentals and future minimum lease income under these arrangements as of September 30, 2013, are as follows:

Year ending September 30,	Minimum Lease Rentals	Minimum Lease Income	Net 2013	Net 2012
2014	$ 114,916	$ 48,250	$ 66,666	$ 62,842
2015	113,916	48,069	65,847	62,389
2016	113,816	48,069	65,747	62,807
2017	113,816	48,069	65,747	62,807
2018	113,816	48,069	65,747	62,807
Thereafter	1,865,407	1,059,917	805,490	748,434
	$ 2,435,687	$ 1,300,443	1,135,244	1,062,086
	Less current portion		66,666	62,842
	Noncurrent portion		$ 1,068,578	$ 999,244

NMHC

NMHC leases certain foreclosed real estate properties for periods ranging from fifteen to thirty years bearing interest at fixed rates ranging from 2% to 6% and with options to purchase at $100 plus the outstanding lease receivable and related accrued interest. Finance lease income for the years ended September 30, 2013 and 2012 amounted to $23,054 and $12,626, respectively. Future minimum lease rentals under these arrangements as of September 30, 2013, are as follows:

(5) Finance Leases, Continued

NMHC, Continued

Year ending September 30,	Minimum Lease Rentals	Minimum Lease Income	Net 2013	Net 2012
2014	$ 39,662	$ 27,718	$ 11,944	$ 9,559
2015	38,618	26,347	12,271	9,946
2016	38,619	25,752	12,867	10,402
2017	38,331	25,124	13,207	10,881
2018	38,618	24,460	14,158	11,386
Thereafter	787,054	314,806	472,248	406,732
	$ 980,902	$ 444,207	536,695	458,906
	Less current portion		11,944	9,559
	Noncurrent portion		$ 524,751	$ 449,347

(6) Investments

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

On May 7, 2009, CUC and CDA, entered into a Preferred Stock Agreement (the Agreement) to effectuate the terms and conditions of the MOA by requiring CUC to issue shares of cumulative, non-convertible and non-transferrable preferred stock of $45,000,000 to CDA and yielding annual dividends of two percent. The Commonwealth Public Utilities Commission approved the Agreement on September 3, 2009. The Agreement provides CUC the right to purchase from CDA up to $16,200,000 of the $45,000,000 preferred stock through offset against CUC’s future, internally-funded capital improvement projects. Subject to CUC purchase exception, CDA shall not transfer any of its rights, title or interest to such preferred stock. Further, the Agreement provides for deferral of the dividend payments for the first three years after issuance, with such deferred dividend payments being amortized, interest free, over a fifteen-year period. Dividends 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.

(6) Investments, Continued

CUC issued to CDA forty-five shares of preferred stock with a par value of $1,000,000 per share for a total aggregate value of $45,000,000 dated September 28, 2009. The preferred stock yields guaranteed dividends at two percent per annum payable quarterly in advance. The dividends of the preferred stock are cumulative from and after October 1, 2009 and bear no interest. CDA has taken the position that the value of the preferred stock represents the net present value of the future stream of dividend payments required by CUC and not the face value of the stock itself. At September 30, 2013 and 2012, CDA has recorded an investment of $11,309,651, with a corresponding 100% valuation allowance, based on the discounted cash flows of the future dividend payments at 6.27% per annum. In accordance with the Agreement, CDA was to receive dividends of $1,080,000 during the year ended September 30, 2013, which were factored into the recorded investment. Such dividends were not received justifying the 100% valuation allowance.

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

On November 15, 2011, CDA entered into an agreement to unconditionally guaranty a loan of Arctic Circle Air Co. (Arctic Circle) with Independence Bank. The agreement provides that CDA purchase 600,000 shares of Arctic Circle class A common stock, no par value, at an aggregate purchase price of $600,000. The agreement further provides that the investment be secured by a pledge agreement which requires CDA to transfer $600,000 to an escrow account, in Arctic Circle's name, with Independence Bank.

