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NORTHERN MARIANAS HOUSING CORPORATION
(A DIVISION OF THE
COMMONWEALTH DEVELOPMENT AUTHORITY)

REPORT ON THE AUDIT OF
FINANCIAL STATEMENTS
IN ACCORDANCE WITH OMB CIRCULAR A-133

YEAR ENDED SEPTEMBER 30, 2015

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NORTHERN MARIANAS HOUSING CORPORATION
(A DIVISION OF THE
COMMONWEALTH DEVELOPMENT AUTHORITY)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northern Marianas Housing Corporation:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion

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

Qualified Opinion

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

Other Matters

As discussed in Note 1, the financial statements present only the financial position, changes in net position and cash flows of NMHC. They are not intended to present the financial position, changes in net position and cash flows of CDA in conformity with accounting principles generally accepted in the United States of America.

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 9 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise NMHC's basic financial statements. The 2015 Financial Data Schedule of NMHC's Section 8 Housing Choice Vouchers Program on pages 28 through 32, as required by the U.S. Department of Housing and Urban Development, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 2015 Financial Data Schedule of NMHC's Section 8 Housing Choice Vouchers Program is the responsibility of management and was derived from and relates 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 basic 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 2015 Financial Data Schedule of NMHC's Section 8 Housing Choice Vouchers Program is 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 October 11, 2016 on our consideration of NMHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NMHC's internal control over financial reporting and compliance.

Deloitte & Touche LLC

October 11, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended September 30, 2015

This Management's Discussion and Analysis (MD&A) section of the Northern Marianas Housing Corporation's (NMHC) financial statements for the fiscal year ended September 30, 2015 is provided as a supplement to NMHC's financial statements for the same period, with selected comparative information for the fiscal years ended September 30, 2014 and 2013. The MD&A focuses on significant financial issues, provides an overview of NMHC's financial activities, identifies changes in NMHC's financial position and identifies individual fund issues or concerns. This section must be read in conjunction with the basic financial statements following this section.

This MD&A is presented in accordance with the Governmental Accounting Standards Board (GASB) financial reporting model as set forth in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus.*

As required under accounting principles generally accepted in the United States of America, NMHC uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation, are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of NMHC are included in the statements of net position.

I. OVERVIEW OF NMHC

Major Programs of NMHC

NMHC operates the following programs:

- *Housing Choice Voucher Program (HCVP):*

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

- *Section 8 HAP Program:*

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

I. OVERVIEW OF NMHC, CONTINUED

Major Programs of NMHC, Continued

- *HOME Investment Partnerships Program (HOME)*

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

- *Community Development Block Grant (CDBG)*

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

- *Neighborhood Stabilization Program (NSP)*

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

- *Emergency Solutions Grant (ESG)*

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

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

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

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

II. OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This MD&A is intended to provide general explanations to NMHC’s basic financial statements.

II. OVERVIEW OF THE BASIC FINANCIAL STATEMENTS, CONTINUED

The ***Statement of Net Position*** presents information on NMHC's assets and liabilities, with the difference between the two reported as net position. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "noncurrent". Over time, increases or decreases in net position may serve as useful indicators as to whether NMHC's financial health is improving or deteriorating.

The ***Statement of Revenues, Expenses and Changes in Net Position*** illustrates how NMHC's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will only result in cash flows in subsequent years.

The ***Statement of Cash Flows*** conveys how NMHC's cash was used in and provided by its operating, noncapital financing and investing activities during the periods reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash balances at September 30, 2015 and 2014. NMHC uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. These statements provide answers to such questions as where did cash come from, how cash was used and what the change was in the cash balance during the year.

Notes to the Basic Financial Statements provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures are essential to a comprehensive understanding of the information provided in the basic financial statements.

