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

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Commonwealth Development Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Commonwealth Development Authority (CDA), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), which comprise the statements of net position as of September 30, 2018 and 2017, 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 qualified audit opinion.

Basis for Qualified Opinion

Management has not adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which were effective October 1, 2014. In addition, management has not adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which were effective for fiscal years beginning after June 15, 2016, December 15, 2015 and June 16, 2016, respectively. As discussed in note 2 to the financial statements, CDA has not recorded pension expense and related net pension asset or liability, deferred inflows of resources and deferred outflows of resources as of and for the years ended September 30, 2018 and 2017. GASB Statements No. 68 and No. 71 require an employer to recognize its proportionate share of the collective pension expense, as well as the net pension asset or liability, deferred outflows of resources and deferred inflows of resources. GASB Statement No. 73 aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68, GASB Statement No. 78 addresses a practice issue regarding the scope and applicability of Statement No. 68 and GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The amount by which this departure would affect the assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position and expenses of CDA has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth Development Authority as of September 30, 2018 and 2017, 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 GASB 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. As a result of these limited procedures, we believe that the Management's Discussion and Analysis is not in conformity with guidelines established by GASB because it refers to components of CDA and not the basic financial statements and therefore, is insufficient analysis of the basic financial statements.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise CDA's basic financial statements. The Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position and the Combining Statement of Cash Flows as of and for the year ended September 30, 2018 (pages 42 through 44) 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 27, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CDA's 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 27, 2019

Management's Discussion and Analysis
Year Ended September 30, 2018

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, 2018, with selected comparative information for the fiscal years ended September 30, 2017 and 2016. Please read it in conjunction with the more detailed information contained within the accompanying financial statements.

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

DBD AND DCD

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

DCD's mission is to initiate, stimulate and facilitate development of the economy in the CNMI for the economic and social advancement of the people of the CNMI by granting loans, 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, 2018, DCD's net loans receivable was $6,512,067, which was a decrease of $4,313,204 or 40% compared to 2017. As of September 30, 2017, DCD's net loans receivable, was $10,825,271, which was a decrease of $2,186,748 or 17% compared to 2016.

DBD AND DCD, CONTINUED

DBD maintains a portfolio consisting of loans to various governmental and quasi-governmental agencies of the CNMI government. In fiscal year 2010, CDA's Board of Directors approved the restructuring of the loan to the Commonwealth Ports Authority (CPA). The restructured loan lowered the interest rate to 2% and extended the repayment term to 20 years, giving CPA a more manageable monthly payment. Since the restructuring, CPA has been timely on all payments.

In August 2016, CDA and the Commonwealth Utilities Corporation (CUC) entered into a Settlement Agreement directing CUC to assign the payment it receives from the Public School System (PSS) Settlement Agreement and to pay the remaining difference of $478,798 to CDA. CUC further agrees to make quarterly dividend payments of $270,000 to CDA beginning on October 1, 2016. As of September 30, 2018, CDA, received total dividend payments of $6,480,000 from CUC. DBD continues to hold preferred stock in CUC based on the conversion of debt dated September 30, 2009. See note 7 to the financial statements for more detailed information. The conversion has permitted CUC to move ahead with greater flexibility in obtaining financing and has given CDA the opportunity to receive funds loaned to CUC through dividends on the preferred stock, which will be recorded in the Revolving Fund for CIP projects.

As stated earlier, the net value of DCD's loan portfolio after recoveries was $6,512,067 in 2018 and $10,825,271 in 2017. Total provisions were $1,813,745 in 2018 and total recoveries were $827,864 in 2017. These figures represent the estimated addition in the provision for loan allowance and the potential recovery of value of loans and accrued interest for the respective fiscal years. The addition in the provision for loan allowance in fiscal year 2018 was due to default judgments of various large delinquent loans and the restructuring and capitalization of accrued interest while loan recoveries in fiscal year 2017 was due to repayment of various large delinquent loans, restructuring of some loans to a 2% interest rate and extended repayment terms.

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

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

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

NMHC

Major Programs of NMHC

NMHC operates the following programs:

- *Housing Choice Voucher Program (HCVP):*

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

- *Section 8 HAP Program:*

  The HAP Program is HUD-funded under which NMHC receives rental subsidies pursuant to a HAP contract to provide housing for very low-income families, low-income families, elderly and non-elderly disabled individuals. Under NMHC's HAP contract, NMHC provides 118 housing rental units for which Section 8 assistance will be provided. The Program restricts eligible families to citizens of the United States and noncitizens of the United States who have achieved certain eligible immigration status. In fiscal years 2018, 2017 and 2016, NMHC received $1,249,733, $1,287,993 and $1,305,473, respectively, under this Program.

- *HOME Investment Partnerships Program (HOME)*

  Under this Program, NMHC provides single-family housing loans and grants to eligible low-income families to construct new homes, acquire and rehabilitate homes or rehabilitate existing homes. For program year 2017 (FY 2018), the HOME allocation received was in the amount of $326,477. There were a total of four (4) HOME projects committed and closed during the fiscal period, which totaled $233,605 and consisted of three (3) new construction and one (1) rehabilitation.

- *Community Development Block Grant (CDBG)*

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

- *Neighborhood Stabilization Program (NSP)*

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

NMHC, CONTINUED

Major Programs of NMHC, Continued

- *Emergency Solutions Grant (ESG)*

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

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

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

  NMHC has developed a QAP for 2018 which describes the basis NMHC will use to allocate LIHTCs among qualified owners/developers. The tax credit allocated to the CNMI for 2018 was $3,105,000. One application was submitted by a developer for a new construction development.

Asset Management Division

The Asset Management Division handles NMHC's assets and provides technical and maintenance assistance to the HAP, HOME and CDBG programs. The goals of the Asset Management Division are to maximize resources for the continuity of NMHC programs, expedite the process of turnaround time for vacant units, maintain full occupancy of Mihaville and Koblerville projects, ensuring units are safe, decent and sanitary, obtain high scores in Real Estate Assessment Center (REAC) inspections, develop systemic quarterly inspections minimizing maintenance costs, improve collection of tenant damage costs and provide home care counseling to tenants and consistent program requirements training to personnel.

NMHC Projects

- *NMHC Solar Project*

  During FY 2018, NMHC received donations of solar panels, construction services, and related hardware totaling $1,349,489 from a third-party contractor through a U.S. Department of Agriculture Rural Development grant. The project will directly benefit 82 low income families in our Mihaville and Koblerville housing units.

  When fully activated, our tenants would benefit from:

  - Approximately 70% reduction in monthly costs for power used during daylight hours. This lower cost alternative will help improve the quality of life of those families.

  - At full capacity it is estimated the solar arrays will generate about 48 kWh every 30 days based on an 82-unit total generating capacity, and 6.5 hours full daylight with no cloud cover.

  - The additional power generated will not require fuel or oil from the Commonwealth Utilities Corporation (CUC) generators providing additional CUC load capacity from an eco-friendly renewable resource.

NMHC, CONTINUED

NMHC Projects, Continued

- *NMHC Solar Project, Continued*

  The solar arrays were fully installed by the contractor in May 2019. We are currently awaiting CUC's completion of inspections and due diligence to activate the arrays for each housing unit.

FINANCIAL HIGHLIGHTS

Combined Statements of Net Position As of September 30, 2018, 2017 and 2016

	2018	2017	$ Change	% Change	2016
Current assets	$ 24,651,346	$ 19,563,555	$ 5,087,791	26%	$ 15,400,311
Other assets	16,745,519	15,150,687	1,594,832	11%	11,950,852
Capital assets, net	10,165,789	8,882,385	1,283,404	14%	9,030,776
Foreclosed real estate, net	2,101,214	1,789,241	311,973	17%	1,877,591
Noncurrent assets	10,606,465	17,810,731	(7,204,266)	-40%	20,919,713
Total assets	$ 64,270,333	$ 63,196,599	$ 1,073,734	2%	$ 59,179,243
Current liabilities	$ 8,998,554	$ 8,446,738	$ 551,816	7%	$ 8,657,466
Noncurrent liabilities	9,458,677	8,899,360	559,317	6%	9,731,430
Total liabilities	18,457,231	17,346,098	1,111,133	6%	18,388,896
Net investment in capital assets	10,165,789	8,882,385	1,283,404	14%	9,030,776
Restricted	35,647,313	36,968,116	(1,320,803)	-4%	31,759,571
Total net position	45,813,102	45,850,501	(37,399)	-0%	40,790,347
Total liabilities and net position	$ 64,270,333	$ 63,196,599	$ 1,073,734	2%	$ 59,179,243

Combined Statements of Revenues, Expenses and Changes in Net Position Years Ended September 30, 2018, 2017 and 2016