On November 21, 2012, CDA and Arctic Circle amended the stock purchase agreement to convert the total number of shares from 600,000 shares of class A common stock to (i) 94,600 shares of class B common stock, at a purchase price of $94,600 and (ii) 505,400 shares of preferred stock, at a purchase price of $505,400. As of September 30, 2013 and 2012, the loan transaction had not occurred and the investment was 100% allowed for. CDA is in ongoing negotiations with Arctic Circle for the repayment of the investment.

(7) Property and Equipment

Property and equipment consist of the following at September 30, 2013 and 2012:

DCD

	Estimated Useful Lives	Balance at October 1, 2012	Additions	Deletions	Balance at September 30, 2013
Land		$ 184,348	$ -	$ -	$ 184,348
Structure and improvements	7 years	1,102,613	75,559	(475,959)	702,213
Vehicles/office equipment	3 - 5 years	95,913	29,737	(14,793)	110,857
Computer equipment	3 - 5 years	52,921	15,946	(28,623)	40,244
Furniture and fixtures	7 years	118,424	-	(3,683)	114,741
		1,554,219	121,242	(523,058)	1,152,403
Less accumulated depreciation		(725,605)	(36,055)	520,766	(240,894)
		$ 828,614	$ 85,187	$ (2,292)	$ 911,509

	Estimated Useful Lives	Balance at October 1, 2011	Additions	Deletions	Balance at September 30, 2012
Land		$ -	$ 184,348	$ -	$ 184,348
Structure and improvements	7 years	475,959	626,654	-	1,102,613
Vehicles/office equipment	3 - 5 years	93,229	2,684	-	95,913
Computer equipment	3 - 5 years	52,921	-	-	52,921
Furniture and fixtures	7 years	118,424	-	-	118,424
		740,533	813,686	-	1,554,219
Less accumulated depreciation		(706,745)	(18,860)	-	(725,605)
		$ 33,788	$ 794,826	$ -	$ 828,614

NMHC

	Estimated Useful Lives	Balance at October 1, 2012	Additions	Deletions	Balance at September 30, 2013
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	$ 2,500,086	$ -	$ -	$ 2,500,086
Section 8 Koblerville Housing	30 years	1,954,750	-	(700)	1,954,050
Section 8 Rota Housing	30 years	1,200,484	-	-	1,200,484
Section 8 Tinian Housing	30 years	1,124,759	2,000	(42,206)	1,084,553
Section 8 Housing Phase II	30 years	637,704	-	-	637,704
Section 8 Housing Phase I	30 years	600,515	-	-	600,515
		8,018,298	2,000	(42,906)	7,977,392
Other:					
Koblerville infrastructure	30 years	2,214,991	-	-	2,214,991
Tinian infrastructure	30 years	608,500	-	-	608,500
Building and improvements	20 years	858,231	-	-	858,231
Equipment and computers	3 - 8 years	593,940	25,151	(63,224)	555,867
Vehicles	3 years	150,477	58,608	-	209,085
		4,426,139	83,759	(63,224)	4,446,674
		12,444,437	85,759	(106,130)	12,424,066
Less accumulated depreciation		(10,980,175)	(204,477)	106,130	(11,078,522)
		$ 1,464,262	$ (118,718)	$ -	$ 1,345,544

(7) Property and Equipment, Continued

NMHC, Continued

	Estimated Useful Lives	Balance at October 1, 2011	Additions	Deletions	Balance at September 30, 2012
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	$ 2,490,288	$ 9,798	$ -	$ 2,500,086
Section 8 Koblerville Housing	30 years	1,949,192	5,558	-	1,954,750
Section 8 Rota Housing	30 years	1,185,932	14,552	-	1,200,484
Section 8 Tinian Housing	30 years	1,071,555	53,204	-	1,124,759
Section 8 Housing Phase II	30 years	637,704	-	-	637,704
Section 8 Housing Phase I	30 years	600,515	-	-	600,515
		7,935,186	83,112	-	8,018,298
Other:					
Koblerville infrastructure	30 years	2,214,991	-	-	2,214,991
Tinian infrastructure	30 years	608,500	-	-	608,500
Building and improvements	20 years	858,231	-	-	858,231
Equipment and computers	3 - 8 years	582,974	10,966	-	593,940
Vehicles	3 years	150,477	-	-	150,477
		4,415,173	10,966	-	4,426,139
		12,350,359	94,078	-	12,444,437
Less accumulated depreciation		(10,710,155)	(270,020)	-	(10,980,175)
		$ 1,640,204	$ (175,942)	$ -	$ 1,464,262