III. FINANCIAL HIGHLIGHTS

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

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

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

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

III. FINANCIAL HIGHLIGHTS, CONTINUED

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

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

IV. FINANCIAL ANALYSIS

a. *Statements of Net Position*

	2015	2014	$ Change	% Change	2013
Current assets	$ 1,868,269	$ 1,889,773	$ (21,504)	-1%	$ 1,254,543
Other assets	4,988,680	4,619,902	368,778	8%	4,428,995
Capital assets, net	8,285,076	8,408,455	(123,379)	-1%	8,733,726
Foreclosed real estate	687,212	511,912	175,300	34%	622,479
Noncurrent assets	3,520,242	3,745,976	(225,734)	-6%	3,725,203
Total assets	$ 19,349,479	$ 19,176,018	$ 173,461	1%	$ 18,764,946
Current liabilities	$ 5,658,461	$ 5,605,634	$ 52,827	1%	$ 4,468,882
Noncurrent liabilities	8,322,823	7,714,244	608,579	8%	7,212,133
Total liabilities	13,981,284	13,319,878	661,406	5%	11,681,015
Net investment in capital assets	8,285,076	8,408,455	(123,379)	-1%	8,733,726
Restricted	(2,916,881)	(2,552,315)	(364,566)	14%	(1,649,795)
Total net position	5,368,195	5,856,140	(487,945)	-8%	7,083,931
Total liabilities and net position	$ 19,349,479	$ 19,176,018	$ 173,461	1%	$ 18,764,946

b. *Statements of Revenues, Expenses and Changes in Net Position*

	2015	2014	$ Change	% Change	2013
Operating revenues	$ 7,496,936	$ 7,287,472	$ 209,464	3%	$ 7,183,600
Bad debts	(353,998)	(188,967)	(165,031)	87%	(316,225)
Net operating revenues	7,142,938	7,098,505	44,433	1%	6,867,375
Operating expenses	7,674,551	8,774,806	(1,100,255)	-13%	7,435,554
Operating loss	(531,613)	(1,676,301)	1,144,688	-68%	(568,179)
Nonoperating revenues (expenses), net	43,668	448,510	(404,842)	-90%	447,297
Change in net position	(487,945)	(1,227,791)	739,846	-60%	(120,882)
Net position - beginning	5,856,140	7,083,931	(1,227,791)	-17%	7,204,813
Net position - ending	$ 5,368,195	$ 5,856,140	$ (487,945)	-8%	$ 7,083,931

IV. FINANCIAL ANALYSIS, CONTINUED

c. *Statements of Cash Flows*

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

d. *Capital Assets*

At September 30, 2015, 2014 and 2013, NMHC had $8,285,076, $8,408,455 and $8,733,726, respectively, net investment in capital assets, net of depreciation where applicable. This represents a net decrease of $123,379 or 1% during fiscal year 2015 and $325,271 or 4% during fiscal year 2014.

	2015	2014	2013
Depreciable capital assets, net of accumulated depreciation	$ 996,894	$ 1,120,273	$ 1,345,544
Nondepreciable capital assets	7,288,182	7,288,182	7,388,182
	$ 8,285,076	$ 8,408,455	$ 8,733,726

See notes 2 and 6 to the financial statements for more detailed information on NMHC's capital assets and changes therein.

V. Economic Factors Affecting NMHC's Future

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

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

Management's Discussion and Analysis for the year ended September 30, 2014 is set forth in NMHC's report on the audit of financial statements, which is dated April 22, 2015. That Discussion and Analysis explains the major factors impacting the 2014 financial statements and can be viewed at the Office of the Public Auditor's website at www.opacnmi.com.

