



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

REPORT ON THE AUDIT OF FINANCIAL
STATEMENTS IN ACCORDANCE
WITH THE UNIFORM GUIDANCE

YEAR ENDED SEPTEMBER 30, 2019

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

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018, 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*, which was effective October 1, 2014. As discussed in note 2 to the financial statements, NMHC 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, 2019 and 2018. GASB Statement No. 68 requires 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. 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 NMHC 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 Northern Marianas Housing Corporation as of September 30, 2019 and 2018, 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.

Emphasis-of-Matter

COVID-19

Economic uncertainties as a result of the COVID-19 coronavirus pandemic may negatively impact NMHC's future financial results as described in note 11 to the financial statements.

Restatement

As discussed in note 12 to the financial statements, beginning net position has been restated for the change in presentation of U.S. Department of Housing and Urban Development (HUD) funds.

Our opinion is not modified with respect to these matters.

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 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

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 2019 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 2019 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 2019 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 September 30, 2020 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 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 NMHC'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 NMHC's internal control over financial reporting and compliance.

Deloitte & Touche LLC

September 30, 2020



NORTHERN MARIANAS HOUSING CORPORATION

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MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended September 30, 2019

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, 2019 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, 2018 and 2017. 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 statement 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 HCVP, 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 Housing Assistance Payment Program (HAP):*

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 2019, 2018 and 2017, NMHC received \$1,272,062, \$1,249,733 and \$1,287,993, respectively, under this Program.

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“NMHC is an equal employment and fair housing public agency”

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, acquire and rehabilitate homes or rehabilitate existing homes. For program year 2018 (FY 2019), the HOME allocation received was in the amount of \$468,064. There were a total of five (5) HOME projects that were completed during the fiscal period, which totaled \$340,850, and consisted of four (4) new construction and one (1) acquisition and repair program assistance.

- *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.

- *Community Development Block Grant-Disaster Recovery (CDBG-DR)*

CDBG-DR is a flexible HUD-funded program provided as a special appropriation by Congress to states, territories, counties, and municipalities to assist with long-term recovery, disaster relief, restoration of housing and infrastructure and economic revitalization in the most distressed and impacted communities following a Presidentially-declared disaster. It allows grantees to deploy funding to carry out a wide range of recovery activities and prioritizes low- and moderate- income (LMI) persons and geographies.

- *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. No new projects were committed in FY 2019 and the Mortgage and Credit Division only monitors and services previously issued loans.

- *Emergency Solutions Grant (ESG)*

HUD provides funds to NMHC under the ESG Program to provide financial assistance such as rental and utility assistance for up to 10 months to families and individuals who are literally homeless and at risk of being homeless. The ESG provides funding to NMHC for administering the program such as case management services, maintaining the Homeless Management Information System database software and administrative services.

I. OVERVIEW OF NMHC, CONTINUED

Major Programs of NMHC, Continued

- *Continuum of Care (CoC)*

NMHC, in collaboration with the CNMI's Homeless Prevention Coalition (the Coalition), applied for funding through HUD's CoC program. NMHC and the Coalition received funding in FY 2019 totaling \$14,244 in planning funds.

- *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 2019 which describes the basis NMHC will use to allocate LIHTCs among qualified owners/developers. The tax credit allocated to the CNMI for 2019 was \$3,166,875. The due date for the application submission is January 31, 2020.

Asset Management Division (AMD)

AMD handles NMHC's assets and provides technical and maintenance assistance to the HAP, HOME and CDBG programs. The goals of AMD 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. Additionally, AMD managed and implemented related repairs from damage sustained during Super typhoon Yutu. Repair work included Mihaville and Koblerville projects, NMHC's central Saipan office, and other related repairs for satellite properties owned or managed by NMHC.

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.

I. OVERVIEW OF NMHC, CONTINUED

NMHC Projects, Continued

- 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.

The solar arrays were fully installed by the contractor in May 2019. As of March 2020, CUC finally activated and restored the solar arrays which will now directly benefit eighty-two low-income families in our Mihaville and Koblerville housing units.

II. OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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, 2019 and 2018. 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 4% from \$21,473,756 in 2018 to \$22,427,674 in 2019 and by 8% from \$19,950,669 in 2017 to \$21,473,756 in 2018. Current assets of \$5,019,402 and \$4,928,773 as of September 30, 2019 and 2018, respectively, are primarily comprised of cash, current portion of loans receivable, finance lease receivables, and receivables from tenants.

Total assets increased primarily from the RD defaulted loans of which three clients executed workout agreements with NMHC during FY 2019. In addition, two new clients for the Housing-Financed Loan Program (NMHC-funded program) were approved during the same period. Finally, rental collections increased due to the execution of short-term rental agreements of the Garapan Annex units.