NMHC also holds title to approximately 338,000 square meters of land as follows:

1. Lot 014 R 01, containing an area of 31,407 square meters, more or less, and the improvements thereon, located at As Liyo, Rota, CNMI.
2. Lot 021 T 03, containing an area of 143,623 square meters, more or less, located at San Jose, Tinian, CNMI.
3. Lot 021 T 01, containing an area of 26,250 square meters, more or less, and the improvements thereon, located at San Jose, Tinian, CNMI.
4. Lot 005 I 001, containing an area of 40,554 square meters, more or less, and the improvements thereon, located at Koblerville, Saipan, CNMI.
5. Lot 014 D 75, containing an area of 10,923 square meters, more or less, located at Garapan, Saipan, CNMI.
6. Lot 003 D 27, and a portion of Lot 014 D 75, collectively containing an area of 5,824 square meters, more or less, located at Garapan, Saipan, CNMI.
7. Lot 003 D 22, containing an area of 1,022 square meters, more or less, and the improvements thereon, located at Garapan, Saipan, CNMI.
8. Lot 003 D 16, containing an area of 1,022 square meters, more or less, and the improvements thereon, located at Garapan, Saipan, CNMI.

(7) Property and Equipment, Continued

NMHC, Continued

9. Lot 071 D 01, containing an area of 37,145 square meters, more or less, and the improvements thereon, located at Garapan, Saipan, CNMI.

10. Lot 014 D 01, containing an area of 39,816 square meters, more or less, and the improvements thereon, located at Garapan, Saipan, CNMI.

The above land was acquired at no cost and was originally held for development of low income rental housing or resale to low income families for construction of housing. The land is recorded on NMHC's financial statements at estimated fair value of $7,388,182 at September 30, 2013 and 2012. NMHC recorded an impairment loss on land of $2,262,131 based on broker's opinions obtained during the year ended September 30, 2011. Public Law 6-34 provides NMHC, subject to certain terms and conditions, the authority to lease for commercial development certain land situated in the North Garapan Subdivision Annex No. 2. NMHC is currently in the process of promoting the development of the abovementioned land to allow NMHC to meet its future commitments.

(8) Foreclosed Real Estate

A summary of the changes in foreclosed real estate and the related valuation allowance as of September 30, 2013 and 2012 is as follows:

	DCD		NMHC	2013	2012
	For Sale	For Lease			
Foreclosed Real Estate:					
Balance at beginning of year	$ 804,884	$ 1,956,000	$ 757,486	$ 3,518,370	$ 4,414,540
Additions	143,000	-	195,600	338,600	186,438
Deletions	(64,286)	(58,000)	(330,607)	(452,893)	(1,082,608)
	883,598	1,898,000	622,479	3,404,077	3,518,370
Valuation allowance	(362,518)	(1,056,006)	-	(1,418,524)	(1,394,596)
Balance at end of year	$ 521,080	$ 841,994	$ 622,479	$ 1,985,553	$ 2,123,774
Valuation Allowance:					
Balance at beginning of year	$ 295,090	$ 1,099,506	$ -	$ 1,394,596	$ 1,340,086
Provisions	71,500	-	-	71,500	83,438
Write-offs/transfers	(4,072)	(43,500)	-	(47,572)	(28,928)
Balance at end of year	$ 362,518	$ 1,056,006	$ -	$ 1,418,524	$ 1,394,596

(9) Note Payable to Related Party

	2013	2012
Note payable to Marianas Public Land Trust (MPLT), bearing interest at 6.5% per annum, due over a fifteen-year term, beginning June, 2003. The note is collateralized by the full faith and credit of the CNMI Government held in trust by MPLT, for the purpose of development and maintenance of the American Memorial Park (AMP), and is being repaid from investment earnings of MPLT's AMP Fund pursuant to CNMI Public Law 11-72. As of September 30, 2013 and 2012, CDA recorded other income of $207,271 and $208,476, respectively.	$ 831,943	$ 980,643