	2018	2017	$ Change	% Change	2016
Operating revenues	$ 7,324,280	$ 9,502,729	$ (2,178,449)	-23%	$ 9,959,822
(Bad debts) recoveries	(1,580,279)	1,492,752	(3,073,031)	-206%	6,545,122
Net operating revenues	5,744,001	10,995,481	(5,251,480)	-48%	16,504,944
Operating expenses	8,218,550	8,368,239	(149,689)	-2%	8,656,874
Operating (loss) income	(2,474,549)	2,627,242	(5,101,791)	-194%	7,848,070
Total nonoperating revenues, net	1,142,180	3,109,588	(1,967,408)	-63%	4,507,303
(Loss) income before transfers and capital contributions	(1,332,369)	5,736,830	(7,069,199)	-123%	12,355,373
Contributions for capital development grants	(64,519)	(676,676)	612,157	-90%	(1,448,562)
Capital contributions	1,359,489	-	1,359,489	100%	-
Change in net position	(37,399)	5,060,154	(5,097,553)	-101%	10,906,811
Net position - beginning	45,850,501	40,790,347	5,060,154	12%	29,883,536
Net position - ending	$ 45,813,102	$ 45,850,501	$ (37,399)	-0%	$ 40,790,347

FINANCIAL HIGHLIGHTS, CONTINUED

Combined Statements of Cash Flows
Years Ended September 30, 2018, 2017 and 2016

	2018	2017	$ Change	% Change	2016
Cash flows from operating activities	$ 2,134,316	$ 1,718,157	$ 416,159	24%	$ 3,042,489
Cash flows from capital and related financing activities	937,517	1,271,164	(333,647)	-26%	(1,277,042)
Cash flows from investing activities	3,499,838	(656,594)	4,156,432	-633%	2,295,188
Net increase in cash and cash equivalents	6,571,671	2,332,727	4,238,944	182%	4,060,635
Cash and cash equivalents at beginning of year	8,807,579	6,474,852	2,332,727	36%	2,414,217
Cash and cash equivalents at end of year	$ 15,379,250	$ 8,807,579	$ 6,571,671	75%	$ 6,474,852

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position by Division
Years Ended September 30, 2018, 2017 and 2016

Development Banking Division

	2018	2017	$ Change	% Change	2016
Operating revenues:					
Interest and fees on loans	$ 95,734	$ 102,552	$ (6,818)	-7%	$ 109,481
Interest and dividends on investments	9,971	8,283	1,688	20%	14,410
Other	5,808	1,685	4,123	245%	72
	111,513	112,520	(1,007)	-1%	123,963
Recoveries	-	-	-	0%	2,249,781
Net operating revenues	111,513	112,520	(1,007)	-1%	2,373,744
Other operating expenses	252,291	1,102,504	(850,213)	-77%	25,075
Operating (loss) income	(140,778)	(989,984)	849,206	-86%	2,348,669
Nonoperating revenues (expenses):					
Dividend income	900,000	2,880,000	(1,980,000)	-69%	4,320,000
Other income	197,656	174,189	23,467	13%	137,583
Interest expense	(13,917)	(21,843)	7,926	-36%	(31,581)
Total nonoperating revenues, net	1,083,739	3,032,346	(1,948,607)	-64%	4,426,002
Income before transfers	942,961	2,042,362	(1,099,401)	-54%	6,774,671
Transfers out for capital development grants	(64,519)	(676,676)	612,157	-90%	(1,448,562)
Change in net position	$ 878,442	$ 1,365,686	$ (487,244)	-36%	$ 5,326,109

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position by Division, Continued
Years Ended September 30, 2018, 2017 and 2016

Development Corporation Division

	2018	2017	$ Change	% Change	2016
Operating revenues:					
Interest and fees on loans	$ 569,619	$ 403,484	$ 166,135	41%	$ 554,839
Interest and dividends on investments	46,802	9,927	36,875	371%	20,196
Other	585,116	1,387,094	(801,978)	-58%	393,252
	1,201,537	1,800,505	(598,968)	-33%	968,287
(Bad debts) recoveries	(1,813,745)	827,864	(2,641,609)	-319%	4,898,705
Net operating revenues	(612,208)	2,628,369	(3,240,577)	-123%	5,866,992
Operating expenses:					
Salaries and wages	625,154	551,719	73,435	13%	496,062
Employee benefits	339,366	327,727	11,639	4%	252,952
Professional fees	144,630	101,959	42,671	42%	69,283
Office rent	10,737	3,262	7,475	229%	7,811
Travel	54,140	48,364	5,776	12%	61,017
Depreciation	52,183	56,407	(4,224)	-7%	47,307
Other	216,445	221,760	(5,315)	-2%	165,019
Total operating expenses	1,442,655	1,311,198	131,457	10%	1,099,451
Operating (loss) income	(2,054,863)	1,317,171	(3,372,034)	-256%	4,767,541
Nonoperating revenues (expenses):					
Other income	1,150	1,575	(425)	-27%	1,475
Gain on sale of foreclosed real estate	3,622	-	3,622	100%	14,500
Gain on sale of capital assets	-	-	-	0%	10,144
Other expense	(12,000)	(24,682)	12,682	-51%	(11,398)
Total nonoperating revenues (expenses), net	(7,228)	(23,107)	15,879	-69%	14,721
Change in net position	$ (2,062,091)	$ 1,294,064	$ (3,356,155)	-259%	$ 4,782,262

Northern Marianas Housing Corporation

	2018	2017	$ Change	% Change	2016
Operating revenues	$ 6,011,230	$ 8,692,208	$ (2,680,978)	-31%	$ 8,892,647
Recoveries (bad debts)	233,466	664,888	(431,422)	-65%	(603,364)
Net operating revenues	6,244,696	9,357,096	(3,112,400)	-33%	8,289,283
Operating expenses	6,523,604	7,057,041	(533,437)	-8%	7,557,423
Operating income (loss)	(278,908)	2,300,055	(2,578,963)	-112%	731,860
Nonoperating revenues, net	65,669	100,349	(34,680)	-35%	66,580
(Loss) income before capital contributions	(213,239)	2,400,404	(2,613,643)	-109%	798,440
Capital contributions	1,359,489	-	1,359,489	100%	-
Change in net position	$ 1,146,250	$ 2,400,404	$ (1,254,154)	-52%	$ 798,440

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Cash Flows by Division
Years Ended September 30, 2018, 2017 and 2016

Development Banking Division

	2018	2017	$ Change	% Change	2016
Cash flows from operating activities	$ 112,263	$ 115,069	$ (2,806)	-2%	$ 133,978
Cash flows from capital and related financing activities	(25,365)	(1,451,921)	1,426,556	-98%	(1,241,220)
Cash flows from investing activities	(86,898)	1,336,852	(1,423,750)	-107%	1,107,242
Net change in cash and cash equivalents	-	-	-	0%	-
Cash and cash equivalents at beginning of year	-	-	-	0%	-
Cash and cash equivalents at end of year	$ -	$ -	$ -	0%	$ -

Development Corporation Division

	2018	2017	$ Change	% Change	2016
Cash flows from operating activities	$ 1,565,101	$ 973,205	$ 591,896	61%	$ 2,638,170
Cash flows from capital and related financing activities	736,624	2,718,443	(1,981,819)	-73%	(76,640)
Cash flows from investing activities	3,250,000	(2,000,000)	5,250,000	-263%	1,250,000
Net change in cash and cash equivalents	5,551,725	1,691,648	3,860,077	228%	3,811,530
Cash and cash equivalents at beginning of year	7,492,862	5,801,214	1,691,648	29%	1,989,684
Cash and cash equivalents at end of year	$ 13,044,587	$ 7,492,862	$ 5,551,725	74%	$ 5,801,214

Northern Marianas Housing Corporation

	2018	2017	$ Change	% Change	2016
Cash flows from operating activities	$ 456,952	$ 629,883	$ (172,931)	-27%	$ 270,341
Cash flows from capital and related financing activities	226,258	4,642	221,616	4774%	40,818
Cash flows from investing activities	336,736	6,554	330,182	5038%	(62,054)
Net change in cash and cash equivalents	1,019,946	641,079	378,867	59%	249,105
Cash and cash equivalents at beginning of year	1,314,717	673,638	641,079	95%	424,533
Cash and cash equivalents at end of year	$ 2,334,663	$ 1,314,717	$ 1,019,946	78%	$ 673,638

FINANCIAL HIGHLIGHTS, CONTINUED

DCD and DBD

- In 2018, DCD and DBD had net operating revenues of $(612,208) and $111,513, respectively. A significant part of DCD's negative net operating revenue was due to an addition in the provision for loan impairment due to default judgments of various delinquent loans and the restructuring and capitalization of accrued interest while DBD's net operating revenue resulted from loan interest payments. DCD recorded an addition in the allowance of $1,813,745 in 2018 compared with recoveries of $827,864 in 2017. Interest and fees earned on loans for DCD increased by $166,135 or 41% in fiscal year 2018 which is attributed to repayments from borrowers of various delinquent loans and accrued interest. Interest and fees earned on loans for DCD in fiscal year 2017 decreased by $151,355 or 27%. DBD had a decrease of $6,818 or 7% in fiscal year 2018 compared to $6,929 or 6% in fiscal year 2017.