III. FINANCIAL HIGHLIGHTS, CONTINUED

- Total other assets as of September 30, 2019 and 2018 was \$3,264,513 and \$2,895,748, respectively, which is an increase of 13% in restricted cash and cash equivalents.

Other assets increased primarily due to more drawdowns from the CDBG, HOME and HESG programs during FY 2019 and collection increases from the Section 8 tenants' share. HAP revenues received for FY 2019 were higher than FY 2018 primarily from Voucher HAP and admin and from Koblerville, Mihaville and Tinian.

- Foreclosed real estate decreased by 18% from \$594,771 in 2018 to \$488,698 in 2019. This decrease was due primarily to NMHC's execution of foreclosures during fiscal year 2019.
- NMHC's total net position increased by 2% from \$18,590,113 in 2018 to \$19,044,297 in 2019 and by 7% from \$17,443,863 in 2017 to \$18,590,113 in 2018. The increase is a result of an increase in total assets and relates to NMHC management electing to present HUD funds previously recorded in unearned revenue as restricted net position. 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, 2019, NMHC's current assets of \$5,019,402 exceed current liabilities of \$2,893,790 by \$2,125,612. 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 income (loss) during fiscal year 2019 and 2018 was \$442,684 and \$(278,908), respectively.

IV. FINANCIAL ANALYSIS

a. Statements of Net Position

	2019	2018 (As Restated)	\$ Change	% Change	2017
Current assets	\$ 5,019,402	\$ 4,928,773	\$ 90,629	2%	\$ 4,692,206
Other assets	3,264,513	2,895,748	368,765	13%	3,212,643
Capital assets, net	9,239,971	9,355,806	(115,835)	-1%	8,044,516
Foreclosed real estate	488,698	594,771	(106,073)	-18%	227,798
Noncurrent assets	<u>4,415,090</u>	<u>3,698,658</u>	<u>716,432</u>	19%	<u>3,773,506</u>
Total assets	\$ <u>22,427,674</u>	\$ <u>21,473,756</u>	\$ <u>953,918</u>	4%	\$ <u>19,950,669</u>
Current liabilities	\$ 2,893,790	\$ 2,841,131	\$ 52,659	2%	\$ 2,506,806
Noncurrent liabilities	<u>489,587</u>	<u>42,512</u>	<u>447,075</u>	1052%	<u>-</u>
Total liabilities	<u>3,383,377</u>	<u>2,883,643</u>	<u>499,734</u>	17%	<u>2,506,806</u>
Net investment in capital assets	9,239,971	9,355,806	(115,835)	-1%	8,044,516
Restricted	<u>9,804,326</u>	<u>9,234,307</u>	<u>570,019</u>	6%	<u>9,399,347</u>
Total net position	<u>19,044,297</u>	<u>18,590,113</u>	<u>454,184</u>	2%	<u>17,443,863</u>
Total liabilities and net position	\$ <u>22,427,674</u>	\$ <u>21,473,756</u>	\$ <u>953,918</u>	4%	\$ <u>19,950,669</u>

IV. FINANCIAL ANALYSIS, CONTINUED

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

	2019	2018 (As Restated)	\$ Change	% Change	2017
Operating revenues	\$ 6,844,365	\$ 6,241,080	\$ 603,285	10%	\$ 8,692,208
Recovery	<u>538,158</u>	<u>3,616</u>	<u>534,542</u>	14783%	<u>664,888</u>
Net operating revenues	7,382,523	6,244,696	1,137,827	18%	9,357,096
Operating expenses	<u>6,939,839</u>	<u>6,523,604</u>	<u>416,235</u>	6%	<u>7,057,041</u>
Operating income (loss)	442,684	(278,908)	721,592	-259%	2,300,055
Nonoperating revenues	<u>11,500</u>	<u>65,669</u>	<u>(54,169)</u>	-82%	<u>100,349</u>
Income (loss) before capital contributions	454,184	(213,239)	667,423	-313%	2,400,404
Capital contributions	<u>-</u>	<u>1,359,489</u>	<u>(1,359,489)</u>	-100%	<u>-</u>
Change in net position	454,184	1,146,250	(692,066)	-60%	2,400,404
Net position - beginning, as restated	<u>18,590,113</u>	<u>17,443,863</u>	<u>1,146,250</u>	7%	<u>15,043,459</u>
Net position - ending	\$ <u>19,044,297</u>	\$ <u>18,590,113</u>	\$ <u>454,184</u>	2%	\$ <u>17,443,863</u>