VI. Requests for Information

This financial report is designed to provide the reader with a general overview of NMHC's finances and to demonstrate NMHC's financial accountability over its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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NORTHERN MARIANAS HOUSING CORPORATION

Statements of Net Position
September 30, 2015 and 2014

ASSETS	2015	2014
Current assets:		
Cash and cash equivalents	$ 424,533	$ 532,910
Receivables:		
Current portion of loans receivable, net	961,015	819,492
Current portion of finance lease receivable	16,021	13,550
Rent, net of allowance for doubtful accounts of $555,640 and $541,463 at September 30, 2015 and 2014, respectively	4,245	28,948
Accrued interest, net of allowance for doubtful accounts of $510,144 and $576,179 at September 30, 2015 and 2014, respectively	347,653	336,516
Employees, net of allowance for doubtful accounts of $58,870 and $63,579 at September 30, 2015 and 2014, respectively	-	888
Other receivables	114,802	157,469
Total current assets	1,868,269	1,889,773
Other assets:		
Cash and cash equivalents, restricted	4,988,680	4,619,902
Noncurrent assets:		
Loans receivable, net of current portion	2,975,441	3,213,891
Finance lease receivable, net of current portion	544,801	532,085
Depreciable capital assets, net of accumulated depreciation	996,894	1,120,273
Nondepreciable capital assets	7,288,182	7,288,182
Foreclosed real estate	687,212	511,912
Total noncurrent assets	12,492,530	12,666,343
	$ 19,349,479	$ 19,176,018
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	$ 294,658	$ 406,977
Due to grantor agency	799,010	916,690
Reserve for loan guaranty	4,564,793	4,281,967
Total current liabilities	5,658,461	5,605,634
Unearned revenues	8,322,823	7,714,244
Total liabilities	13,981,284	13,319,878
Contingencies		
Net position:		
Net investment in capital assets	8,285,076	8,408,455
Restricted	(2,916,881)	(2,552,315)
Total net position	5,368,195	5,856,140
	$ 19,349,479	$ 19,176,018

See accompanying notes to financial statements.

NORTHERN MARIANAS HOUSING CORPORATION

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

	2015	2014
Operating revenues:		
Section 8 income:		
Federal housing assistance rentals	$ 4,788,251	$ 5,019,865
Tenant share	30,933	66,368
Community Development Block Grants (CDBG) Program	1,069,977	1,154,835
HOME Investment Partnership Program Grant	803,016	155,465
Interest and fees on loans	279,735	242,552
HOME Investment Partnership Grant program income	225,796	233,039
Low Income Housing Tax Credit	168,338	-
Emergency Shelter Grants (ESG) Program	55,914	117,841
Housing rental	22,166	24,461
Economic Development Initiative (EDI) Program	17,104	196,024
Neighborhood Stabilization Program (NSP) Grant	3,865	47,599
Other	31,841	29,423
	7,496,936	7,287,472
Bad debts	(353,998)	(188,967)
Net operating revenues	7,142,938	7,098,505
Operating expenses:		
Section 8 rental	2,829,346	3,063,935
CDBG Program	1,069,977	1,154,835
HOME Investment Partnership Program Grant	803,016	155,465
HOME Investment Partnership Grant program income	225,796	233,039
ESG Program	55,914	117,841
EDI Program	17,104	196,024
NSP Grant	3,865	47,599
Operations:		
Salaries and wages	754,002	663,621
Utilities	440,611	492,615
Repairs and maintenance	404,694	499,649
Provision for loan guaranty	282,826	1,298,244
Depreciation	150,374	225,271
Employee benefits	145,670	119,002
Travel	115,633	104,437
Professional fees	111,742	130,435
Provision for foreclosed properties	56,578	-
Office rent	14,913	15,157
Other	192,490	257,637
Total operating expenses	7,674,551	8,774,806
Operating loss	(531,613)	(1,676,301)
Nonoperating revenues (expenses):		
Litigation judgment	55,923	45,828
Interest income	24,191	29,021
Recovery	-	362,176
Gain on sale of land	-	66,500
Loss on sale of foreclosed real estate	(36,446)	(55,015)
Total nonoperating revenues (expenses), net	43,668	448,510
Change in net position	(487,945)	(1,227,791)
Net position - beginning	5,856,140	7,083,931
Net position - ending	$ 5,368,195	$ 5,856,140

See accompanying notes to financial statements.