- DCD invested surplus funds in time certificates of deposit (TCDs) to take advantage of better interest rates. Related earnings on investments increased from $9,927 for the year ended September 30, 2017 to $46,802 for the year ended September 30, 2018, an increase of $36,875 or 371%. DBD also invested in TCDs due to the continued decline of interest earned on savings deposits. Earnings on interest and dividends on investments increased from $8,283 for the year ended September 30, 2017 to $9,971 for the year ended September 30, 2018, an increase of $1,688 or 20%.

- In fiscal year 2018, operating expenses for DCD increased by $131,457 or 10% from 2017. In fiscal year 2017, operating expenses for DCD increased by $211,747, or 19%, from 2016. DBD's operating expenses decreased by $850,213 or 77% from 2017 and increased by $1,077,429 from fiscal year 2016. Efforts of management and staff are ongoing to reduce DCD's expenses. DBD's expenses were due to reimbursements paid to DCD to cover shared costs.

- As reflected above, CDA management and staff was very successful in collecting various large delinquent loans thereby recovering bad debts and foreclosed real estate losses. CDA management and staff are constantly reaching out to distressed borrowers by working closely 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 combined change in net position decreased by $3,843,399 or 145% from 2017 to 2018 due to the addition in the provision for loan allowance in fiscal year 2018.

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

- CDA received total preferred stock dividend payments of $6,480,000 and $5,400,000, respectively, from CUC since implementation of the Settlement Agreement.

FINANCIAL HIGHLIGHTS, CONTINUED

NMHC

- Total assets increased by 8% from $19,950,669 in 2017 to $21,473,756 in 2018 and from $19,564,761 in 2016 to $19,950,669 in 2017. Current assets of $4,928,773 and $4,692,206 as of September 30, 2018 and 2017, respectively, are primarily comprised of cash, current portion of loans receivable, finance lease receivables, and receivables from tenants.

- Total other assets as of September 30, 2018 and 2017 was $2,895,748 and $3,212,643, respectively, which is a decrease of 10% in restricted cash and cash equivalents.

- Foreclosed real estate increased by 161% from $227,798 in 2017 to $594,771 in 2018. This increase was due primarily to NMHC's execution of foreclosures during fiscal year 2018.

- NMHC's total net position increased by 13% from $8,567,039 in 2017 to $9,713,289 in 2018. This increase is a result of an increase in total assets. Total net position increased by 39% from $6,166,635 in 2016 to $8,567,039 in 2017. Net position represents NMHC's equity after liabilities are subtracted from assets. Net position is divided into two major categories. The first category, net investment in capital assets, indicates NMHC's equity in land, buildings and improvement and machinery and equipment, net of related outstanding debt. The second category, restricted net position, has external limitations on the way in which these assets can be used.

- As of September 30, 2018, NMHC's current assets of $4,928,773 exceed current liabilities of $2,841,131 by $2,087,642.

- NMHC's operating (loss) income during fiscal year 2018 and 2017 was $(278,908) and $2,300,055, respectively. The operating loss in 2018 is primarily attributable to revenue reductions compared to prior year in Home Investment Partnership Program Grant Income totaling $106,155 and net recoveries totaling $2,307,177.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2018 and 2017, CDA had $10,165,789 and $8,882,385, respectively, invested in capital assets, net of depreciation where applicable. This represents a net increase of $1,283,404, or 14%, during fiscal year 2018.

	2018	2017	2016
Depreciable capital assets, net of accumulated depreciation	$ 1,333,770	$ 1,409,855	$ 1,558,246
Nondepreciable capital assets	8,832,019	7,472,530	7,472,530
	$ 10,165,789	$ 8,882,385	$ 9,030,776

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

Long-Term Debt

At September 30, 2018 and 2017, CDA had $113,245 and $296,984, respectively, in long-term debt outstanding. See note 10 to the financial statements for more detailed information on CDA's long-term debt and changes therein.

ECONOMIC OUTLOOK

DCD and DBD

CDA is affected by economic forces at play globally as well as locally. The CNMI has long been regarded as pro-business thanks to a favorable tax climate, relatively affordable housing and a variety of incentives that encourages new business formation and development. The CNMI's economic resiliency was also tested when it was able to recover quickly from two recent major natural disasters. The CNMI's dependency on tourism as a main economic driver is also very vulnerable due to stiff competition from other major destinations that have bigger marketing budgets as well as the sensitivity of the tourism market from geopolitics that are at play globally. The effect of the ongoing trade war between the United States and China and the downward trend in tourist arrivals and tourism activity in the CNMI are major contributors for the overall decline in government revenues. On July 24, 2018, the Northern Mariana Islands U.S. Workforce Act of 2018 (the Workforce Act) was enacted extending the Commonwealth of the Northern Mariana Islands (CNMI) - Only Transitional Program (CW-1 program) through 2029 and increasing the CW-1 cap for fiscal year 2019 from 4,999 to 13,000, which will also help spur more economic growth in the CNMI.

Due to the current shortage in housing and a slowdown in loan borrowings, CDA is actively pursuing to launch its Rent to Own Home program to assist in the housing shortage as well as to invest CDA funds into a less risky income producing investment.

CDA biggest challenge in the past was funding its operations from earnings generated from its loan portfolios and investments. Management addressed this problem through a combination of revenue enhancements and expenditure reductions. CDA was very successful in collecting several large delinquent loans and continues to find innovative ways to assist existing borrowers. CDA also offers finance leases with an option to purchase on some of its properties in a move not only to recover the principal balance but also to offload its property inventory acquired from foreclosures. CDA also offers a Debt-Relief Program to bring qualified borrowers from a delinquent, non-paying status to a performing, paying status. The "price" to CDA of this program is to reduce the interest rate on these loans to 2%, which does not go far in generating income for CDA. However, management believes that if enough of the delinquent borrowers see hope of paying off their loans and preserving their collateral, they will begin to make regular payments.

NMHC

NMHC's program and operating revenues are primarily provided by the U.S federal government through operating subsidies, Section 8 HAP payments and other minor grants. The operating subsidy for 2018 was $1,249,733. Based on the CNMI's annual awards and the contract with HUD, NMHC anticipates that HUD assistance programs will continue into the foreseeable future.

Nevertheless, U.S. Congress continues to reduce Section 8 housing assistance funding. The reduction in funding adversely impacts NMHC's operating capabilities and financial position. During 2017, NMHC received $1,287,993 in federal funds for its housing. Such assistance has typically come with use restrictions and generally limits NMHC's ability to encumber or leverage debt financing against HUD properties in its asset portfolio.

PRIOR YEAR

Management's Discussion and Analysis for the year ended September 30, 2017 is set forth in CDA's report on the audit of financial statements, which is dated November 13, 2018. That Discussion and Analysis explains the major factors impacting the 2017 financial statements and can be viewed at the Office of the Public Auditor's website at www.opacnmi.com.

CONTACTING CDA 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 email to d.militante@developcnmi.com or Mr. Jesse S. Palacios, NMHC Corporate Director, P.O. Box 500514, Saipan MP 96950-0514 or call (670) 234-6866/9447 or email to jspalacios@nmhcgov.net.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Net Position
September 30, 2018 and 2017

ASSETS	2018	2017
Current assets:		
Cash and cash equivalents	$ 15,379,250	$ 8,807,579
Time certificates of deposit	250,000	3,500,000
Receivables:		
Current portion of loans receivable, net	5,515,568	3,029,808
Current portion of finance lease receivable, net	106,818	103,314
Rent, net	244,190	197,614
Accrued interest, net of allowance for doubtful accounts of $700,241 and $1,613,340 as of September 30, 2018 and 2017, respectively	236,314	68,003
Employees	74	57
Dividends	1,620,000	1,800,000
Other, net	1,290,207	2,045,465
Prepaid expenses	8,925	11,715
Total current assets	24,651,346	19,563,555
Other assets:		
Cash and cash equivalents, restricted	16,745,519	15,150,687
Noncurrent assets:		
Loans receivable, net of current portion	8,824,615	15,926,916
Finance lease receivable, net of current portion	1,781,850	1,883,815
Depreciable capital assets, net of accumulated depreciation	1,333,770	1,409,855
Nondepreciable capital assets	8,832,019	7,472,530
Foreclosed real estate, net	2,101,214	1,789,241
Total noncurrent assets	22,873,468	28,482,357
	$ 64,270,333	$ 63,196,599
LIABILITIES AND NET POSITION		
Current liabilities:		
Note payable to related party, current portion	$ 113,245	$ 296,984
Accounts payable and accrued expenses	1,623,672	1,604,315
Unearned revenues, current portion	27,227	27,227
Due to grantor agency	526,362	781,825
Loan commitment	5,136,809	4,274,500
Reserve for loan guaranty	1,571,239	1,461,887
Total current liabilities	8,998,554	8,446,738
Unearned revenues, net of current portion	9,458,677	8,899,360
Total liabilities	18,457,231	17,346,098
Commitments and contingencies		
Net position:		
Net investment in capital assets	10,165,789	8,882,385
Restricted	35,647,313	36,968,116
Total net position	45,813,102	45,850,501
	$ 64,270,333	$ 63,196,599