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
2014	$ 157,100	$ 48,610	$ 205,710
2015	165,500	38,103	203,603
2016	173,900	27,128	201,028
2017	182,300	15,450	197,750
2018	153,143	3,662	156,805
	$ 831,943	$ 132,953	$ 964,896

Changes in notes payable for the years ended September 30, 2013 and 2012, are as follows:

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013	Due Within One Year
DBD	$ 980,643	$ -	$ (148,700)	$ 831,943	$ 157,100

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012	Due Within One Year
DBD	$ 1,120,943	$ -	$ (140,300)	$ 980,643	$ 140,300

(10) 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".

(10) Transfers for Capital Development Grants, Continued

Transfers for capital development grants consist of (a) transfers to the CNMI for capital projects of the CNMI First and Second Senatorial Districts pursuant to Public Law No. 13-56 of $-0- and $78,518 for the years ended September 30, 2013 and 2012, respectively, and (b) transfers to the CNMI for renovations and repair of Tinian Municipal Buildings pursuant to Public Law No. 17-8 of $25,827 and $123,362 for the years ended September 30, 2013 and 2012, respectively.

(11) Related Party Transactions

CDA maintains depository accounts in FDIC insured financial institutions. A Board member of CDA is currently the Vice President/Regional Manager of one of these financial institutions. CDA's deposits in this financial institution amounted to $12,339,707 and $10,960,933 as of September 30, 2013 and 2012, respectively. Management is of the opinion that transactions with this financial institution are of similar terms and conditions as with unrelated parties.

NMHC purchased $10,094 and $37,115 of supplies and materials from related parties during the years ended September 30, 2013 and 2012, respectively. Related liabilities of $2,044 and $-0- are included within accounts payable and accrued expenses in the accompanying Statements of Net Position. Management believes that the purchases were consummated on terms equivalent to those in arm's length transactions.

(12) Commitments and Contingencies

Commitments

CDA leases certain foreclosed real estate properties for periods ranging from one to fifty-five years. CDA also leases commercial space in its building for one to two year periods with monthly leases of $100 to $600 per unit. Total lease income for the years ended September 30, 2013 and 2012 amounted to $144,571 and $102,935, respectively. Minimum future lease income for all leases is as follows:

Year ending September 30,	Minimum Lease Income Due
2014	$ 132,935
2015	79,596
2016	71,396
2017	66,348
2018	65,772
Thereafter	2,909,233
	$ 3,325,280

CDA leases its office space in Rota for an annual rental of $4,200. Total minimum future rentals are $4,200 under this operating lease for the year ending September 30, 2014.

(12) Commitments and Contingencies, Continued

Contingencies

NMHC participates in a number of federally assisted grant programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs of $245,519 have been set forth in NMHC's Single Audit Report for the year ended September 30, 2013. 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) whereby NMHC assists borrowers in obtaining RD financing for housing construction. The agreement requires NMHC to guarantee any deficiency in foreclosure proceeds should borrowers default on RD loans. As of September 30, 2013 and 2012, NMHC has guaranteed outstanding loans of $11,270,655 and $11,551,490, respectively, and the amount of delinquent loans related to the agreement was $7,690,598 and $7,551,519, respectively. As of September 30, 2013 and 2012, total delinquent loans with demand notices from RD were $2,757,682 and $1,769,724, respectively, for which NMHC recorded liabilities incorporated in a "reserve for loan guaranty" of $2,983,723 and $2,662,790, respectively, in the accompanying financial statements exclusive of reserves for the remaining non-delinquent and delinquent loans without demand notices of $226,041 and $893,066, respectively.

As of September 30, 2013 and 2012, total restricted cash and cash equivalents which serve as escrow accounts for RD loans or will pay amounts due to RD pursuant to the agreement amounted to $2,879,935 and $2,096,359, respectively. This amount is included in "restricted cash and cash equivalents" in the accompanying financial statements. NMHC may not have sufficient liquid assets to meet its RD agreement guarantee if RD accelerates demand notices on additional delinquent loans. The amount of potential obligations arising from this matter cannot presently be determined.