c. Statements of Cash Flows

	2019	2018	\$ Change	% Change	2017
Cash flows from operating activities	\$ (90,069)	\$ 456,952	\$ (547,021)	-120%	\$ 629,883
Cash flows from capital and related financing activities	391,187	226,258	164,929	73%	4,642
Cash flows from investing activities	<u>(361,672)</u>	<u>336,736</u>	<u>(698,408)</u>	-207%	<u>6,554</u>
Net (decrease) increase in cash and cash equivalents	(60,554)	1,019,946	(1,080,500)	-106%	641,079
Cash and cash equivalents at beginning of year	<u>2,334,663</u>	<u>1,314,717</u>	<u>1,019,946</u>	78%	<u>673,638</u>
Cash and cash equivalents at end of year	\$ <u>2,274,109</u>	\$ <u>2,334,663</u>	\$ <u>(60,554)</u>	-3%	\$ <u>1,314,717</u>

d. Capital Assets

At September 30, 2019, 2018 and 2017, NMHC had \$9,239,971, \$9,355,806 and \$8,044,516, respectively, net investment in capital assets, net of depreciation where applicable. This represents a net decrease of \$115,835 or 1% during fiscal year 2019 and a net increase of \$1,311,290 or 16% during fiscal year 2018.

	2019	2018	2017
Depreciable capital assets, net of accumulated depreciation	\$ 592,300	\$ 708,135	\$ 756,334
Nondepreciable capital assets	<u>8,647,671</u>	<u>8,647,671</u>	<u>7,288,182</u>
	\$ <u>9,239,971</u>	\$ <u>9,355,806</u>	\$ <u>8,044,516</u>

See notes 2 and 7 to the financial statements for more detailed information on NMHC's capital assets and changes therein.

V. ECONOMIC FACTORS AFFECTING NMHC'S FUTURE

Economic uncertainties as a result of the COVID-19 coronavirus pandemic may negatively impact NMHC's future financial results. See note 11 to the financial statements for more detailed information.

V. ECONOMIC FACTORS AFFECTING NMHC'S FUTURE, CONTINUED

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 \$1,272,062. 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 increase Section 8 housing assistance funding. The increase in funding impacts NMHC's operating capabilities and financial position. During 2018, NMHC received \$1,249,733 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.

On September 24, 2020, Executive Order 2020-21 established NMHC as the successor agency to the former Mariana Islands Housing Authority pursuant to Public Law 20-87 and rescinded NMHC's assignment to the Commonwealth Development Authority (CDA). The operations of NMHC shall continue under the direction and control of the CDA Board of Directors until all positions of the NMHC Board of Directors are appointed and confirmed.

Management's Discussion and Analysis for the year ended September 30, 2018 is set forth in NMHC's report on the audit of financial statements, which is dated June 25, 2019. That Discussion and Analysis explains the major factors impacting the 2018 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, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u> <u>(As Restated)</u>
Current assets:		
Cash and cash equivalents	\$ 2,274,109	\$ 2,334,663
Receivables:		
Current portion of loans receivable, net	1,336,607	1,112,845
Current portion of finance lease receivable	17,527	13,958
Rent, net of allowance for doubtful accounts of \$572,299 at September 30, 2019 and 2018	314,084	181,022
Accrued interest, net of allowance for doubtful accounts of \$49,558 and \$78,676 at September 30, 2019 and 2018, respectively	32,022	64,590
Employees	7,714	74
Other	<u>1,037,339</u>	<u>1,221,621</u>
Total current assets	<u>5,019,402</u>	<u>4,928,773</u>
Other assets:		
Cash and cash equivalents, restricted	<u>3,264,513</u>	<u>2,895,748</u>
Noncurrent assets:		
Loans receivable, net of current portion	3,577,132	3,019,663
Finance lease receivable, net of current portion	837,958	678,995
Depreciable capital assets, net of accumulated depreciation	592,300	708,135
Nondepreciable capital assets	8,647,671	8,647,671
Foreclosed real estate	<u>488,698</u>	<u>594,771</u>
Total noncurrent assets	<u>14,143,759</u>	<u>13,649,235</u>
	<u>\$ 22,427,674</u>	<u>\$ 21,473,756</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 718,258	\$ 743,530
Due to grantor agency	522,169	526,362
Reserve for loan guaranty	<u>1,653,363</u>	<u>1,571,239</u>
Total current liabilities	2,893,790	2,841,131
Unearned revenues	<u>489,587</u>	<u>42,512</u>
Total liabilities	<u>3,383,377</u>	<u>2,883,643</u>
Contingencies		
Net position:		
Net investment in capital assets	9,239,971	9,355,806
Restricted	<u>9,804,326</u>	<u>9,234,307</u>
Total net position	<u>19,044,297</u>	<u>18,590,113</u>
	<u>\$ 22,427,674</u>	<u>\$ 21,473,756</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS HOUSING CORPORATION