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2018 and 2017

	2018	2017
Operating revenues:		
Section 8 income:		
Federal housing assistance rentals	$ 4,339,256	$ 4,332,619
Tenant share	141,759	158,883
Interest and fees on loans	906,660	869,287
Community Development Block Grants (CDBG) Program	711,984	1,534,250
HOME Investment Partnership Program Grant	245,125	154,974
Low Income Housing Tax Credit	166,356	21,396
Emergency Shelter Grants (ESG) Program	73,893	58,393
Interest and dividends on investments	56,773	18,210
Housing rental	48,484	35,185
Recovery from reserve for loan guaranty	-	1,875,755
HOME Investment Partnership Grant program income	-	106,155
Economic Development Initiative (EDI) Program	-	2,950
Other	633,990	334,672
	7,324,280	9,502,729
(Provision for) recovery of loan impairment	(3,223,410)	1,087,657
Recovery of interest impairment	1,403,570	450,095
Recovery of (provision for) foreclosed real estate	239,561	(45,000)
Net operating revenues	5,744,001	10,995,481
Operating expenses:		
Section 8 rental	2,504,840	2,497,953
CDBG Program	628,148	1,534,250
HOME Investment Partnership Program Grant	197,758	154,974
ESG Program	73,893	58,393
HOME Investment Partnership Grant program income	-	106,155
EDI Program	-	2,950
Operations:		
Salaries and wages	1,972,583	1,686,398
Employee benefits	611,348	588,667
Repairs and maintenance	406,919	333,457
Professional fees	353,991	271,453
Utilities	293,716	363,478
Depreciation	179,089	197,598
Travel	144,135	171,026
Provision for loan guaranty	109,352	-
Supplies	92,263	71,956
Rent	22,309	15,884
Provision for foreclosed properties	-	60,019
Other	628,206	253,628
Total operating expenses	8,218,550	8,368,239
Operating (loss) income	(2,474,549)	2,627,242
Nonoperating revenues (expenses):		
Dividend income	900,000	2,880,000
Other income	198,806	175,764
Litigation judgment	45,828	45,828
Interest income	19,841	19,021
Gain on sale of foreclosed real estate	3,622	35,500
Interest expense	(13,917)	(21,843)
Other expense	(12,000)	(24,682)
Total nonoperating revenues, net	1,142,180	3,109,588
(Loss) income before transfers and capital contributions	(1,332,369)	5,736,830
Contributions for capital development grants	(64,519)	(676,676)
Capital contributions	1,359,489	-
Change in net position	(37,399)	5,060,154
Net position - beginning	45,850,501	40,790,347
Net position - ending	$ 45,813,102	$ 45,850,501

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from interest and fees on loans receivable	$ 2,425,940	$ 1,649,514
Interest and dividends on investments	56,773	18,210
Cash payments to suppliers for goods and services	(694,918)	(495,966)
Cash received from customers	602,244	333,934
Cash payments to employees for services	(2,199,315)	(1,884,105)
Cash received from federal grant awards	5,114,795	6,170,383
Cash payments from federal grant awards	(4,033,512)	(5,069,033)
Cash received for loan commitment	862,309	995,220
Net cash provided by operating activities	2,134,316	1,718,157
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(107,494)	(43,628)
Proceeds from sale of foreclosed real estate	228,850	30,109
Net receipts of loans receivable	1,504,630	2,793,634
Net receipts of finance lease receivable	114,982	157,332
Interest received from litigation judgment	5,897	5,613
Transfers for capital development grants	(64,519)	(676,676)
Transfers for loan commitment	(744,829)	(995,220)
Net cash provided by capital and related financing activities	937,517	1,271,164
Cash flows from investing activities:		
Proceeds from (purchase of) restricted cash and cash equivalents and time certificates of deposit	2,399,997	(4,204,615)
Dividend received	1,080,000	5,400,000
Purchase of defaulted loans	-	(1,871,000)
Interest received	19,841	19,021
Net cash provided by (used for) investing activities	3,499,838	(656,594)
Net increase in cash and cash equivalents	6,571,671	2,332,727
Cash and cash equivalents at beginning of year	8,807,579	6,474,852
Cash and cash equivalents at end of year	$ 15,379,250	$ 8,807,579
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	$ (2,474,549)	$ 2,627,242
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Provision for (recovery of) loan impairment	3,223,410	(1,087,657)
Provision for (recovery from) loan guaranty	109,352	(1,875,755)
(Recovery of) provision for foreclosed real estate	(239,561)	105,019
Depreciation	179,089	197,598
Finance lease revenue	(55,836)	(60,992)
Other	(10,850)	(23,107)
(Increase) decrease in assets:		
Receivables:		
Rent	(43,357)	(47,709)
Finance lease	(26,099)	(56,778)
Employees	(17)	56,800
Other	755,258	(77,643)
Accrued interest	115,710	330,133
Prepaid expenses	2,790	(6,642)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	19,357	640,673
Unearned revenues	(27,227)	20,714
Loan commitment	862,309	995,220
Due to grantor agency	(255,463)	(18,959)
Net cash provided by operating activities	$ 2,134,316	$ 1,718,157

See accompanying notes to financial statements.

COMMONWEALTH DEVELOPMENT AUTHORITY

Statements of Cash Flows, Continued
Years Ended September 30, 2018 and 2017

	2018	2017
Supplemental disclosure of noncash capital and related financing activities:		
Recognition of loans receivable:		
Noncash increase (decrease) in loans receivable	$ 619,482	$ (548,608)
Noncash (decrease) increase in unearned revenue	(619,482)	548,608
	$ -	$ -
Recognition of foreclosed properties and finance lease:		
Noncash increase in foreclosed real estate	$ 310,973	$ 11,278
Noncash decrease in loans receivable	(319,900)	(75,628)
Noncash increase in other income	(39,111)	-
Noncash increase in finance lease receivable	48,038	64,350
	$ -	$ -
Loan payable to Marianas Public Land Trust (MPLT):		
Noncash decrease in note payable to related party	$ (183,739)	$ (152,346)
Noncash interest expense	(13,917)	(21,843)
Noncash other income	197,656	174,189
	$ -	$ -
Recognition of construction in progress:		
Noncash increase in construction in progress	$ 1,359,489	$ -
Noncash increase in capital contributions	(1,359,489)	-
	$ -	$ -

See accompanying notes to financial statements.

(1) Reporting Entity

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

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

DBD:

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

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

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

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

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

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

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

NMHC:

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

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

- To develop and construct rental housing;

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

- 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; and

- To provide grant funding through the Community Development Block Grants/Special Purpose Grants/Insular Area program for community planning and development projects that will benefit low-moderate income communities.

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

(2) Summary of Significant Accounting Policies

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

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

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

Budgets

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

Cash and Cash Equivalents and Time Certificates of Deposit

For purposes of the statements of net position and of cash flows, cash and cash equivalents is defined as cash held in demand deposits, savings and unrestricted time certificates of deposit with a maturity date within three months of the date acquired. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. At September 30, 2018 and 2017, total cash and cash equivalents and time certificates of deposit were $32,374,769 and $27,458,266, respectively, and the corresponding bank balances were $32,425,368 and $27,484,243, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. Bank deposits in the amount of $500,000 were FDIC insured as of September 30, 2018 and 2017. CNMI law does not require component units to collateralize their bank accounts and thus CDA's deposits in excess of FDIC insurance are uncollateralized.

Prepaid Expenses

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

Capital Assets

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

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.

(2) Summary of Significant Accounting Policies, Continued

Foreclosed Real Estate

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

Loans Receivable, Interest Receivable and Allowance for Loan Losses

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

Finance Lease Receivables

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

Other Receivable

U.S. Department of Agriculture Rural Development (USDA RD) defaulted loans receivable is recorded at its purchase price or the real property's fair value less cost to sell. Other receivables are stated at the amount of unpaid balances.

Restricted Cash and Cash Equivalents and Time Certificates of Deposit

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

(2) Summary of Significant Accounting Policies, Continued

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

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

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

Revenue Recognition

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

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

Administrative fee revenue represents 75% of the 5% tax credit reserved for approved applicants of the Low Income Housing Tax Credit (LIHTC). NMHC is the government agency authorized to administer the LIHTC program in the CNMI. The LIHTC program is available to owners/developers of qualifying buildings and projects that meet certain low-income occupancy and rent restrictions. NMHC recorded LIHTC administrative fee revenue of $166,356 and $21,396 as of September 30, 2018 and 2017, respectively.

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.

