

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, 2020



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

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019. 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, 2020 and 2019, 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

Economic uncertainties as a result of the COVID-19 coronavirus pandemic may negatively impact NMHC’s future financial results as described in note 12 to the financial statements.

Our opinion is not modified with respect to this matter.

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 11 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 2020 Financial Data Schedule of NMHC's Section 8 Housing Choice Vouchers Program on pages 31 through 35, 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 2020 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 2020 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 April 6, 2022 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

April 6, 2022



NORTHERN MARIANAS HOUSING CORPORATION

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MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended September 30, 2020

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, 2020 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, 2019 and 2018. 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.

I. OVERVIEW OF NMHC, CONTINUED

Major Programs of NMHC, Continued

- *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 2020, 2019 and 2018, NMHC received \$1,371,555, \$1,272,062 and \$1,249,733, respectively, under this Program.

- *HOME Investment Partnerships Program (HOME)*

Under this Program, NMHC provides single-family housing loans and grants to eligible low-income families to construct new homes, acquire and rehabilitate homes or rehabilitate existing homes. For program year 2019 (FY 2020), the HOME allocation received was in the amount of \$429,574.

- *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.

I. OVERVIEW OF NMHC, CONTINUED

Major Programs of NMHC, Continued

- *Community Development Block Grant-COVID (CDBG-CV)*

CDBG-CV provides grants to states, insular areas, and local governments to prevent, prepare for, and respond to the spread of COVID-19. The CNMI received a total of two CDBG-CV allocations. The CDBG-CV first allocation was used for the purchase of a mobile clinic for the Commonwealth Healthcare Corporation (CHCC). The CHCC mobile clinic is designed to complement traditional care settings and extend care to high-risk individuals who do not access care in traditional settings due to distrust of traditional health care services, perceived stigma, and financial barriers, among other reasons. The CDBG-CV second allocation was used to provide mortgage assistance to income-eligible applicants who were impacted by COVID-19. Eligible activities include public services, public facilities and improvements, housing-related activities, activities to acquire real property, economic development activities, and general administrative and planning activities.

- *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 2020 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.

- *Emergency Solutions Grant-COVID (ESG-CV)*

The Coronavirus Aid, Relief, and Economic Security (CARES) Act appropriated funding through the ESG Program “to prevent, prepare for, and respond to coronavirus, among individuals and families who are homeless or receiving homeless assistance and to support additional homeless assistance and homelessness prevention activities to mitigate the impacts created by coronavirus under the Emergency Solutions Grants program (42 U.S.C. 11371).” The CNMI received a total of three ESG-CV allocations. The ESG-CV first, second and third allocations were used for rapid rehousing assistance, homeless prevention assistance, housing relocation and stabilization services, homeless management information systems, and general administrative and planning activities. Income-eligible applicants will receive a total of twelve months rental assistance, financial assistance (e.g. security deposit, utility deposit, and utility assistance) for the applicable assistance period.

- *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 2020 totaling \$14,244 in planning funds.

I. OVERVIEW OF NMHC, CONTINUED

Major Programs of NMHC, Continued

- *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 2020 which describes the basis NMHC will use to allocate LIHTCs among qualified owners/developers. The tax credit allocated to the CNMI for 2020 was \$3,217,500. 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.

HUD helps make homes affordable through several rental assistance programs. HUD inspects these properties based on federal inspections standards set by HUD's REAC. Multifamily properties are inspected every one to three years. How often they are inspected is based on their previous inspection score. Properties that score well are inspected less often. For the last REAC inspection in September 2021, Mihaville scored 87b and Koblerville scored 84b.

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.