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u> <u>(As Restated)</u>
Operating revenues:		
Section 8 income:		
Federal housing assistance rentals	\$ 4,453,610	\$ 4,339,256
Tenant share	307,428	141,759
Community Development Block Grants (CDBG) Program	971,886	711,984
HOME Investment Partnership Program Grant	332,311	245,125
Recovery from provision for foreclosed properties	164,165	229,850
Low Income Housing Tax Credit	156,041	166,356
Interest and fees on loans	131,872	241,307
HOME Investment Partnership Grant program income	98,348	-
Emergency Shelter Grants (ESG) Program	97,220	73,893
Housing rental	36,513	48,484
Other	94,971	43,066
	<u>6,844,365</u>	<u>6,241,080</u>
Recovery	<u>538,158</u>	<u>3,616</u>
Net operating revenues	<u>7,382,523</u>	<u>6,244,696</u>
Operating expenses:		
Section 8 rental	2,482,947	2,504,840
CDBG Program	971,886	628,148
HOME Investment Partnership Program Grant	430,267	197,758
ESG Program	97,220	73,893
HOME Investment Partnership Grant program income	392	-
Operations:		
Salaries and wages	1,175,637	1,347,429
Repairs and maintenance	384,446	385,366
Utilities	295,274	257,760
Employee benefits	269,019	271,982
Travel	120,195	89,995
Depreciation	128,103	126,906
Provision for loan guaranty	82,124	109,352
Professional fees	71,835	209,361
Office rent	9,656	11,572
Supplies	5,031	92,263
Other	415,807	216,979
Total operating expenses	<u>6,939,839</u>	<u>6,523,604</u>
Operating income (loss)	<u>442,684</u>	<u>(278,908)</u>
Nonoperating revenues:		
Litigation judgment	4,407	45,828
Interest income	7,093	19,841
Total nonoperating revenues	<u>11,500</u>	<u>65,669</u>
Income (loss) before capital contributions	454,184	(213,239)
Capital contributions	<u>-</u>	<u>1,359,489</u>
Change in net position	454,184	1,146,250
Net position - beginning, as restated	<u>18,590,113</u>	<u>17,443,863</u>
Net position - ending	<u>\$ 19,044,297</u>	<u>\$ 18,590,113</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS HOUSING CORPORATION

Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from interest and fees on loans receivable	\$ 193,558	\$ 515,439
Cash payments to suppliers for goods and services	(720,898)	(151,409)
Cash received from customers	337,793	359,068
Cash payments to employees for services	(1,520,074)	(1,347,429)
Cash received from federal grant awards	5,949,182	5,114,795
Cash payments from federal grant awards	<u>(4,329,630)</u>	<u>(4,033,512)</u>
Net cash (used for) provided by operating activities	<u>(90,069)</u>	<u>456,952</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(12,268)	(83,197)
Net proceeds from loans receivable	48,310	74,708
Proceeds from sale of foreclosed real estate	350,738	228,850
Interest received from litigation judgment	<u>4,407</u>	<u>5,897</u>
Net cash provided by capital and related financing activities	<u>391,187</u>	<u>226,258</u>
Cash flows from investing activities:		
(Purchase of) proceeds from restricted cash and cash equivalents	(368,765)	316,895
Interest received	<u>7,093</u>	<u>19,841</u>
Net cash (used for) provided by investing activities	<u>(361,672)</u>	<u>336,736</u>
Net (decrease) increase in cash and cash equivalents	(60,554)	1,019,946
Cash and cash equivalents at beginning of year	<u>2,334,663</u>	<u>1,314,717</u>
Cash and cash equivalents at end of year	<u>\$ 2,274,109</u>	<u>\$ 2,334,663</u>
Reconciliation of operating income (loss) to net cash (used for) provided by operating activities:		
Operating income (loss)	\$ 442,684	\$ (278,908)
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities:		
Provision for loan guaranty	82,124	109,352
Depreciation	128,103	126,906
Recovery	(538,158)	(3,616)
Recovery from foreclosed properties	(164,165)	(229,850)
(Increase) decrease in assets:		
Receivables:		
Finance lease	(116,458)	(26,099)
Rent	(133,062)	(14,481)
Employees	(7,640)	(17)
Accrued interest	61,686	274,132
Other	184,282	818,592
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(25,272)	(63,596)
Due to grantor agency	<u>(4,193)</u>	<u>(255,463)</u>
Net cash (used for) provided by operating activities	<u>\$ (90,069)</u>	<u>\$ 456,952</u>
Supplemental disclosure of noncash capital and related financing activities:		
Recognition of loans receivable:		
Noncash increase in loans receivable	\$ 447,075	\$ 619,482
Noncash increase in unearned revenue	<u>(447,075)</u>	<u>(619,482)</u>
	<u>\$ -</u>	<u>\$ -</u>
Recognition of foreclosed properties:		
Noncash increase in foreclosed properties	\$ 80,500	\$ 365,973
Noncash decrease in loans receivable	(126,574)	(319,900)
Noncash increase (decrease) in finance lease receivable	<u>46,074</u>	<u>(46,073)</u>
	<u>\$ -</u>	<u>\$ -</u>
Recognition of construction in progress:		
Noncash increase in construction in progress	\$ -	\$ 1,359,489
Noncash increase in capital contributions	<u>-</u>	<u>(1,359,489)</u>
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(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.