NORTHERN MARIANAS HOUSING CORPORATION

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

	2015	2014
Cash flows from operating activities:		
Cash received from interest and fees on loans receivable	$ 268,598	$ 268,696
Cash payments to suppliers for goods and services	(238,149)	(175,219)
Cash received from customers	331,349	123,180
Cash payments to employees for services	(754,002)	(663,621)
Cash received from federal grant awards	6,846,243	6,913,139
Cash payments from federal grant awards	(6,304,941)	(6,200,238)
Net cash provided by operating activities	149,098	265,937
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(26,995)	-
Net proceeds from loans receivable	11,751	40,046
Proceeds from sale of land	-	166,500
Proceeds from sale of foreclosed real estate	89,100	70,250
Interest received from litigation judgment	13,256	45,828
Net cash provided by capital and related financing activities	87,112	322,624
Cash flows from investing activities:		
Purchase of restricted cash and cash equivalents	(368,778)	(190,907)
Interest received	24,191	29,021
Net cash used for investing activities	(344,587)	(161,886)
Net (decrease) increase in cash and cash equivalents	(108,377)	426,675
Cash and cash equivalents at beginning of year	532,910	106,235
Cash and cash equivalents at end of year	$ 424,533	$ 532,910
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (531,613)	$ (1,676,301)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Provision for loan guaranty	282,826	1,298,244
Recovery	-	362,176
Depreciation	150,374	225,271
Bad debts	353,998	188,967
Provision for foreclosed properties	56,578	-
(Increase) decrease in assets:		
Receivables:		
Finance lease	9,813	11,631
Rent	24,703	(12,114)
Employees	888	3,411
Accrued interest	(11,137)	26,144
Other	42,667	-
Decrease in liabilities:		
Accounts payable and accrued expenses	(112,319)	(149,963)
Due to grantor agency	(117,680)	(11,529)
Net cash provided by operating activities	$ 149,098	$ 265,937
Supplemental disclosure of noncash capital and related financing activities:		
Recognition of loans receivable:		
Noncash increase in loans receivable	$ 651,246	$ 344,642
Noncash increase in other receivables	-	157,469
Noncash increase in unearned revenue	(651,246)	(502,111)
	$ -	$ -
Recognition of foreclosed properties:		
Noncash increase in foreclosed properties	$ 357,424	$ 14,698
Noncash decrease in loans receivable	(382,424)	(35,269)
Noncash increase in finance lease receivable	25,000	20,571
	$ -	$ -

See accompanying notes to financial statements.

(1) Reporting Entity

The Northern Marianas Housing Corporation (NMHC), a division of the Commonwealth Development Authority (CDA), 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 NMHC are as follows:

- To administer direct loans to qualified individuals for housing construction;
- To participate as guarantor or trustee in housing loan programs;
- To develop and construct rental housing;
- To construct and/or administer various other Federal and local residential and housing projects; and
- To participate in projects subsidized by the U.S. Department of Housing and Urban Development (HUD). Upon completion of the projects, the residential units are rented to qualifying families and individuals.
- 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 position invested in capital assets, to be restricted for such purposes.

(2) Summary of Significant Accounting Policies

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

Basis of Accounting

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

(2) Summary of Significant Accounting Policies, Continued

Budgets

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

Cash and Cash Equivalents

GASB Statement No. 40 addresses common deposit risks related to credit risk and concentration of credit risk. GASB Statement No. 40 also requires disclosure of formal policies related to deposit risks. NMHC does not have a deposit policy for custodial credit risk.

For purposes of the statements of net position and cash flows, cash and cash equivalents is defined as cash held in demand deposits and savings. At September 30, 2015 and 2014, total unrestricted cash and cash equivalents were $424,533 and $532,910, respectively, and the corresponding bank balances were $471,039 and $605,237, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (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.