II. OVERVIEW OF THE BASIC FINANCIAL STATEMENTS, CONTINUED

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, 2020 and 2019. 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 cash came 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 decreased by less than 1% from \$22,427,674 in 2019 to \$22,364,311 in 2020 and increased by 4% from \$21,473,756 in 2018 to \$22,427,674 in 2019. Current assets of \$5,018,226, \$5,019,402 and \$4,928,773 as of September 30, 2020, 2019 and 2018, respectively, are primarily comprised of cash, current portion of loans receivable, finance lease receivables, and receivables from tenants.
- Total other assets as of September 30, 2020 and 2019 was \$3,375,401 and \$3,264,513, respectively, which is an increase of 3% in restricted cash and cash equivalents. 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.
- Foreclosed real estate increased by 9% from \$488,698 in 2019 to \$530,698 in 2020. This increase was due primarily to the Rural Development foreclosed units. 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 decreased by 4% from \$19,044,297 in 2019 to \$18,307,559 in 2020 and increased by 2% from \$18,590,113 in 2018 to \$19,044,297 in 2019. 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, 2020, NMHC's current assets of \$5,018,226 exceed current liabilities of \$3,042,601 by \$1,975,625. 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 (loss) income during fiscal years 2020, 2019 and 2018 was \$(658,487), \$442,684 and \$(278,908), respectively.

IV. FINANCIAL ANALYSIS

a. Statements of Net Position

	2020	2019	\$ Change	% Change	2018 (As Restated)
Current assets	\$ 5,018,226	\$ 5,019,402	\$ (1,176)	-0%	\$ 4,928,773
Other assets	3,375,401	3,264,513	110,888	3%	2,895,748
Capital assets, net	8,936,827	9,239,971	(303,144)	-3%	9,355,806
Foreclosed real estate	530,698	488,698	42,000	9%	594,771
Noncurrent assets	<u>4,503,159</u>	<u>4,415,090</u>	<u>88,069</u>	2%	<u>3,698,658</u>
Total assets	\$ <u>22,364,311</u>	\$ <u>22,427,674</u>	\$ <u>(63,363)</u>	-0%	\$ <u>21,473,756</u>
Current liabilities	\$ 3,042,601	\$ 2,893,790	\$ 148,811	5%	\$ 2,841,131
Noncurrent liabilities	<u>539,496</u>	<u>351,693</u>	<u>187,803</u>	53%	<u>42,512</u>
Total liabilities	<u>3,582,097</u>	<u>3,245,483</u>	<u>336,614</u>	10%	<u>2,883,643</u>
Deferred inflows of resources	<u>474,655</u>	<u>137,894</u>	<u>336,761</u>	244%	-
Net investment in capital assets	8,936,827	9,239,971	(303,144)	-3%	9,355,806
Restricted	<u>9,370,732</u>	<u>9,804,326</u>	<u>(433,594)</u>	-4%	<u>9,234,307</u>
Total net position	<u>18,307,559</u>	<u>19,044,297</u>	<u>(736,738)</u>	-4%	<u>18,590,113</u>
Total liabilities and net position	\$ <u>22,364,311</u>	\$ <u>22,427,674</u>	\$ <u>(63,363)</u>	-0%	\$ <u>21,473,756</u>

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

	2020	2019	\$ Change	% Change	2018 (As Restated)
Operating revenues	\$ 7,341,868	\$ 6,844,365	\$ 497,503	7%	\$ 6,241,080
Recovery	<u>295,924</u>	<u>538,158</u>	<u>(242,234)</u>	-45%	<u>3,616</u>
Net operating revenues	7,637,792	7,382,523	255,269	3%	6,244,696
Operating expenses	<u>8,296,279</u>	<u>6,939,839</u>	<u>1,356,440</u>	20%	<u>6,523,604</u>
Operating (loss) income	(658,487)	442,684	(1,101,171)	-249%	(278,908)
Nonoperating revenues	<u>18,954</u>	<u>11,500</u>	<u>7,454</u>	65%	<u>65,669</u>
Income (loss) before capital contributions	(639,533)	454,184	(1,093,717)	-241%	(213,239)
Capital grants and contributions	<u>(97,205)</u>	<u>-</u>	<u>(97,205)</u>	100%	<u>1,359,489</u>
Change in net position	(736,738)	454,184	(1,190,922)	-262%	1,146,250
Net position - beginning, as restated	<u>19,044,297</u>	<u>18,590,113</u>	<u>454,184</u>	2%	<u>17,443,863</u>
Net position - ending	\$ <u>18,307,559</u>	\$ <u>19,044,297</u>	\$ <u>(736,738)</u>	-4%	\$ <u>18,590,113</u>