NMHC entered into a loan agreement and related loan purchase agreement with a savings and loan in the CNMI whereby the savings and loan will make available up to $6,000,000 for housing loans. Under the agreements, NMHC is responsible for administering the loan purchase program and the savings and loan agrees to purchase qualified loans from NMHC. NMHC guarantees the first 25% of the principal balance plus interest on each loan sold to the savings and loan. As of September 30, 2013 and 2012, NMHC was contingently liable for $325,353 and $825,146, 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, 2013 and 2012 was $91 and $100, respectively, which is included in "restricted cash and cash equivalents" in the accompanying financial statements. As of September 30, 2013 and 2012, total defaulted loans related to this arrangement were $173,259 and $251,180, 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, 2013 and 2012, NMHC was contingently liable to these institutions for $1,542,906 and $1,858,855, respectively. As of September 30, 2013 and 2012, the total defaulted loans related to these arrangements were $182,263 and $813,507, respectively.

(12) Commitments and Contingencies, Continued

Contingencies, Continued

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

Public Law 9-66 requires public corporations or other autonomous agencies to pay to the Commonwealth Treasurer an amount not less than one percent of total operation budgets, and such funds will be deposited into a special account of the CNMI general fund to be solely used for the operations and activities of the Office of the Public Auditor (OPA). OPA has taken the position that operation budgets include both local and federal funding sources. NMHC has taken the position that the use of federal funds for such contributions would constitute an unallowable cost. NMHC has recorded a liability to OPA of $362,176, which includes calculated contributions dating back to 1996, but has not paid these amounts as insufficient non-federal funding exists. NMHC plans to seek a legal opinion on this issue.

(13) 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.

(14) Subsequent Event

On March 12, 2014, CDA and Arctic Circle entered into an agreement to convert shares of Arctic Circle into a note, and established monthly repayments inclusive of 7% interest commencing on the date of the note. The note was secured by a chattel mortgage loan for $649,000.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Net Position
September 30, 2013

ASSETS	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Current assets:					
Cash and cash equivalents	$ -	$ 2,974,596	$ 106,235	$ -	$ 3,080,831
Receivables:					
Current portion of loans receivable, net	249,648	3,620,683	752,571	-	4,622,902
Current portion of finance lease receivable, net	-	66,666	11,944	-	78,610
Rent, net	-	-	16,834	-	16,834
Accrued interest, net	7,203	7,418	362,660	-	377,281
Other, net	-	23,139	4,299	-	27,438
Prepaid expenses	-	4,171	-	-	4,171
Total current assets	256,851	6,696,673	1,254,543	-	8,208,067
Other assets:					
Cash and cash equivalents, restricted	4,750,538	-	4,428,995	-	9,179,533
Noncurrent assets:					
Loans receivable, net of current portion	2,253,915	7,000,159	3,200,452	-	12,454,526
Finance lease receivable, net of current portion	-	1,068,578	524,751	-	1,593,329
Due from other funds	-	27,768	-	(27,768)	-
Property and equipment, net	-	727,161	1,345,544	-	2,072,705
Land	-	184,348	7,388,182	-	7,572,530
Foreclosed real estate, net	-	1,363,074	622,479	-	1,985,553
Total noncurrent assets	2,253,915	10,371,088	13,081,408	(27,768)	25,678,643
	$ 7,261,304	$ 17,067,761	$ 18,764,946	$ (27,768)	$ 43,066,243
LIABILITIES AND NET POSITION					
Current liabilities:					
Current installment of notes payable to related party	$ 157,100	$ -	$ -	$ -	$ 157,100
Accounts payable and accrued expenses	-	354,701	556,940	-	911,641
Due to grantor agency	-	-	928,219	-	928,219
Deferred revenues	-	15,212	-	-	15,212
Reserve for loan guaranty	-	-	2,983,723	-	2,983,723
Total current liabilities	157,100	369,913	4,468,882	-	4,995,895
Notes payable to related party, net of current installments	674,843	-	-	-	674,843
Due to other funds	27,768	-	-	(27,768)	-
Deferred revenues, net of current portion	-	612,425	7,212,133	-	7,824,558
Total liabilities	859,711	982,338	11,681,015	(27,768)	13,495,296
Net position:					
Invested in capital assets	-	911,509	8,733,726	-	9,645,235
Restricted	6,401,593	15,173,914	(1,649,795)	-	19,925,712
Total net position	6,401,593	16,085,423	7,083,931	-	29,570,947
	$ 7,261,304	$ 17,067,761	$ 18,764,946	$ (27,768)	$ 43,066,243