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.

Restricted Cash and Cash Equivalents

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 both performing and nonperforming loans. 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 is currently working to be able to prospectively cease recognition of interest income on nonperforming loans.

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

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

Federal grant revenues are recognized when allowable expenses are incurred.

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

Unearned Revenues

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 $8,322,823 and $7,714,244 as of September 30, 2015 and 2014, respectively, which have been presented as long-term in the accompanying financial statements.

Compensated Absences

Vested or accumulated vacation leave is recorded as benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Accumulated sick pay benefits as of September 30, 2015 and 2014 was $304,660 and $235,432, respectively.

Recovery

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

(2) Summary of Significant Accounting Policies, Continued

Litigation Judgment

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

Retirement Plan

NMHC 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). NMHC 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 active NMHC employees voluntarily terminated membership in the DB Plan.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

For the years ended September 30, 2015, 2014 and 2013, NMHC contributed to the U.S. Social Security system benefits of $61,342, $55,752 and $49,277, 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. NMHC is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. NMHC's recorded DC contributions for the years ended September 30, 2015, 2014 and 2013 were $14,358, $18,086 and $16,899, respectively, equal to the required contributions for each year.

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

Net Position

NMHC'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 NMHC maintain them permanently. At September 30, 2015 and 2014, NMHC does not have nonexpendable net position.

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During fiscal year 2015, the following pronouncements were implemented:

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

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

Off-Balance Sheet Financial Instruments

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

Estimates

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

(3) Restricted Cash and Cash Equivalents

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

Restricted cash and cash equivalents:

	2015	2014
Escrow and savings accounts maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA Rural Development loans	$ 3,541,127	$ 3,237,677
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development	200,588	200,348

(3) Restricted Cash and Cash Equivalents, Continued

Restricted cash and cash equivalents, continued:

	2015	2014
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	61	91
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	979,235	1,134,808
Other depository accounts reserved for various purposes	267,669	46,978
	$ 4,988,680	$ 4,619,902

(4) Loans Receivable

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

Major classifications of economic development loans as of September 30, 2015 and 2014 are as follows:

	2015	2014
HOME Investment Partnerships Act grant	$ 6,994,992	$ 6,559,042
Direct family home loans	2,628,212	2,809,173
Neighborhood Stabilization Program (NSP) grant	972,329	863,506
General	473,727	503,508
Housing construction	451,188	465,017
Tinian turnkey	450,564	457,470
Section 8	378,427	371,127
Home revenue bond	64,424	61,249
Housing preservation grant	16,687	17,410
Veterans aid	-	10,800
Loan principal receivable	12,430,550	12,118,302
Less allowance for loan losses	(8,494,094)	(8,084,919)
Net loans receivable	$ 3,936,456	$ 4,033,383

(4) Loans Receivable, Continued

Maturities of the above principal balances subsequent to September 30, 2015 and 2014 will be as follows:

	2015	2014
Fully matured and others	$ 1,495,440	$ 1,179,168
1 - 6 months	639,877	870,539
7 - 18 months	899,377	840,506
19 months - 3 years	1,220,405	1,230,665
After 3 years	8,175,451	7,997,424
	$ 12,430,550	$ 12,118,302

Allowance for Loan Losses

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

	2015	2014
Balance - beginning of year	$ 8,084,919	$ 8,020,641
Provision for loan losses	409,175	123,770
Write-off of loans	-	(59,492)
Balance - end of year	$ 8,494,094	$ 8,084,919

(5) Finance Leases

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

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

(6) Capital Assets

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

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

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

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.

(6) Capital Assets, Continued

3. Lot 021 T 01, containing an area of 26,250 square meters, more or less, and the improvements thereon, located at San Jose, Tinian, CNMI.