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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

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, 2019 and 2018, total unrestricted cash and cash equivalents were \$2,274,109 and \$2,334,663, respectively, and the corresponding bank balances were \$2,467,515 and \$2,353,766, 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; however, NMHC elects to collateralize deposits with U.S. government obligations at the rate of 100%.

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 \$5,000.

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

Land

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

Foreclosed Real Estate

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

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Loans Receivable, Interest Receivable and Allowance for Loan Losses

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

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

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.

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 \$156,041 and \$166,356 as of September 30, 2019 and 2018, 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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Unearned Revenues

Unearned revenues represent recorded receivables under the Community Development Block Grant program administered by NMHC. NMHC recorded unearned revenues of \$489,587 and \$42,512 as of September 30, 2019 and 2018, 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, 2019 and 2018 was \$397,940 and \$389,622, 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. NMHC recorded litigation judgment revenue of \$4,407 and \$45,828 during the years ended September 30, 2019 and 2018, respectively, and recorded related receivables of \$-0- and \$4,407 (inclusive of interest of nine percent (9%) per annum) as of September 30, 2019 and 2018, 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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

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.

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, 2019 and 2018 were \$20,890 and \$17,309, 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, 2019 and 2018, 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. NMHC's restricted expendable net position pertains to HUD and local funds.

- 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, 2019 and 2018.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

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 NMHC. NMHC has not recorded related revenues and pension expense for the years ended September 30, 2019 and 2018 as amounts were not available.

New Accounting Standards

During the year ended September 30, 2019, NMHC implemented the following pronouncements:

- GASB 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.
- GASB 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 implementation of these statements did not have a material effect on NMHC's 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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(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.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(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, 2019 and 2018, 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; however, NMHC elects to collateralize restricted deposits of \$3,261,012 and \$2,893,930 with U.S. government obligations at the rate of 100% at September 30, 2019 and 2018, respectively.

Restricted cash and cash equivalents:

	<u>2019</u>	<u>2018</u>
Escrow and savings accounts maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA RD loans	\$ 1,364,310	\$ 1,380,536
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with HUD	230,625	230,349
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	181	258
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	722,949	749,526
Other depository accounts reserved for various purposes	<u>946,448</u>	<u>535,079</u>
	<u>\$ 3,264,513</u>	<u>\$ 2,895,748</u>

(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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
HOME Investment Partnerships Act grant	\$ 7,576,321	\$ 7,672,582
Direct family home loans	2,965,359	2,663,460
Neighborhood Stabilization Program (NSP) grant	991,647	1,040,017
Section 8	450,717	404,412
General	427,371	418,957
Tinian turnkey	420,219	436,822
Housing construction	254,790	273,478
Veterans Aid	145,388	49,141
Housing preservation grant	<u>87,542</u>	<u>88,294</u>
Loan principal receivable	13,319,354	13,047,163
Less allowance for loan losses	<u>(8,405,615)</u>	<u>(8,914,655)</u>
Net loans receivable	<u>\$ 4,913,739</u>	<u>\$ 4,132,508</u>

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(4) Loans Receivable, Continued

Delinquent loans referred to legal counsel for collection totaled \$1,757,620 and \$2,078,169 as of September 30, 2019 and 2018, respectively.