Unearned Revenues

Unearned revenue is recognized when cash, receivables or other assets are recorded prior to being earned. Unearned revenue includes the following major components. Unearned revenue of DCD represents prepaid lease income on foreclosed real estate held for lease of $566,568 and $593,795 as of September 30, 2018 and 2017, respectively. Amounts to be recognized over the terms of the leases are as follows:

(2) Summary of Significant Accounting Policies, Continued

Unearned Revenues, Continued

Year ending September 30,	Lease Recognition
2019	$ 29,130
2020	14,830
2021	13,530
2022	13,530
2023	13,530
2024 - 2028	67,650
2029 - 2033	67,650
2034 - 2038	67,650
2039 - 2043	67,650
2044 - 2048	67,650
2049 - 2053	65,496
2054 - 2058	57,010
2059 - 2062	21,262
	$ 566,568

Unearned revenues represent recorded loans receivable from individuals eligible under the HOME Investment Partnership and Neighborhood Stabilization programs administered by NMHC. NMHC recorded unearned revenues of $8,919,336 and $8,332,792 as of September 30, 2018 and 2017, respectively, which have been presented as long-term in the accompanying financial statements.

Loan Commitments

Loan commitments are funds received from the CNMI for the SSBCI cash collateral support program deposited in a financial institution subject to FDIC and funds for loans approved and not yet disbursed at year end. Loan commitment funds as of September 30, 2018 and 2017 were $5,035,657 and $4,274,500, respectively.

Compensated Absences

Vested or accumulated vacation leave is recorded as benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Accumulated sick pay benefits as of September 30, 2018 and 2017 approximated $499,626 and $439,583, 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 in 2013 and continued to pursue the remaining $190,322. NMHC recorded litigation judgment revenue of $45,828 during the years ended September 30, 2018 and 2017 and recorded related receivables of $4,407 and $37,345 (inclusive of interest of nine percent (9%) per annum) as of September 30, 2018 and 2017, respectively.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan

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

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

On March 11, 2013, Public Law 18-02 was enacted to amend Public Law 17-82 to clarify those provisions necessary to expedite the refunds and to prevent any further frustration of the process. Included in the public law is the amendment of Section 203(a) of Title 1, Division 8, Part 3, which states that the government obligation to withhold and remit the employee's portion to the employee's defined account shall continue with respect to employees who do not terminate membership in the DB Plan. All but four active CDA employees voluntarily terminated membership in the DB Plan and CDA contributed $194,788 and $181,826 to the DB Plan during the years ended September 30, 2018 and 2017, respectively.

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. CDA and NMHC are required to contribute to each member's individual account an amount equal to 4% of the member's compensation. CDA and NMHC's recorded DC contributions for the years ended September 30, 2018 and 2017 were $23,400 and $21,261, 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.

(2) Summary of Significant Accounting Policies, Continued

Net Position

CDA's net position is classified as follows:

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

- Restricted:

  Nonexpendable - Net position subject to externally imposed stipulations that CDA maintain them permanently. At September 30, 2018 and 2017, CDA does not have nonexpendable net position.

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

- Unrestricted; Net position that is not subject to externally imposed stipulations. As CDA considers all assets, except net investments in capital assets, to be restricted for economic development, CDA does not have unrestricted net position of September 30, 2018 and 2017.

GASB Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* and in November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* which revised and established new financial reporting requirements for most governments that provided their employees with pension benefits through plans that are administered through trusts. Management has determined that the CNMI is legally responsible for making contributions to NMISF as a non-employer entity and that net pension obligations are allocated in total to the CNMI. Management acknowledges the requirement to recognize revenue in an amount equal to the non-employer contributing entities' (CNMI) total proportionate share of the collective pension expense that is associated with CDA. CDA has not recorded related revenues and pension expense for the years ended September 30, 2018 and 2017 as amounts were not available.

New Accounting Standards

During the year ended September 30, 2018, CDA implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

- GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

The implementation of these statements did not have a material effect on CDA's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

Off-Balance Sheet Financial Instruments

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

Estimates

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

Reclassifications

Certain 2017 balances in the accompanying financial statements have been reclassified to conform to the 2018 presentation.

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

DBD

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

At September 30, 2018 and 2017, restricted cash and cash equivalents and time certificates of deposit amounting to $8,830,442 and $7,663,544, 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 and Time Certificates of Deposit, Continued

DCD

Restricted cash and cash equivalents represent funds for the SSBCI loan program maintained by CDA as the disbursing agent deposited with commercial lending institutions held in the name of CDA. At September 30, 2018 and 2017, restricted cash and cash equivalents for the SSBCI loan program were $5,019,329 and $4,274,500, respectively, maintained in financial institutions subject to FDIC.

NMHC

NMHC maintains depository accounts with financial institutions in the CNMI which are restricted for various purposes, as detailed below. At September 30, 2018 and 2017, restricted cash and cash equivalents consist of amounts held in demand deposit accounts which are maintained in financial institutions subject to FDIC. CNMI law does not require component units to collateralize their bank accounts and thus NMHC's deposits in excess of FDIC insurance are uncollateralized. Accordingly, the deposits are exposed to custodial credit risk.

Restricted cash and cash equivalents:	2018	2017
Escrow and savings accounts maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA RD loans	$ 1,380,536	$ 1,448,451
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with HUD	230,349	199,872
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	258	336
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	749,526	1,057,016
Other depository accounts reserved for various purposes	535,079	506,968
	$ 2,895,748	$ 3,212,643

(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, 2018 and 2017, 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 a maturity date of June 15, 2030. Proceeds were used for the Saipan Harbor Project.

(4) Loans Receivable, Continued

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 Mariana 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 Mariana Islands.

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, 2018 and 2017 (with combining information as of September 30, 2018), are as follows:

	DBD	DCD	NMHC	2018	2017
General	$ -	$ 26,148,906	$ 418,957	$ 26,567,863	$ 28,159,844
HOME Investment Partnerships Act grant	-	-	7,672,582	7,672,582	7,469,730
Marine	-	5,419,002	-	5,419,002	5,369,068
Capital development loan receivable from related party	3,695,608	-	-	3,695,608	3,971,019
Direct family home loans	-	-	2,663,460	2,663,460	2,383,615
Agriculture	-	1,205,700	-	1,205,700	1,236,840
NSP grant	-	-	1,040,017	1,040,017	1,053,767
Housing construction	-	-	273,478	273,478	371,486
Tinian turnkey	-	-	436,822	436,822	474,984
Section 8	-	-	404,412	404,412	398,350
Housing preservation grant	-	-	88,294	88,294	89,541
Veterans Aid		-	49,141	49,141	187,608
Loan principal receivable	3,695,608	32,773,608	13,047,163	49,516,379	51,165,852
Less allowance for loan losses	-	(26,261,541)	(8,914,655)	(35,176,196)	(32,209,128)
Net loans receivable	$ 3,695,608	$ 6,512,067	$ 4,132,508	$ 14,340,183	$ 18,956,724

NMHC delinquent loans referred to legal counsel for collection totaled $2,078,169 and $1,654,674 as of September 30, 2018 and 2017, respectively.

(4) Loans Receivable, Continued

Maturities of the above principal balances subsequent to September 30, 2018 will be as follows:

	DBD	DCD	NMHC	Total
Fully matured and others	$ -	$ 24,356,584	$ 1,939,681	$ 26,296,265
1 - 6 months	140,901	371,665	629,976	1,142,542
7 - 18 months	3,554,707	700,776	943,819	5,199,302
19 months - 3 years	-	850,440	1,250,300	2,100,740
After 3 years	-	6,494,143	8,283,387	14,777,530
	$ 3,695,608	$ 32,773,608	$ 13,047,163	$ 49,516,379

Allowance for Loan Losses

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

	DBD	DCD	NMHC	2018	2017
Balance - beginning of year	$ -	$ 23,547,273	$ 8,661,855	$ 32,209,128	$ 32,828,373
Provision for (recovery from) loan losses	-	527,017	252,800	779,817	(799,156)
Effect of summary judgments	-	2,717,401	-	2,717,401	179,911
Write-off of loans	-	(530,150)	-	(530,150)	-
Balance - end of year	$ -	$ 26,261,541	$ 8,914,655	$ 35,176,196	$ 32,209,128

During the years ended September 30, 2018 and 2017, CDA increased loans receivable and the allowance for loan losses by $2,717,401 and $179,911, respectively, based on summary judgments issued by the courts.

(5) Other Receivables

NMHC

Significant balances included in other receivables as of September 30, 2018 and 2017 are generally as follows:

	2018	2017
Defaulted loans	$ 1,205,400	$ 1,871,000
Financial institution	-	121,226
Tottotville	4,407	37,345
Other	11,814	10,642
	1,221,621	2,040,213
Less allowance for doubtful accounts	-	-
Net receivables	$ 1,221,621	$ 2,040,213

Allowance for Doubtful Accounts

An analysis of the change in the above allowance for doubtful accounts is as follows:

	2018	2017
Balance - beginning of year	$ -	$ 4,225,396
Write-offs	-	(4,104,170)
Recovery	-	(121,226)
Balance - end of year	$ -	$ -

(5) Other Receivables, Continued

Allowance for Doubtful Accounts, Continued

On October 18, 2016, NMHC entered into a settlement agreement with USDA RD for $1,871,000 to pay forty-eight seriously delinquent accounts in full with a principal amount of $4,097,440, which was paid on October 24, 2016. USDA RD assigned and transferred all interest under the delinquent loans and real estate deeds of trust. NMHC wrote-off other loans receivable and the attendant allowance for doubtful accounts of $4,104,170 as of September 30, 2017. NMHC recorded USDA RD defaulted loans receivable of $1,871,000 as of September 30, 2017 to recognize purchased loans at the lower of each loan's purchase price or the real property's fair value less costs to sell. To recover costs and gain additional revenue, NMHC intends to sell each real property under a deed of trust to third parties and thus has recorded the amounts as current other receivables.