See Accompanying Independent Auditors' Report.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2013

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Operating revenues:					
Section 8 income:					
Federal housing assistance rentals	$ -	$ -	$ 4,990,898	$ -	$ 4,990,898
Tenant share	-	-	120,972	-	120,972
Interest and fees on loans	128,056	706,316	337,424	-	1,171,796
HOME Investment Partnership Program Grant	-	-	684,142	-	684,142
NSP Grant	-	-	299,939	-	299,939
CDBG Program	-	-	251,785	-	251,785
HOME Investment Partnership Grant program income	-	-	190,980	-	190,980
EDI Program	-	-	183,844	-	183,844
ESG Program	-	-	79,602	-	79,602
Housing rental	-	-	23,054	-	23,054
Deferred HOME loans program income	-	-	15,905	-	15,905
Interest on investments	8,460	4,863	-	-	13,323
Other	-	201,181	5,055	(27,299)	178,937
	136,516	912,360	7,183,600	(27,299)	8,205,177
Recovery of loan impairment (bad debts)	122,156	(43,846)	(316,225)	-	(237,915)
Recovery of (provision for) foreclosed real estate	-	50,152	(7,284)	-	42,868
Net operating revenues	258,672	918,666	6,860,091	(27,299)	8,010,130
Operating expenses:					
Section 8 rental	-	-	3,153,059	-	3,153,059
HOME Investment Partnership Program Grant	-	-	684,142	-	684,142
NSP Grant	-	-	299,939	-	299,939
CDBG Program	-	-	251,785	-	251,785
HOME Investment Partnership Grant program income	-	-	190,980	-	190,980
EDI Program	-	-	183,844	-	183,844
ESG Program	-	-	79,602	-	79,602
Operations:					
Salaries and wages	-	402,243	669,894	-	1,072,137
Utilities	-	60,017	471,376	-	531,393
Repairs and maintenance	-	10,578	421,445	-	432,023
Provision for loan guaranty	-	-	360,933	-	360,933
Employee benefits	-	251,298	107,002	-	358,300
Professional fees	24,218	111,087	147,009	-	282,314
Depreciation	-	36,055	204,477	-	240,532
Travel	-	29,221	59,747	-	88,968
Rent	-	55,926	9,900	-	65,826
Other	27,299	120,383	133,136	(27,299)	253,519
Total operating expenses	51,517	1,076,808	7,428,270	(27,299)	8,529,296
Operating income (loss)	207,155	(158,142)	(568,179)	-	(519,166)
Nonoperating revenues (expenses):					
Litigation judgment	-	-	522,838	-	522,838
Other income	207,271	955	-	-	208,226
Loss on sale of foreclosed real estate	-	-	(94,983)	-	(94,983)
Interest income	-	-	19,442	-	19,442
Interest expense	(58,571)	-	-	-	(58,571)
Other expense	-	(11,164)	-	-	(11,164)
Total nonoperating revenues (expenses), net	148,700	(10,209)	447,297	-	585,788
Income (loss) before transfers	355,855	(168,351)	(120,882)	-	66,622
Transfers out for capital development grants	(25,827)	-	-	-	(25,827)
Change in net position	330,028	(168,351)	(120,882)	-	40,795
Net position - beginning	6,071,565	16,253,774	7,204,813	-	29,530,152
Net position - ending	$ 6,401,593	$ 16,085,423	$ 7,083,931	$ -	$ 29,570,947

See Accompanying Independent Auditors' Report.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows
Year Ended September 30, 2013