c. Statements of Cash Flows

	2020	2019	\$ Change	% Change	2018
Cash flows from operating activities	\$ (210,747)	\$ (90,069)	\$ (120,678)	134%	\$ 456,952
Cash flows from capital and related financing activities	200,897	391,187	(190,290)	-49%	226,258
Cash flows from investing activities	<u>(91,934)</u>	<u>(361,672)</u>	<u>269,738</u>	-75%	<u>336,736</u>
Net (decrease) increase in cash and cash equivalents	(101,784)	(60,554)	(41,230)	68%	1,019,946
Cash and cash equivalents at beginning of year	<u>2,274,109</u>	<u>2,334,663</u>	<u>(60,554)</u>	-3%	<u>1,314,717</u>
Cash and cash equivalents at end of year	\$ <u>2,172,325</u>	\$ <u>2,274,109</u>	\$ <u>(101,784)</u>	-4%	\$ <u>2,334,663</u>

IV. FINANCIAL ANALYSIS, CONTINUED

d. Capital Assets

At September 30, 2020, 2019 and 2018, NMHC had \$8,936,827, \$9,239,971 and \$9,355,806, respectively, net investment in capital assets, net of depreciation where applicable. This represents a net decrease of \$303,144 or 3% during fiscal year 2020, 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.

	2020	2019	2018
Depreciable capital assets, net of accumulated depreciation	\$ 1,648,645	\$ 592,300	\$ 708,135
Nondepreciable capital assets	<u>7,288,182</u>	<u>8,647,671</u>	<u>8,647,671</u>
	<u>\$ 8,936,827</u>	<u>\$ 9,239,971</u>	<u>\$ 9,355,806</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 12 to the financial statements for more detailed information.

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 2019 was \$5,953,234. 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 2019, NMHC received \$1,272,062 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, 2019 is set forth in NMHC's report on the audit of financial statements, which is dated September 30, 2020. That Discussion and Analysis explains the major factors impacting the 2019 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, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 2,172,325	\$ 2,274,109
Receivables:		
Current portion of loans receivable, net	1,442,376	1,336,607
Current portion of finance lease receivable	12,343	17,527
Rent, net of allowance for doubtful accounts of \$652,259 and \$572,299 at September 30, 2020 and 2019, respectively.	329,289	314,084
Accrued interest, net of allowance for doubtful accounts of \$47,888 and \$49,558 at September 30, 2020 and 2019, respectively	83,827	32,022
Due from grantor - Disaster Recovery Grant	474,655	137,894
Employees	8,086	7,714
Other	495,325	899,445
Total current assets	<u>5,018,226</u>	<u>5,019,402</u>
Other assets:		
Cash and cash equivalents, restricted	<u>3,375,401</u>	<u>3,264,513</u>
Noncurrent assets:		
Loans receivable, net of current portion	3,727,585	3,577,132
Finance lease receivable, net of current portion	775,574	837,958
Depreciable capital assets, net of accumulated depreciation	1,648,645	592,300
Nondepreciable capital assets	7,288,182	8,647,671
Foreclosed real estate	530,698	488,698
Total noncurrent assets	<u>13,970,684</u>	<u>14,143,759</u>
	<u>\$ 22,364,311</u>	<u>\$ 22,427,674</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 735,938	\$ 718,258
Due to grantor agency	282,813	522,169
Reserve for loan guaranty	2,023,850	1,653,363
Total current liabilities	<u>3,042,601</u>	<u>2,893,790</u>
Unearned revenues	<u>539,496</u>	<u>351,693</u>
Total liabilities	<u>3,582,097</u>	<u>3,245,483</u>
Deferred inflows of resources:		
Unearned revenues	<u>474,655</u>	<u>137,894</u>
Total deferred inflows of resources	<u>474,655</u>	<u>137,894</u>
Contingencies		
Net position:		
Net investment in capital assets	8,936,827	9,239,971
Restricted	9,370,732	9,804,326
Total net position	<u>18,307,559</u>	<u>19,044,297</u>
	<u>\$ 22,364,311</u>	<u>\$ 22,427,674</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS HOUSING CORPORATION