On March 14, 2017, a binding and unappealable judgment per Civil Case No. 11-0324 was issued on a lawsuit against a financial institution for a dispute as to a loan purchase agreement, which awarded NMHC $121,226 in damages, which is included in the accompanying 2017 financial statements as a recovery of loan impairment.

(6) Finance Leases

DCD

CDA leases certain foreclosed real estate properties for periods ranging from ten to twenty-five years under direct finance leases. The leases bear interest at fixed rates ranging from 4.5% to 5.0% and provide options to purchase at $1 and $100 plus the outstanding lease receivable and related accrued interest. Finance lease income for the years ended September 30, 2018 and 2017 amounted to $55,836 and $60,993, respectively. Future minimum lease rentals and future minimum lease income under these arrangements as of September 30, 2018, are as follows:

Year ending September 30,	Minimum Lease Rentals	Minimum Lease Income	Net 2018	Net 2017
2018	$ -	$ -	$ -	$ 87,609
2019	152,971	60,111	92,860	91,843
2020	151,860	59,310	92,550	90,409
2021	176,625	57,519	119,106	116,965
2022	145,860	57,357	88,503	86,362
2023	145,860	57,357	88,503	-
Thereafter	1,678,205	964,012	714,193	781,673
	$ 2,451,381	$ 1,255,666	1,195,715	1,254,861
	Less current portion		(92,860)	(87,604)
	Noncurrent portion		$ 1,102,855	$ 1,167,257

(6) Finance Leases, Continued

NMHC

NMHC leases certain foreclosed real estate properties for periods ranging from fifteen to thirty years bearing interest at fixed rates ranging from 2% to 6% and with options to purchase at $100 plus the outstanding lease receivable and related accrued interest. Finance lease income for the years ended September 30, 2018 and 2017 amounted to $48,484 and $35,185, respectively. Future minimum lease rentals under these arrangements as of September 30, 2018 and 2017, are as follows:

Year ending September 30,	Minimum Lease Rentals	Minimum Lease Income	Net 2018	Net 2017
2018	$ -	$ -	$ -	$ 15,710
2019	48,877	34,919	13,958	20,474
2020	54,560	34,633	19,927	21,569
2021	55,387	33,481	21,906	22,793
2022	55,878	32,311	23,567	23,999
2023	55,878	31,066	24,812	-
Thereafter	871,959	283,176	588,783	647,064
	$ 1,142,539	$ 449,586	692,953	751,609
Less current portion			(13,958)	(15,710)
Less allowance for doubtful accounts			-	(19,341)
Noncurrent portion			$ 678,995	$ 716,558

(7) Investments

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

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

(7) Investments, Continued

CUC issued to CDA forty-five shares of preferred stock with a par value of $1,000,000 per share for a total aggregate value of $45,000,000 dated September 28, 2009. The preferred stock yields guaranteed dividends at two percent per annum payable quarterly in advance. The dividends of the preferred stock are cumulative from and after October 1, 2009 and bear no interest. CDA has taken the position that the value of the preferred stock represents the net present value of the future stream of dividend payments required by CUC and not the face value of the stock itself. At September 30, 2018 and 2017, 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.

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

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

On August 17, 2016, CDA entered into an agreement with CUC for the total amount of unpaid dividend payments owed by CUC to CDA and agreed to a dividend of $4,320,000 for the year ended September 30, 2016. The agreement states that CUC will make quarterly dividend payments beginning October 1, 2016, as required by the preferred stock agreement, with a payment to CDA of $270,000 which represents the full amount of the quarterly dividend due. In 2015, CDA has determined that, prospectively, dividend income will be recognized upon collection; however, changes in circumstances in CUC's cash flows resulted in collections of dividends receivable as of September 30, 2018 and 2017. At September 30, 2018 and 2017, CDA recorded dividends receivable of $1,620,000 and $1,800,000, respectively, for deferred dividends earned for the first three years after issuance of the preferred stock which is being amortized over a fifteen-year period.

(8) Capital Assets

Capital assets consist of the following at September 30, 2018 and 2017:

DCD

	Estimated Useful Lives	Balance at October 1, 2017	Additions	Deletions	Balance at September 30, 2018
Capital assets not being depreciated:					
Land, net		$ 184,348	$	$	$ 184,348
Capital assets being depreciated:					
Structure and improvements	7 years	711,024	11,515	-	722,539
Vehicles/office equipment	3 - 5 years	198,432	2,048	-	200,480
Computer equipment	3 - 5 years	49,828	10,734	-	60,562
Furniture and fixtures	7 years	104,655	-	-	104,655
		1,063,939	24,297	-	1,088,236
Less accumulated depreciation		(410,418)	(52,183)	-	(462,601)
Total capital assets being depreciated		653,521	(27,886)	-	625,635
Total capital assets, net		$ 837,869	$ (27,886)	$ -	$ 809,983

	Estimated Useful Lives	Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
Capital assets not being depreciated:					
Land, net		$ 184,348	$ -	$ -	$ 184,348
Capital assets being depreciated:					
Structure and improvements	7 years	706,463	4,561	-	711,024
Vehicles/office equipment	3 - 5 years	195,155	3,277	-	198,432
Computer equipment	3 - 5 years	49,828	-	-	49,828
Furniture and fixtures	7 years	104,655	-	-	104,655
		1,056,101	7,838	-	1,063,939
Less accumulated depreciation		(354,011)	(56,407)	-	(410,418)
Total capital assets being depreciated		702,090	(48,569)	-	653,521
Total capital assets, net		$ 886,438	$ (48,569)	$ -	$ 837,869

NMHC

	Estimated Useful Lives	Balance at October 1, 2017	Additions	Deletions	Balance at September 30, 2018
Nondepreciable capital assets:					
Land		$ 7,288,182	$ -	$ -	$ 7,288,182
Construction in progress		-	1,359,489	-	1,359,489
Total nondepreciable capital assets		7,288,182	1,359,489	-	8,647,671
Depreciable capital assets:					
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	$ 2,372,156	$ -	$ (2,687)	$ 2,369,469
Section 8 Koblerville Housing	30 years	1,889,853	-	(726)	1,889,127
Section 8 Rota Housing	30 years	1,124,367	-	(3,620)	1,120,747
Section 8 Tinian Housing	30 years	1,004,639	-	(3,231)	1,001,408
Section 8 Housing Phase II	30 years	631,243	-	-	631,243
Section 8 Housing Phase I	30 years	600,515	-	-	600,515
		7,622,773	-	(10,264)	7,612,509
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	11,793	-	870,024
Equipment and computers	3 - 8 years	34,986	71,404	(5,202)	101,188
Vehicles	3 years	251,620	-	-	251,620
		3,968,328	83,197	(5,202)	4,046,323
		11,591,101	83,197	(15,466)	11,658,832
Less accumulated depreciation		(10,834,767)	(126,906)	10,976	(10,950,697)
Total depreciable capital assets		756,334	(43,709)	(4,490)	708,135
		$ 8,044,516	$ 1,315,780	$ (4,490)	$ 9,355,806

(8) Capital Assets, Continued

NMHC, Continued

	Estimated Useful Lives	Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
Nondepreciable capital assets:					
Land		$ 7,288,182	$ -	$ -	$ 7,288,182
Depreciable capital assets:					
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	$ 2,500,086	$ -	$ (127,930)	$ 2,372,156
Section 8 Koblerville Housing	30 years	1,954,050	-	(64,197)	1,889,853
Section 8 Rota Housing	30 years	1,200,484	-	(76,117)	1,124,367
Section 8 Tinian Housing	30 years	1,084,553	-	(79,914)	1,004,639
Section 8 Housing Phase II	30 years	637,704	-	(6,461)	631,243
Section 8 Housing Phase I	30 years	600,515	-	-	600,515
		7,977,392	-	(354,619)	7,622,773
Other:					
Koblerville infrastructure	30 years	2,214,991	-	-	2,214,991
Tinian infrastructure	30 years	608,500	-	-	608,500
Building and improvements	20 years	858,231	-	-	858,231
Equipment and computers	3 - 8 years	550,079	-	(515,093)	34,986
Vehicles	3 years	215,830	35,790	-	251,620
		4,447,631	35,790	(515,093)	3,968,328
		12,425,023	35,790	(869,712)	11,591,101
Less accumulated depreciation		(11,568,867)	(141,191)	875,291	(10,834,767)
Total depreciable capital assets		856,156	(105,401)	5,579	756,334
		$ 8,144,338	$ (105,401)	$ 5,579	$ 8,044,516

Construction in progress consists of costs incurred for the low-income solar project, which includes installation of solar arrays on low-income houses managed by NMHC. The project is donated by a third-party contractor through a USDA RD grant. Installation of solar panels is substantially completed but not in service as of September 30, 2018. Management expects the project to be placed in use in fiscal year 2019.