4. Lot 005 I 001, containing an area of 40,554 square meters, more or less, and the improvements thereon, located at Koblerville, Saipan, CNMI.

5. Lot 014 D 75, containing an area of 10,923 square meters, more or less, located at Garapan, Saipan, CNMI.

6. Lot 003 D 27, and a portion of Lot 014 D 75, collectively containing an area of 5,824 square meters, more or less, located at Garapan, Saipan, CNMI.

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

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

The above land was acquired at no cost and was originally held for development of low income rental housing or resale to low income families for construction of housing. The land is recorded on NMHC's financial statements at estimated fair value of $7,288,182 at September 30, 2015 and 2014. 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.

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

(7) Foreclosed Real Estate

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

	2015	2014
Balance at beginning of year	$ 511,912	$ 622,479
Additions	366,100	75,000
Deletions	(190,800)	(185,567)
Balance at end of year	$ 687,212	$ 511,912

(8) Related Party Transactions

NMHC maintains depository accounts in FDIC insured financial institutions. The former Chairperson of the Board of NMHC (term expired on December 31, 2014) is currently the Vice President/Regional Manager of one of these financial institutions. NMHC's deposits in this financial institution amounted to $5,472,041 and $5,204,734 as of September 30, 2015 and 2014, respectively. Management is of the opinion that transactions with this financial institution are of similar terms and conditions as with unrelated parties.

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

(9) Contingencies

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

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

(9) Contingencies, Continued

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

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

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

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

(10) Risk Management

NMHC 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. NMHC 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.

Northern Marianas Housing Coproration (TQ901)
Saipan, MP
Program Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	$868,828	$868,828
112 Cash - Restricted - Modernization and Development		
113 Cash - Other Restricted	$110,407	$110,407
114 Cash - Tenant Security Deposits		
115 Cash - Restricted for Payment of Current Liabilities		
100 Total Cash	$979,235	$979,235
121 Accounts Receivable - PHA Projects		
122 Accounts Receivable - HUD Other Projects		
124 Accounts Receivable - Other Government	$10,750	$10,750
125 Accounts Receivable - Miscellaneous		
126 Accounts Receivable - Tenants		
126.1 Allowance for Doubtful Accounts -Tenants		
126.2 Allowance for Doubtful Accounts - Other	$0	$0
127 Notes, Loans, & Mortgages Receivable - Current		
128 Fraud Recovery	$35,542	$35,542
128.1 Allowance for Doubtful Accounts - Fraud	-$14,259	-$14,259
129 Accrued Interest Receivable		
120 Total Receivables, Net of Allowances for Doubtful Accounts	$32,033	$32,033
131 Investments - Unrestricted		
132 Investments - Restricted		
135 Investments - Restricted for Payment of Current Liability		
142 Prepaid Expenses and Other Assets		
143 Inventories		
143.1 Allowance for Obsolete Inventories		
144 Inter Program Due From		
145 Assets Held for Sale		
150 Total Current Assets	$1,011,268	$1,011,268
161 Land		
162 Buildings		
163 Furniture, Equipment & Machinery - Dwellings	$44,488	$44,488
164 Furniture, Equipment & Machinery - Administration	$25,800	$25,800
165 Leasehold Improvements		
166 Accumulated Depreciation	-$48,257	-$48,257
167 Construction in Progress		
168 Infrastructure		
160 Total Capital Assets, Net of Accumulated Depreciation	$22,031	$22,031
171 Notes, Loans and Mortgages Receivable - Non-Current		
172 Notes, Loans, & Mortgages Receivable - Non Current - Past		
173 Grants Receivable - Non Current		
174 Other Assets		
176 Investments in Joint Ventures		
180 Total Non-Current Assets	$22,031	$22,031
200 Deferred Outflow of Resources		
290 Total Assets and Deferred Outflow of Resources	$1,033,299	$1,033,299

See Accompanying Independent Auditors' Report.