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Section 8 income:		
Federal housing assistance rentals	\$ 4,758,404	\$ 4,453,610
Tenant share	227,506	307,428
Community Development Block Grants (CDBG) Program	1,521,428	971,886
Interest and fees on loans	261,523	131,872
Recovery from provision for foreclosed properties	129,847	164,165
Low Income Housing Tax Credit	94,711	156,041
Emergency Shelter Grants (ESG) Program	82,432	97,220
HOME Investment Partnership Program Grant	71,337	332,311
Housing rental	48,209	36,513
HOME Investment Partnership Grant program income	35,906	98,348
Other	110,565	94,971
	<u>7,341,868</u>	<u>6,844,365</u>
Recovery	295,924	538,158
Net operating revenues	<u>7,637,792</u>	<u>7,382,523</u>
Operating expenses:		
Section 8 rental	2,674,341	2,482,947
CDBG Program	1,518,783	971,886
HOME Investment Partnership Program Grant	107,243	430,267
ESG Program	86,494	97,220
Continuum of Care Program	3,478	-
HOME Investment Partnership Grant program income	-	392
Operations:		
Salaries and wages	1,369,053	1,175,637
Employee benefits	469,404	269,019
Repairs and maintenance	442,619	384,446
Utilities	375,386	295,274
Provision for loan guaranty	370,487	82,124
Depreciation	308,046	128,103
Professional fees	175,257	71,835
Supplies	41,387	5,031
Travel	11,394	120,195
Office rent	8,836	9,656
Other	334,071	415,807
Total operating expenses	<u>8,296,279</u>	<u>6,939,839</u>
Operating (loss) income	<u>(658,487)</u>	<u>442,684</u>
Nonoperating revenues:		
Litigation judgment	-	4,407
Interest income	18,954	7,093
Total nonoperating revenues	<u>18,954</u>	<u>11,500</u>
(Loss) income before capital contributions	<u>(639,533)</u>	<u>454,184</u>
Capital grants and contributions:		
HOME Investment Partnership Program Grant	(34,318)	-
NSP Grant	(62,887)	-
	<u>(97,205)</u>	<u>-</u>
Change in net position	<u>(736,738)</u>	<u>454,184</u>
Net position - beginning	<u>19,044,297</u>	<u>18,590,113</u>
Net position - ending	<u>\$ 18,307,559</u>	<u>\$ 19,044,297</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS HOUSING CORPORATION