Maturities of the above principal balances subsequent to September 30, 2019 and 2018 will be as follows:

	<u>2019</u>	<u>2018</u>
Fully matured and others	\$ 1,984,177	\$ 1,939,681
1 - 6 months	618,147	629,976
7 - 18 months	1,020,729	943,819
19 months - 3 years	1,169,605	1,250,300
After 3 years	<u>8,526,696</u>	<u>8,283,387</u>
	\$ <u>13,319,354</u>	\$ <u>13,047,163</u>

Allowance for Loan Losses

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

	<u>2019</u>	<u>2018</u>
Balance - beginning of year	\$ 8,914,655	\$ 8,661,855
(Recovery from) provision for loan losses	<u>(509,040)</u>	<u>252,800</u>
Balance - end of year	\$ <u>8,405,615</u>	\$ <u>8,914,655</u>

(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, 2019 and 2018 amounted to \$36,513 and \$48,484, respectively. Future minimum lease rentals under these arrangements as of September 30, 2019 and 2018, are as follows:

Year ending September 30,	Minimum <u>Lease Rentals</u>	Minimum <u>Lease Income</u>	Net	
			<u>2019</u>	<u>2018</u>
2019	\$ -	\$ -	\$ -	\$ 13,958
2020	63,469	45,942	17,527	19,927
2021	67,717	45,098	22,619	21,906
2022	67,799	43,894	23,905	23,567
2023	68,029	42,607	25,422	24,812
2024	68,165	41,355	26,810	-
Thereafter	<u>1,160,556</u>	<u>421,354</u>	<u>739,202</u>	<u>588,783</u>
	\$ <u>1,495,735</u>	\$ <u>640,250</u>	855,485	692,953
			<u>(17,527)</u>	<u>(13,958)</u>
			\$ <u>837,958</u>	\$ <u>678,995</u>

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(6) Other Receivables

A summary of other receivables as of September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Defaulted loans	\$ 895,300	\$ 1,205,400
Disaster recovery grant	137,894	-
Tottotville	-	4,407
Other	<u>4,145</u>	<u>11,814</u>
	1,037,339	1,221,621
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
Net receivables	<u>\$ 1,037,339</u>	<u>\$ 1,221,621</u>

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 October 24, through 25, 2018, the CNMI was devastated by Super Typhoon Yutu. During the year ended September 30, 2019, NMHC is developing a CNMI's 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. NMHC recorded receivable from grantor and unearned revenue of \$137,894 and \$-0- as of September 30, 2019 and 2018, respectively, for administrative expenses incurred.

(7) Capital Assets

Capital assets consist of the following at September 30, 2019 and 2018:

	<u>Estimated Useful Lives</u>	<u>Balance at October 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2019</u>
Nondepreciable capital assets:					
Land		\$ 7,288,182	\$ -	\$ -	\$ 7,288,182
Construction in progress		<u>1,359,489</u>	<u>-</u>	<u>-</u>	<u>1,359,489</u>
Total nondepreciable capital assets		<u>8,647,671</u>	<u>-</u>	<u>-</u>	<u>8,647,671</u>
Depreciable capital assets:					
Residential Housing Development Projects:					
Section 8 Mihaville Housing	30 years	2,369,469	-	-	2,369,469
Section 8 Koblerville Housing	30 years	1,889,127	-	-	1,889,127
Section 8 Rota Housing	30 years	1,120,747	-	-	1,120,747
Section 8 Tinian Housing	30 years	1,001,408	-	-	1,001,408
Section 8 Housing Phase II	30 years	631,243	-	-	631,243
Section 8 Housing Phase I	30 years	<u>600,515</u>	<u>-</u>	<u>-</u>	<u>600,515</u>
		<u>7,612,509</u>	<u>-</u>	<u>-</u>	<u>7,612,509</u>

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(7) Capital Assets, Continued

	Estimated Useful Lives	Balance at October 1, 2018	Additions	Deletions	Balance at September 30, 2019
Other:					
Koblerville infrastructure	30 years	2,214,991	-	-	2,214,991
Tinian infrastructure	30 years	608,500	-	-	608,500
Building and improvements	20 years	870,024	-	-	870,024
Equipment and computers	3 - 8 years	101,188	1,333	-	102,521
Vehicles	3 years	251,620	10,935	-	262,555
		<u>4,046,323</u>	<u>12,268</u>	<u>-</u>	<u>4,058,591</u>
		11,658,832	12,268	-	11,671,100
Less accumulated depreciation		<u>(10,950,697)</u>	<u>(128,103)</u>	<u>-</u>	<u>(11,078,800)</u>
Total depreciable capital assets		<u>708,135</u>	<u>(115,835)</u>	<u>-</u>	<u>592,300</u>
		\$ <u>9,355,806</u>	\$ <u>(115,835)</u>	\$ <u>-</u>	\$ <u>9,239,971</u>
	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		<u>7,288,182</u>	<u>1,359,489</u>	<u>-</u>	<u>8,647,671</u>
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
		<u>7,622,773</u>	<u>-</u>	<u>(10,264)</u>	<u>7,612,509</u>
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
		<u>3,968,328</u>	<u>83,197</u>	<u>(5,202)</u>	<u>4,046,323</u>
		11,591,101	83,197	(15,466)	11,658,832
Less accumulated depreciation		<u>(10,834,767)</u>	<u>(126,906)</u>	<u>10,976</u>	<u>(10,950,697)</u>
Total depreciable capital assets		<u>756,334</u>	<u>(43,709)</u>	<u>(4,490)</u>	<u>708,135</u>
		\$ <u>8,044,516</u>	\$ <u>1,315,780</u>	\$ <u>(4,490)</u>	\$ <u>9,355,806</u>

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, 2019. Management expects the project to be placed in use in fiscal year 2020.