Northern Marianas Housing Coproration (TQ901)
Saipan, MP
Program Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	Total
311 Bank Overdraft		
312 Accounts Payable <= 90 Days		
313 Accounts Payable >90 Days Past Due		
321 Accrued Wage/Payroll Taxes Payable	$10,701	$10,701
322 Accrued Compensated Absences - Current Portion		
324 Accrued Contingency Liability		
325 Accrued Interest Payable		
331 Accounts Payable - HUD PHA Programs		
332 Account Payable - PHA Projects		
333 Accounts Payable - Other Government		
341 Tenant Security Deposits		
342 Unearned Revenue		
343 Current Portion of Long-term Debt - Capital		
344 Current Portion of Long-term Debt - Operating Borrowings		
345 Other Current Liabilities		
346 Accrued Liabilities - Other		
347 Inter Program - Due To		
348 Loan Liability - Current		
310 Total Current Liabilities	$10,701	$10,701
351 Long-term Debt, Net of Current - Capital Projects/Mortgage		
352 Long-term Debt, Net of Current - Operating Borrowings		
353 Non-current Liabilities - Other		
354 Accrued Compensated Absences - Non Current		
355 Loan Liability - Non Current		
356 FASB 5 Liabilities		
357 Accrued Pension and OPEB Liabilities		
350 Total Non-Current Liabilities	$0	$0
300 Total Liabilities	$10,701	$10,701
400 Deferred Inflow of Resources		
508.4 Net Investment in Capital Assets	$22,031	$22,031
511.4 Restricted Net Position	$110,407	$110,407
512.4 Unrestricted Net Position	$890,160	$890,160
513 Total Equity - Net Assets / Position	$1,022,598	$1,022,598
600 Total Liabilities, Deferred Inflows of Resources and Equity -	$1,033,299	$1,033,299

See Accompanying Independent Auditors' Report.

Northern Marianas Housing Coproration (TQ901)
Saipan, MP
Program Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue		
70400 Tenant Revenue - Other		
70500 Total Tenant Revenue	$0	$0
70600 HUD PHA Operating Grants	$3,441,393	$3,441,393
70610 Capital Grants		
70710 Management Fee		
70720 Asset Management Fee		
70730 Book Keeping Fee		
70740 Front Line Service Fee		
70750 Other Fees		
70700 Total Fee Revenue		
70800 Other Government Grants		
71100 Investment Income - Unrestricted		
71200 Mortgage Interest Income		
71300 Proceeds from Disposition of Assets Held for Sale		
71310 Cost of Sale of Assets		
71400 Fraud Recovery	$4,146	$4,146
71500 Other Revenue	$18,810	$18,810
71600 Gain or Loss on Sale of Capital Assets		
72000 Investment Income - Restricted		
70000 Total Revenue	$3,464,349	$3,464,349
91100 Administrative Salaries	$226,545	$226,545
91200 Auditing Fees	$24,343	$24,343
91300 Management Fee		
91310 Book-keeping Fee		
91400 Advertising and Marketing		
91500 Employee Benefit contributions - Administrative	$34,787	$34,787
91600 Office Expenses	$10,195	$10,195
91700 Legal Expense		
91800 Travel	$54,913	$54,913
91810 Allocated Overhead		
91900 Other	$5,350	$5,350
91000 Total Operating - Administrative	$356,133	$356,133
92000 Asset Management Fee		
92100 Tenant Services - Salaries		
92200 Relocation Costs		
92300 Employee Benefit Contributions - Tenant Services		
92400 Tenant Services - Other		
92500 Total Tenant Services	$0	$0
93100 Water		
93200 Electricity		
93300 Gas		
93400 Fuel		
93500 Labor		
93600 Sewer		