NMHC's nondepreciable capital assets consist of the following titles to approximately 335,542 square meters of land:

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

(8) Capital Assets, Continued

NMHC, Continued

The above land was acquired at no cost and was originally held for development of low income rental housing or resale to low income families for construction of housing. The land is recorded on NMHC's financial statements at estimated fair value of $7,288,182 at September 30, 2018 and 2017. 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.

(9) Foreclosed Real Estate

A summary of the changes in foreclosed real estate and the related valuation allowance as of September 30, 2018 and 2017 is as follows:

	DCD		NMHC	2018	2017
	For Sale	For Lease			
Foreclosed Real Estate:					
Balance at beginning of year	$ 1,086,460	$ 2,078,876	$ 227,798	$ 3,393,134	$ 3,355,984
Additions	-	-	366,973	366,973	589,350
Deletions	(70,000)	(40,000)	-	(110,000)	(552,200)
	1,016,460	2,038,876	594,771	3,650,107	3,393,134
Valuation allowance	(491,230)	(1,057,663)	-	(1,548,893)	(1,603,893)
Balance at end of year	$ 525,230	$ 981,213	$ 594,771	$ 2,101,214	$ 1,789,241
Valuation Allowance:					
Balance at beginning of year	$ 526,230	$ 1,077,663	$ -	$ 1,603,893	$ 1,478,393
Provisions	-	-	-	-	275,500
Write-offs/transfers	(35,000)	(20,000)	-	(55,000)	(150,000)
Balance at end of year	$ 491,230	$ 1,057,663	$ -	$ 1,548,893	$ 1,603,893

(10) Note Payable to Related Party

	2018	2017
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, 2018 and 2017, CDA recorded other income of $183,739 and $174,189, respectively.	$ 113,245	$ 296,984

(10) Note Payable to Related Party, Continued

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
2019	$ 113,245	$ 1,931	$ 115,176

Changes in notes payable for the years ended September 30, 2018 and 2017, are as follows:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Due Within One Year
DBD	$ 296,984	$ -	$ (183,739)	$ 113,245	$ 113,245

	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Due Within One Year
DBD	$ 449,330	$ -	$ (152,346)	$ 296,984	$ 296,984

(11) Contributions 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 "contributions for capital development grants".

Contributions for capital development grants consist of (a) transfers to the CNMI for capital projects of the CNMI Third Senatorial Districts pursuant to Saipan Local Law No. 18-17 of $15,402 and $468,034 for the years ended September 30, 2018 and 2017, respectively, (b) transfers to the CNMI for renovations and repair of Tinian municipal buildings pursuant to Public Law No. 17-8 of $-0- and $49,425 for the years ended September 30, 2018 and 2017, respectively, (c) transfers to the CNMI for road paving projects in Kagman III, Phase I and II pursuant to Saipan Local Law No. 19-5 of $-0- and $137,137 for the years ended September 30, 2018 and 2017, respectively, (d) transfers to the CNMI for capital projects pursuant to Tinian Local Law No. 19-04 of $25,697 and $22,080, for the years ended September 30, 2018 and 2017, respectively, and (e) transfers to the CNMI for capital projects pursuant to Rotal Local Law No. 19-12 of $23,420 and $-0-, for the years ended September 30, 2018 and 2017, respectively.

(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, 2018 and 2017 amounted to $238,422 and $202,815, respectively. Minimum future lease income for all leases is as follows:

Year ending September 30,	Minimum Lease Income Due
2019	$ 175,805
2020	95,820
2021	92,545
2022	92,545
2023	92,545
Thereafter	3,012,643
	$ 3,561,903

CDA leases its office space and equipment in Rota for an annual rental of $7,811. Total minimum future rental is $7,968 under this operating lease for the year ending September 30, 2019.

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 $1,720,955 have been set forth in NMHC's Single Audit Report for the year ended September 30, 2018 and is comprised of questioned costs of $273,058 for fiscal year 2018, $311,703 for fiscal year 2017 and $1,136,194 for fiscal year 2016. 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 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, 2018 and 2017, NMHC has guaranteed outstanding loans of $6,220,742 and $6,289,524, respectively, and the amount of delinquent loans related to the agreement was $1,538,228 and $1,534,424, respectively. As of September 30, 2018 and 2017, total delinquent loans with demand notices from RD were $-0- for which NMHC recorded liabilities incorporated in a "reserve for loan guaranty" of $1,571,239 and $1,461,887, respectively, in the accompanying financial statements exclusive of reserves for the remaining non-delinquent and delinquent loans without demand notices of $1,537,352 and $1,534,424, respectively.

(12) Commitments and Contingencies, Continued

Contingencies, Continued

NMHC entered into a loan and a related loan purchase with a CNMI savings and loan 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, 2018 and 2017, NMHC was contingently liable for $431,099 and $567,251, 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, 2018 and 2017 was $258 and $336, respectively, which is included in "restricted cash and cash equivalents" in the accompanying financial statements. As of September 30, 2018 and 2017, total defaulted loans related to this arrangement were $-0-.

NMHC also has similar arrangements with other financial institutions whereby NMHC guarantees a varying percentage of loans issued by banks for housing construction. At September 30, 2018 and 2017, NMHC was contingently liable to these institutions for $272,212 and $321,669, respectively. As of September 30, 2018 and 2017, the total defaulted loans related to these arrangements were $-0-.

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.

(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 Events

On October 24, through 25, 2018, the CNMI was devastated by Super Typhoon Yutu. NMHC determined the extent of damages, including materials and labor, and submitted a request for reimbursement totaling approximately $130,000 in May 2019 from the Federal Emergency Management Agency (FEMA) to assist in disaster recovery. The reimbursements are under review by FEMA; however, FEMA did not provide an estimate of potential recovery and, accordingly, an adjustment was neither determinable nor recorded by NMHC as of September 30, 2018. In addition, NMHC is developing a CNMI Action Plan for the Community Development Block Grant Disaster Recovery (CDBG-DR) program application to be submitted to HUD. CDBG-DR program provides funds to be used for necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure, housing, and economic revitalization.

On May 15, 2019, CDA received $3,507,651 from CPA as full payment of a capital development loan payable to CDA.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Net Position
September 30, 2018

ASSETS	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Current assets:					
Cash and cash equivalents	$ -	$ 13,044,587	$ 2,334,663	$ -	$ 15,379,250
Time certificates of deposit	-	250,000	-	-	250,000
Receivables:					
Current portion of loans receivable, net	3,695,608	707,115	1,112,845	-	5,515,568
Current portion of finance lease receivable, net	-	92,860	13,958	-	106,818
Rent, net	-	63,168	181,022	-	244,190
Accrued interest, net	4,040	167,684	64,590	-	236,314
Dividends	1,620,000	-	-	-	1,620,000
Employees	-	-	74	-	74
Other, net	-	68,586	1,221,621	-	1,290,207
Prepaid expenses	-	8,925	-	-	8,925
Total current assets	5,319,648	14,402,925	4,928,773	-	24,651,346
Other assets:					
Cash and cash equivalents, restricted	8,830,442	5,019,329	2,895,748	-	16,745,519
Noncurrent assets:					
Loans receivable, net of current portion	-	5,804,952	3,019,663	-	8,824,615
Finance lease receivable, net of current portion	-	1,102,855	678,995	-	1,781,850
Due from other funds	-	77,561	-	(77,561)	-
Depreciable capital assets, net of accumulated depreciation	-	625,635	708,135	-	1,333,770
Nondepreciable capital assets	-	184,348	8,647,671	-	8,832,019
Foreclosed real estate, net	-	1,506,443	594,771	-	2,101,214
Total noncurrent assets	-	9,301,794	13,649,235	(77,561)	22,873,468
	$ 14,150,090	$ 28,724,048	$ 21,473,756	$ (77,561)	$ 64,270,333
LIABILITIES AND NET POSITION					
Current liabilities:					
Note payable to related party, current portion	$ 113,245	$ -	$ -	$ -	$ 113,245
Accounts payable and accrued expenses	-	880,142	743,530	-	1,623,672
Due to grantor agency	-	-	526,362	-	526,362
Unearned revenues, current portion	-	27,227	-	-	27,227
Loan commitment	-	5,136,809	-	-	5,136,809
Reserve for loan guaranty	-	-	1,571,239	-	1,571,239
Total current liabilities	113,245	6,044,178	2,841,131	-	8,998,554
Due to other funds	77,561	-	-	(77,561)	-
Unearned revenues, net of current portion	-	539,341	8,919,336	-	9,458,677
Total liabilities	190,806	6,583,519	11,760,467	(77,561)	18,457,231
Net position:					
Net investment in capital assets	-	809,983	9,355,806	-	10,165,789
Restricted	13,959,284	21,330,546	357,483	-	35,647,313
Total net position	13,959,284	22,140,529	9,713,289	-	45,813,102
	$ 14,150,090	$ 28,724,048	$ 21,473,756	$ (77,561)	$ 64,270,333