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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(7) Capital Assets, Continued

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, 2019 and 2018. NMHC recorded an impairment loss on land of \$2,262,131 based on broker's opinions obtained during the year ended September 30, 2011. Public Law 6-34 provides NMHC, subject to certain terms and conditions, the authority to lease for commercial development certain land situated in the North Garapan Subdivision Annex No. 2. NMHC is currently in the process of promoting the development of the abovementioned land to allow NMHC to meet its future commitments.

(8) Foreclosed Real Estate

A summary of the changes in foreclosed real estate as of September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 594,771	\$ 227,798
Additions	189,500	366,973
Deletions	<u>(295,573)</u>	<u>-</u>
Balance at end of year	\$ <u>488,698</u>	\$ <u>594,771</u>

(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 \$733,809 have been set forth in NMHC's Single Audit Report for the year ended September 30, 2019 and is comprised of questioned costs of \$149,048 for fiscal year 2019, \$273,058 for fiscal year 2018 and \$311,703 for fiscal year 2017. 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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(9) Contingencies, Continued

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, 2019 and 2018, NMHC has guaranteed outstanding loans of \$5,323,173 and \$6,220,742, respectively, and the amount of delinquent loans related to the agreement was \$2,073,063 and \$1,538,228, respectively. As of September 30, 2019 and 2018, total delinquent loans with demand notices from RD were \$-0-. As of September 30, 2019 and 2018, NMHC recorded liabilities incorporated in a "reserve for loan guaranty" of \$1,653,363 and \$1,571,239, respectively, in the accompanying financial statements inclusive of reserves for the remaining non-delinquent and delinquent loans without demand notices of \$1,619,476 and \$1,537,352, respectively.

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, 2019 and 2018, NMHC was contingently liable for \$391,440 and \$431,099, 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, 2019 and 2018 was \$181 and \$258, respectively, which is included in "restricted cash and cash equivalents" in the accompanying financial statements. As of September 30, 2019 and 2018, total defaulted loans related to this arrangement were \$61,112 and \$-0-, respectively.

NMHC also has similar arrangements with other financial institutions whereby NMHC guarantees a varying percentage of loans issued by the banks for housing construction. At September 30, 2019 and 2018, NMHC was contingently liable to these institutions for \$238,928 and \$272,212, respectively. As of September 30, 2019 and 2018, 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.

(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 CORPORATION

Notes to Financial Statements
September 30, 2019 and 2018

(11) Subsequent Events

COVID-19

Economic uncertainties have arisen as a result of the COVID-19 coronavirus pandemic, which are likely to negatively impact NMHC's financial results. To prevent the spread of the COVID-19 coronavirus, the CNMI temporarily suspended commercial air travel to the CNMI effective April 6, 2020. Although this suspension is temporary, there is considerable uncertainty on its duration, which negatively impacted businesses in the CNMI and resulted in employee furloughs both in private and public sectors.

To assist their loan borrowers, NMHC has implemented a payment deferral assistance program beginning March 1, 2020 until May 31, 2020, which was extended on June 1, 2020 until further notice. Under the program, interest will not accrue during the period. NMHC expects this matter to negatively impact its future financial results; however, the related financial impact cannot be reasonably estimated at this time. Other financial impacts could occur though such potential impact is unknown at this time.

Executive Order 2020-21

On September 24, 2020, the Governor of the CNMI signed Executive Order 2020-21 to rescind Section 407 of Executive Order 94-3, pertaining to the functions of NMHC and its assignment to CDA and allowing for NMHC to remain the successor agency to MIHA pursuant to Public Law 20-87. The operations of NMHC shall continue under the direction and control of the CDA Board of Directors until all positions of the NMHC Board of Directors are appointed and confirmed.