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Northern Marianas Housing Coproration (TQ901)
Saipan, MP
Program Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	Total
93700 Employee Benefit Contributions - Utilities		
93800 Other Utilities Expense		
93000 Total Utilities	$0	$0
94100 Ordinary Maintenance and Operations - Labor		
94200 Ordinary Maintenance and Operations - Materials and		
94300 Ordinary Maintenance and Operations Contracts		
94500 Employee Benefit Contributions - Ordinary Maintenance		
94000 Total Maintenance	$0	$0
95100 Protective Services - Labor		
95200 Protective Services - Other Contract Costs		
95300 Protective Services - Other		
95500 Employee Benefit Contributions - Protective Services		
95000 Total Protective Services	$0	$0
96110 Property Insurance		
96120 Liability Insurance		
96130 Workmen's Compensation		
96140 All Other Insurance		
96100 Total insurance Premiums	$0	$0
96200 Other General Expenses		
96210 Compensated Absences		
96300 Payments in Lieu of Taxes		
96400 Bad debt - Tenant Rents		
96500 Bad debt - Mortgages		
96600 Bad debt - Other		
96800 Severance Expense		
96000 Total Other General Expenses	$0	$0
96710 Interest of Mortgage (or Bonds) Payable		
96720 Interest on Notes Payable (Short and Long Term)		
96730 Amortization of Bond Issue Costs		
96700 Total Interest Expense and Amortization Cost	$0	$0
96900 Total Operating Expenses	$356,133	$356,133
97000 Excess of Operating Revenue over Operating Expenses	$3,108,216	$3,108,216
97100 Extraordinary Maintenance		
97200 Casualty Losses - Non-capitalized		
97300 Housing Assistance Payments	$3,105,901	$3,105,901
97350 HAP Portability-In	$2,316	$2,316
97400 Depreciation Expense	$11,997	$11,997
97500 Fraud Losses		
97600 Capital Outlays - Governmental Funds		
97700 Debt Principal Payment - Governmental Funds		
97800 Dwelling Units Rent Expense		
90000 Total Expenses	$3,476,347	$3,476,347

See Accompanying Independent Auditors' Report.

Northern Marianas Housing Coproration (TQ901)
Saipan, MP
Program Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2015

	14.871 Housing Choice Vouchers	Total
10010 Operating Transfer In		
10020 Operating transfer Out		
10030 Operating Transfers from/to Primary Government		
10040 Operating Transfers from/to Component Unit		
10050 Proceeds from Notes, Loans and Bonds		
10060 Proceeds from Property Sales		
10070 Extraordinary Items, Net Gain/Loss		
10080 Special Items (Net Gain/Loss)		
10091 Inter Project Excess Cash Transfer In		
10092 Inter Project Excess Cash Transfer Out		
10093 Transfers between Program and Project - In		
10094 Transfers between Project and Program - Out		
10100 Total Other financing Sources (Uses)	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-$11,998	-$11,998
11020 Required Annual Debt Principal Payments	$0	$0
11030 Beginning Equity	$1,170,579	$1,170,579
11040 Prior Period Adjustments, Equity Transfers and Correction	-$135,983	-$135,983
11050 Changes in Compensated Absence Balance		
11060 Changes in Contingent Liability Balance		
11070 Changes in Unrecognized Pension Transition Liability		
11080 Changes in Special Term/Severance Benefits Liability		
11090 Changes in Allowance for Doubtful Accounts - Dwelling		
11100 Changes in Allowance for Doubtful Accounts - Other		
11170 Administrative Fee Equity	$912,191	$912,191
11180 Housing Assistance Payments Equity	$110,407	$110,407
11190 Unit Months Available	4356	4356
11210 Number of Unit Months Leased	3605	3605
11270 Excess Cash		
11610 Land Purchases		
11620 Building Purchases		
11630 Furniture & Equipment - Dwelling Purchases		
11640 Furniture & Equipment - Administrative Purchases		
11650 Leasehold Improvements Purchases		
11660 Infrastructure Purchases		
13510 CFFP Debt Service Payments		
13901 Replacement Housing Factor Funds		

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