See Accompanying Independent Auditors' Report.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2018

	Development Banking Division	Development Corporation Division	Northern Marianas Housing Corporation	Elimination Entries	Total
Operating revenues:					
Section 8 income:					
Federal housing assistance rentals	$ -	$ -	$ 4,339,256	$ -	$ 4,339,256
Tenant share	-	-	141,759	-	141,759
Interest and fees on loans	95,734	569,619	241,307	-	906,660
CDBG Program	-	-	711,984	-	711,984
HOME Investment Partnership Program Grant	-	-	245,125	-	245,125
Low Income Housing Tax Credit	-	-	166,356	-	166,356
ESG Program	-	-	73,893	-	73,893
Interest and dividends on investments	9,971	46,802	-	-	56,773
Housing rental	-	-	48,484	-	48,484
Other	5,808	585,116	43,066	-	633,990
	111,513	1,201,537	6,011,230	-	7,324,280
(Provision for) recovery of loan impairment	-	(3,227,026)	3,616	-	(3,223,410)
Recovery of interest impairment	-	1,403,570	-	-	1,403,570
Recovery from foreclosed real estate	-	9,711	229,850	-	239,561
Net operating revenues	111,513	(612,208)	6,244,696	-	5,744,001
Operating expenses:					
Section 8 rental	-	-	2,504,840	-	2,504,840
CDBG Program	-	-	628,148	-	628,148
HOME Investment Partnership Program Grant	-	-	197,758	-	197,758
ESG Program	-	-	73,893	-	73,893
Operations:					
Salaries and wages	-	625,154	1,347,429	-	1,972,583
Employee benefits	-	339,366	271,982	-	611,348
Repairs and maintenance	-	21,553	385,366	-	406,919
Professional fees	-	144,630	209,361	-	353,991
Utilities	-	35,956	257,760	-	293,716
Depreciation	-	52,183	126,906	-	179,089
Travel	-	54,140	89,995	-	144,135
Provision for loan guaranty	-	-	109,352	-	109,352
Supplies	-	-	92,263	-	92,263
Rent	-	10,737	11,572	-	22,309
Other	252,291	158,936	216,979	-	628,206
Total operating expenses	252,291	1,442,655	6,523,604	-	8,218,550
Operating loss	(140,778)	(2,054,863)	(278,908)	-	(2,474,549)
Nonoperating revenues (expenses):					
Dividend income	900,000	-	-	-	900,000
Other income	197,656	1,150	-	-	198,806
Litigation judgment	-	-	45,828	-	45,828
Interest income	-	-	19,841	-	19,841
Gain on sale of foreclosed property	-	3,622	-	-	3,622
Interest expense	(13,917)	-	-	-	(13,917)
Other expense	-	(12,000)	-	-	(12,000)
Total nonoperating revenues, net	1,083,739	(7,228)	65,669	-	1,142,180
Income (loss) before transfers and capital contributions	942,961	(2,062,091)	(213,239)	-	(1,332,369)
Contributions for capital development grants	(64,519)	-	-	-	(64,519)
Capital contributions	-	-	1,359,489	-	1,359,489
Change in net position	878,442	(2,062,091)	1,146,250	-	(37,399)
Net position - beginning	13,080,842	24,202,620	8,567,039	-	45,850,501
Net position - ending	$ 13,959,284	$ 22,140,529	$ 9,713,289	$ -	$ 45,813,102

See Accompanying Independent Auditors' Report.

COMMONWEALTH DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows
Year Ended September 30, 2018

	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	$ 96,589	$ 1,813,912	$ 515,439	$ -	$ 2,425,940
Interest and dividends on investments	9,971	46,802	-	-	56,773
Cash payments to suppliers for goods and services	(105)	(543,404)	(151,409)	-	(694,918)
Cash received from customers	5,808	237,368	359,068	-	602,244
Cash payments to employees for services	-	(851,886)	(1,347,429)	-	(2,199,315)
Cash received from federal grant awards	-	-	5,114,795	-	5,114,795
Cash payments from federal grant awards	-	-	(4,033,512)	-	(4,033,512)
Cash received for loan commitment	-	862,309	-	-	862,309
Net cash provided by operating activities	112,263	1,565,101	456,952	-	2,134,316
Cash flows from capital and related financing activities:					
Net interdivisional transactions	(236,257)	236,257	-	-	-
Acquisition of capital assets	-	(24,297)	(83,197)	-	(107,494)
Net receipts of loans receivable	275,411	1,154,511	74,708	-	1,504,630
Net receipts of finance lease receivable	-	114,982	-	-	114,982
Proceeds from sale of foreclosed real estate	-	-	228,850	-	228,850
Interest received from litigation judgment	-	-	5,897	-	5,897
Transfers for capital development grants	(64,519)	-	-	-	(64,519)
Transfers for loan commitment	-	(744,829)	-	-	(744,829)
Net cash (used for) provided by capital and related financing activities	(25,365)	736,624	226,258	-	937,517
Cash flows from investing activities:					
(Purchase of) proceeds from restricted cash and cash equivalents and time certificates of deposit	(1,166,898)	3,250,000	316,895	-	2,399,997
Dividend received	1,080,000	-	-	-	1,080,000
Interest received	-	-	19,841	-	19,841
Net cash (used for) provided by investing activities	(86,898)	3,250,000	336,736	-	3,499,838
Net increase in cash and cash equivalents	-	5,551,725	1,019,946	-	6,571,671
Cash and cash equivalents at beginning of year	-	7,492,862	1,314,717	-	8,807,579
Cash and cash equivalents at end of year	$ -	$ 13,044,587	$ 2,334,663	$ -	$ 15,379,250
Reconciliation of operating loss to net cash provided by operating activities:					
Operating loss	$ (140,778)	$ (2,054,863)	$ (278,908)	$ -	$ (2,474,549)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Provision for (recovery of) loan impairment	-	3,227,026	(3,616)	-	3,223,410
Provision for loan guaranty	-	-	109,352	-	109,352
Recovery from foreclosed real estate	-	(9,711)	(229,850)	-	(239,561)
Expenses allocated from DCD to DBD	252,186	(252,186)	-	-	-
Depreciation	-	52,183	126,906	-	179,089
Finance lease revenue	-	(55,836)	-	-	(55,836)
Other	-	(10,850)	-	-	(10,850)
(Increase) decrease in assets:					
Receivables:					
Rent	-	(28,876)	(14,481)	-	(43,357)
Finance lease	-	-	(26,099)	-	(26,099)
Employees	-	-	(17)	-	(17)
Accrued interest	855	(159,277)	274,132	-	115,710
Other	-	(63,334)	818,592	-	755,258
Prepaid expenses	-	2,790	-	-	2,790
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	-	82,953	(63,596)	-	19,357
Unearned revenues	-	(27,227)	-	-	(27,227)
Loan commitment	-	862,309	-	-	862,309
Due to grantor agency	-	-	(255,463)	-	(255,463)
Net cash provided by operating activities	$ 112,263	$ 1,565,101	$ 456,952	$ -	$ 2,134,316
Supplemental disclosure of noncash capital and related financing activities:					
Recognition of loans receivable:					
Noncash increase in loans receivable	$ -	$ -	$ 619,482	$ -	$ 619,482
Noncash increase in unearned revenues	-	-	(619,482)	-	(619,482)
	$ -	$ -	$ -	$ -	$ -
Recognition of foreclosed properties and finance lease:					
Noncash (decrease) increase in foreclosed real estate	$ -	$ (55,000)	$ 365,973	$ -	$ 310,973
Noncash increase in other income	-	(39,111)	-	-	(39,111)
Noncash decrease in loans receivable	-	-	(319,900)	-	(319,900)
Noncash increase (decrease) in finance lease receivable	-	94,111	(46,073)	-	48,038
	$ -	$ -	$ -	$ -	$ -
Loan payable to MPLT:					
Noncash decrease in note payable to related party	$ (183,739)	$ -	$ -	$ -	$ (183,739)
Noncash interest expense	(13,917)	-	-	-	(13,917)
Noncash other income	197,656	-	-	-	197,656
	$ -	$ -	$ -	$ -	$ -
Recognition of construction in progress:					
Noncash increase in construction in progress	$ -	$ -	$ 1,359,489	$ -	$ 1,359,489
Noncash increase in capital contributions	-	-	(1,359,489)	-	(1,359,489)
	$ -	$ -	$ -	$ -	$ -

See Accompanying Independent Auditors' Report.