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from interest and fees on loans receivable	\$ 211,388	\$ 193,558
Cash payments to suppliers for goods and services	(1,301,007)	(720,898)
Cash received from customers	453,062	337,793
Cash payments to employees for services	(1,573,952)	(1,520,074)
Cash received from HCV Program CARES Act	159,496	-
Cash received from other federal grant awards	6,230,151	5,949,182
Cash payments from federal grant awards	(4,389,885)	(4,329,630)
Net cash used for operating activities	<u>(210,747)</u>	<u>(90,069)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,902)	(12,268)
Net proceeds from loans receivable	177,452	48,310
Proceeds from sale of foreclosed real estate	28,347	350,738
Interest received from litigation judgment	-	4,407
Net cash provided by capital and related financing activities	<u>200,897</u>	<u>391,187</u>
Cash flows from investing activities:		
Purchase of restricted cash and cash equivalents	(110,888)	(368,765)
Interest received	18,954	7,093
Net cash used for investing activities	<u>(91,934)</u>	<u>(361,672)</u>
Net decrease in cash and cash equivalents	(101,784)	(60,554)
Cash and cash equivalents at beginning of year	<u>2,274,109</u>	<u>2,334,663</u>
Cash and cash equivalents at end of year	<u>\$ 2,172,325</u>	<u>\$ 2,274,109</u>
Reconciliation of operating (loss) income to net cash used for operating activities:		
Operating (loss) income	\$ (658,487)	\$ 442,684
Adjustments to reconcile operating (loss) income to net cash used for operating activities:		
Provision for loan guaranty	370,487	82,124
Depreciation	308,046	128,103
Recovery from doubtful accounts	(295,924)	(538,158)
Recovery from foreclosed properties	(129,847)	(164,165)
Capital grants and contributions	(97,205)	-
(Increase) decrease in assets:		
Receivables:		
Finance lease	67,568	(116,458)
Rent	(95,125)	(133,062)
Employees	(372)	(7,640)
Accrued interest	(50,135)	61,686
Other	404,120	184,282
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	17,680	(25,272)
Due to grantor agency	(239,356)	(4,193)
Unearned revenues	187,803	-
Net cash used for operating activities	<u>\$ (210,747)</u>	<u>\$ (90,069)</u>
Supplemental disclosure of noncash capital and related financing activities:		
Recognition of loans receivable:		
Noncash increase in loans receivable	\$ 43,373	\$ 447,075
Noncash increase in allowance for doubtful accounts	(43,373)	-
Noncash increase in unearned revenues	-	(447,075)
	<u>\$ -</u>	<u>\$ -</u>
Recognition of foreclosed properties:		
Noncash (decrease) increase in foreclosed properties	\$ (59,500)	\$ 80,500
Noncash increase (decrease) in loans receivable	59,500	(126,574)
Noncash increase in finance lease receivable	-	46,074
	<u>\$ -</u>	<u>\$ -</u>
Recognition of due from grantor - Disaster Recovery Grant:		
Noncash increase in due from grantor - Disaster Recovery Grant	\$ 336,761	\$ -
Noncash increase in deferred inflows of resources - unearned revenues	(336,761)	-
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(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. 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. 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;
- To participate in projects subsidized by the U.S. Department of Housing and Urban Development (HUD). Upon completion of the projects, the residential units are rented to qualifying families and individuals; and
- To provide grant funding through the Community Development Block Grants/Special Purpose Grants/Insular Area program for community planning and development projects that will benefit low-moderate income communities.

As such, NMHC considers all its net position, except net 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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(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, 2020 and 2019, total unrestricted cash and cash equivalents were \$2,172,325 and \$2,274,109, respectively, and the corresponding bank balances were \$2,720,539 and \$2,467,515, 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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(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.

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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(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 \$94,711 and \$156,041 as of September 30, 2020 and 2019, 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 are recognized when resource is received prior to being earned and relates to Housing Choice Voucher CARES Act funding from HUD of \$159,496 as of September 30, 2020, which pertains to federal award money received before the qualifying expenditure is made, and recorded capital asset under the Community Development Block Grant program administered by NMHC of \$380,000 and \$351,693 as of September 30, 2020 and 2019, respectively.

Compensated Absences

Vested or accumulated vacation leave is recorded as benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Accumulated sick pay benefits as of September 30, 2020 and 2019 was \$526,932 and \$397,940, respectively.

Deferred Inflows of Resources

Deferred inflows of resources represent unavailable revenue from the Community Development Block Grant Disaster Recovery (CDBG-DR) program, which is revenue that does not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. NMHC recorded deferred inflows of resources of \$474,655 and \$137,894 as of September 30, 2020 and 2019, 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 \$-0- and \$4,407 during the years ended September 30, 2020 and 2019, respectively.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

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 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 the 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.