(12) Restatement

NMHC management has elected to present HUD funds previously recorded in unearned revenue as restricted net position as of September 30, 2018. As a result, beginning net position has been restated as follows:

	<u>As Originally Stated</u>	<u>As Restated</u>
Net position - beginning	\$ 9,713,289	\$ 18,590,113

Northern Marianas Housing Corporation (TQ901)
Saipan, MP

Program Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	\$555,738	\$555,738
112 Cash - Restricted - Modernization and Development		
113 Cash - Other Restricted	\$167,211	\$167,211
114 Cash - Tenant Security Deposits		
115 Cash - Restricted for Payment of Current Liabilities		
100 Total Cash	\$722,949	\$722,949
121 Accounts Receivable - PHA Projects		
122 Accounts Receivable - HUD Other Projects		
124 Accounts Receivable - Other Government		
125 Accounts Receivable - Miscellaneous		
126 Accounts Receivable - Tenants		
126.1 Allowance for Doubtful Accounts - Tenants		
126.2 Allowance for Doubtful Accounts - Other		
127 Notes, Loans, & Mortgages Receivable - Current		
128 Fraud Recovery	\$70,003	\$70,003
128.1 Allowance for Doubtful Accounts - Fraud	-\$14,259	-\$14,259
129 Accrued Interest Receivable		
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$55,744	\$55,744
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	\$778,693	\$778,693
161 Land		
162 Buildings		
163 Furniture, Equipment & Machinery - Dwellings	\$64,372	\$64,372
164 Furniture, Equipment & Machinery - Administration	\$39,583	\$39,583
165 Leasehold Improvements		
166 Accumulated Depreciation	-\$71,339	-\$71,339
167 Construction in Progress		
168 Infrastructure		
160 Total Capital Assets, Net of Accumulated Depreciation	\$32,616	\$32,616
171 Notes, Loans and Mortgages Receivable - Non-Current		
172 Notes, Loans, & Mortgages Receivable - Non Current - Past		
173 Grants Receivable - Non Current		
174 Other Assets	\$6,283	\$6,283
176 Investments in Joint Ventures		
180 Total Non-Current Assets	\$38,899	\$38,899
200 Deferred Outflow of Resources		
290 Total Assets and Deferred Outflow of Resources	\$817,592	\$817,592

See Accompanying Independent Auditors' Report.

Northern Marianas Housing Corporation (TQ901)
Saipan, MP

Program Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	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		
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	\$80,076	\$80,076
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	\$80,076	\$80,076
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	\$80,076	\$80,076
400 Deferred Inflow of Resources		
508.4 Net Investment in Capital Assets	\$32,616	\$32,616
511.4 Restricted Net Position	\$167,211	\$167,211
512.4 Unrestricted Net Position	\$537,689	\$537,689
513 Total Equity - Net Assets / Position	\$737,516	\$737,516
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$817,592	\$817,592

See Accompanying Independent Auditors' Report.

Northern Marianas Housing Corporation (TQ901)
Saipan, MP

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	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	\$3,172,541	\$3,172,541
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	\$4,086	\$4,086
71500 Other Revenue	\$21,202	\$21,202
71600 Gain or Loss on Sale of Capital Assets		
72000 Investment Income - Restricted		
70000 Total Revenue	\$3,197,829	\$3,197,829
91100 Administrative Salaries	\$350,098	\$350,098
91200 Auditing Fees	\$5,830	\$5,830
91300 Management Fee		
91310 Book-keeping Fee		
91400 Advertising and Marketing		
91500 Employee Benefit contributions - Administrative	\$75,056	\$75,056
91600 Office Expenses	\$10,787	\$10,787
91700 Legal Expense	\$402	\$402
91800 Travel	\$23,207	\$23,207
91810 Allocated Overhead		
91900 Other	\$39,273	\$39,273
91000 Total Operating - Administrative	\$504,653	\$504,653
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		

See Accompanying Independent Auditors' Report.

Northern Marianas Housing Corporation (TQ901)
Saipan, MP

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	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	\$504,653	\$504,653
97000 Excess of Operating Revenue over Operating Expenses	\$2,693,176	\$2,693,176
97100 Extraordinary Maintenance		
97200 Casualty Losses - Non-capitalized		
97300 Housing Assistance Payments	\$2,676,754	\$2,676,754
97350 HAP Portability-In		
97400 Depreciation Expense	\$9,476	\$9,476
97500 Fraud Losses		
97600 Capital Outlays - Governmental Funds		
97700 Debt Principal Payment - Governmental Funds		
97800 Dwelling Units Rent Expense		
90000 Total Expenses	\$3,190,883	\$3,190,883

See Accompanying Independent Auditors' Report.

Northern Marianas Housing Coproration (TQ901)
Saipan, MP

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	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 of Total Revenue Over Total	\$6,946	\$6,946
11020 Required Annual Debt Principal Payments		
11030 Beginning Equity	\$730,568	\$730,568
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0	\$0
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	\$570,305	\$570,305
11180 Housing Assistance Payments Equity	\$167,211	\$167,211
11190 Unit Months Available	4,356	4,356
11210 Number of Unit Months Leased	3,722	3,722
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		

See Accompanying Independent Auditors' Report.