	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	$ 127,687	$ 701,515	$ 258,433	$ -	$ 1,087,635
Interest and dividends on investments	8,460	4,863	-	-	13,323
Cash payments to suppliers for goods and services	-	(312,117)	(594,202)	-	(906,319)
Cash received from (payments to) customers	(24,218)	78,511	219,059	-	273,352
Cash payments to employees for services	-	(653,541)	(669,894)	-	(1,323,435)
Cash received from federal grant awards	-	-	6,666,472	-	6,666,472
Cash payments from federal grant awards	-	-	(5,951,332)	-	(5,951,332)
Net cash provided by (used for) operating activities	111,929	(180,769)	(71,464)	-	(140,304)
Cash flows from capital and related financing activities:					
Net interdivisional transactions	(21,378)	21,378	-	-	-
Acquisition of property and equipment	-	(121,242)	(85,759)	-	(207,001)
Proceeds from sale of property and equipment	-	3,692	-	-	3,692
Net receipts of loans receivable	244,313	631,953	283,600	-	1,159,866
Net disbursements of finance lease receivable	-	(21,526)	-	-	(21,526)
Proceeds from sale of foreclosed real estate	-	-	119,417	-	119,417
Gain (loss) on sale of foreclosed real estate	-	54,321	(94,983)	-	(40,662)
Cash received from litigation judgment	-	-	522,838	-	522,838
Transfers for capital development grants	(25,827)	-	-	-	(25,827)
Net cash provided by capital and related financing activities	197,108	568,576	745,113	-	1,510,797
Cash flows from investing activities:					
Purchase of restricted cash and cash equivalents	(309,037)	-	(691,003)	-	(1,000,040)
Interest received	-	-	19,442	-	19,442
Net cash used for investing activities	(309,037)	-	(671,561)	-	(980,598)
Net increase in cash and cash equivalents	-	387,807	2,088	-	389,895
Cash and cash equivalents at beginning of year	-	2,586,789	104,147	-	2,690,936
Cash and cash equivalents at end of year	$ -	$ 2,974,596	$ 106,235	$ -	$ 3,080,831
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	$ 207,155	$ (158,142)	$ (568,179)	$ -	$ (519,166)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
(Recovery of loan impairment) bad debts	(122,156)	43,846	316,225	-	237,915
Provision for loan guaranty	-	-	360,933	-	360,933
(Recovery of) provision for foreclosed properties	-	(50,152)	7,284	-	(42,868)
Expenses allocated from DCD to DBD	27,299	(27,299)	-	-	-
Depreciation	-	36,055	204,477	-	240,532
Gain on disposal of property and equipment	-	(1,400)	-	-	(1,400)
Finance lease revenue	-	(51,632)	-	-	(51,632)
Other	-	(11,164)	-	-	(11,164)
(Increase) decrease in assets:					
Receivables:					
Rent	-	-	77,191	-	77,191
Finance lease	-	-	(21,745)	-	(21,745)
Other	-	9,894	(1,373)	-	8,521
Accrued interest	(369)	(4,802)	(78,991)	-	(84,162)
Prepaid expenses	-	52	-	-	52
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	-	86,207	(352,567)	-	(266,360)
Deferred revenues	-	(52,232)	-	-	(52,232)
Due from/to grantor agency	-	-	(14,719)	-	(14,719)
Net cash provided by (used for) operating activities	$ 111,929	$ (180,769)	$ (71,464)	$ -	$ (140,304)
Supplemental disclosure of noncash capital and related financing activities:					
Recognition of loans receivable:					
Noncash increase in loans receivable	$ -	$ -	$ 830,278	$ -	$ 830,278
Noncash increase in deferred revenue	-	-	(830,278)	-	(830,278)
	$ -	$ -	$ -	$ -	$ -
Recognition of foreclosed properties:					
Noncash decrease in foreclosed real estate	$ -	$ -	$ (8,306)	$ -	$ (8,306)
Noncash decrease in loans receivable	-	-	(47,738)	-	(47,738)
Noncash increase in finance lease receivable	-	-	56,044	-	56,044
	$ -	$ -	$ -	$ -	$ -
Loan payable to MPLT:					
Noncash decrease in note payable to related party	$ 148,700	$ -	$ -	$ -	$ 148,700
Noncash interest expense	58,571		-	-	58,571
Noncash other income	(207,271)	-	-	-	(207,271)
	$ -	$ -	$ -	$ -	$ -

See Accompanying Independent Auditors' Report.