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, 2020 and 2019 were \$20,121 and \$20,890, 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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

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, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019 as amounts were not available.

New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No.'s 84, 89, 90, 91, 92 and 93 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. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying 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. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

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.

Reclassification

Certain 2019 balances in the accompanying financial statements have been reclassified to conform to the 2020 presentation.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(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, 2020 and 2019, 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 \$3,372,279 and \$3,261,012 with U.S. government obligations at the rate of 100% at September 30, 2020 and 2019, respectively.

Restricted cash and cash equivalents:

	<u>2020</u>	<u>2019</u>
Escrow and savings accounts maintained as a guarantee for any deficiency in foreclosure proceeds related to USDA RD loans	\$ 1,365,803	\$ 1,364,310
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with HUD	230,797	230,625
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	104	181
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	652,131	722,949
Other depository accounts reserved for various purposes	<u>1,126,566</u>	<u>946,448</u>
	<u>\$ 3,375,401</u>	<u>\$ 3,264,513</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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
HOME Investment Partnerships Act grant	\$ 7,459,514	\$ 7,576,321
Direct family home loans	3,152,794	2,965,359
Neighborhood Stabilization Program (NSP) grant	981,383	991,647
General	478,773	427,371
Section 8	436,908	450,717
Tinian turnkey	400,659	420,219
Housing construction	247,202	254,790
Veterans Aid	-	145,388
Housing preservation grant	<u>87,542</u>	<u>87,542</u>
Loan principal receivable	13,244,775	13,319,354
Less allowance for loan losses	<u>(8,074,814)</u>	<u>(8,405,615)</u>
Net loans receivable	<u>\$ 5,169,961</u>	<u>\$ 4,913,739</u>

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(4) Loans Receivable, Continued

Delinquent loans referred to legal counsel for collection totaled \$1,759,987 and \$1,757,620 as of September 30, 2020 and 2019, respectively.

Maturities of the above principal balances subsequent to September 30, 2020 and 2019 will be as follows:

	<u>2020</u>	<u>2019</u>
Fully matured and others	\$ 1,931,502	\$ 1,984,177
1 - 6 months	751,301	618,147
7 - 18 months	1,012,378	1,020,729
19 months - 3 years	1,011,668	1,169,605
After 3 years	<u>8,537,926</u>	<u>8,526,696</u>
	<u>\$ 13,244,775</u>	<u>\$ 13,319,354</u>

Allowance for Loan Losses

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

	<u>2020</u>	<u>2019</u>
Balance - beginning of year	\$ 8,405,615	\$ 8,914,655
Recovery	<u>(330,801)</u>	<u>(509,040)</u>
Balance - end of year	<u>\$ 8,074,814</u>	<u>\$ 8,405,615</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, 2020 and 2019 amounted to \$48,209 and \$36,513, respectively. Future minimum lease rentals under these arrangements as of September 30, 2020 and 2019, are as follows:

Year ending September 30,	Minimum Lease Rentals	Minimum Lease Income	Net	
			<u>2020</u>	<u>2019</u>
2020	\$ -	\$ -	\$ -	\$ 17,527
2021	54,014	41,671	12,343	22,619
2022	62,272	41,979	20,293	23,905
2023	64,302	40,874	23,428	25,422
2024	65,220	39,702	25,518	26,810
2025	62,236	37,717	24,519	-
Thereafter	<u>1,065,183</u>	<u>383,367</u>	<u>681,816</u>	<u>739,202</u>
	<u>\$ 1,373,227</u>	<u>\$ 585,310</u>	787,917	855,485
		Less current portion	<u>(12,343)</u>	<u>(17,527)</u>
		Noncurrent portion	<u>\$ 775,574</u>	<u>\$ 837,958</u>

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(6) Due from Grantor - Disaster Recovery Grant

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 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 \$474,655 and \$137,894 as of September 30, 2020 and 2019, respectively, for administrative expenses incurred.

(7) Other Receivables

A summary of other receivables as of September 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Defaulted loans	\$ 473,900	\$ 895,300
Other	<u>21,425</u>	<u>4,145</u>
	\$ <u>495,325</u>	\$ <u>899,445</u>

As of September 30, 2020 and 2019, allowance for doubtful accounts for other receivables is \$-0-.

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.

(8) Capital Assets

Capital assets consist of the following at September 30, 2020 and 2019:

	<u>Estimated Useful Lives</u>	<u>Balance at October 1, 2019</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at September 30, 2020</u>
Nondepreciable capital assets:					
Land		\$ 7,288,182	\$ -	\$ -	\$ 7,288,182
Construction in progress		<u>1,359,489</u>	<u>-</u>	<u>(1,359,489)</u>	<u>-</u>
Total nondepreciable capital assets		<u>8,647,671</u>	<u>-</u>	<u>(1,359,489)</u>	<u>7,288,182</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, 2020 and 2019

(8) Capital Assets, Continued

	Estimated Useful Lives	Balance at October 1, 2019	Additions	Transfers/ Deletions	Balance at September 30, 2020
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	102,521	1,364,391	-	1,466,912
Vehicles	3 years	262,555	-	-	262,555
		<u>4,058,591</u>	<u>1,364,391</u>	<u>-</u>	<u>5,422,982</u>
		11,671,100	1,364,391	-	13,035,491
Less accumulated depreciation		<u>(11,078,800)</u>	<u>(308,046)</u>	<u>-</u>	<u>(11,386,846)</u>
Total depreciable capital assets		<u>592,300</u>	<u>1,056,345</u>	<u>-</u>	<u>1,648,645</u>
		\$ <u>9,239,971</u>	\$ <u>1,056,345</u>	\$ <u>(1,359,489)</u>	\$ <u>8,936,827</u>
	Estimated Useful Lives	Balance at October 1, 2018	Additions	Transfers/ Deletions	Balance at September 30, 2019
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	600,515	-	-	600,515
		<u>7,612,509</u>	<u>-</u>	<u>-</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	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>

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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(8) 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, 2020 and 2019. NMHC recorded an impairment loss on land of \$2,262,131 based on broker's opinions obtained during the year ended September 30, 2011. Public Law 6-34 provides NMHC, subject to certain terms and conditions, the authority to lease for commercial development certain land situated in the North Garapan Subdivision Annex No. 2. NMHC is currently in the process of promoting the development of the abovementioned land to allow NMHC to meet its future commitments.

(9) Foreclosed Real Estate

A summary of the changes in foreclosed real estate as of September 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 488,698	\$ 594,771
Additions	101,500	189,500
Deletions	<u>(59,500)</u>	<u>(295,573)</u>
Balance at end of year	\$ <u>530,698</u>	\$ <u>488,698</u>

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(10) 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 \$571,753 have been set forth in NMHC's Single Audit Report for the year ended September 30, 2020 and is comprised of questioned costs of \$422,705 for fiscal year 2020 and \$149,048 for fiscal year 2019. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

NMHC has entered into an agreement with the USDA RD whereby NMHC assists borrowers in obtaining RD financing for housing construction. The agreement requires NMHC to guarantee any deficiency in foreclosure proceeds should borrowers default on RD loans. As of September 30, 2020 and 2019, NMHC has guaranteed outstanding loans of \$5,260,950 and \$5,323,173, respectively, and the amount of delinquent loans related to the agreement was \$2,712,013 and \$2,073,063, respectively. As of September 30, 2020 and 2019, total delinquent loans with demand notices from RD were \$-0-. As of September 30, 2020 and 2019, NMHC recorded liabilities incorporated in a "reserve for loan guaranty" of \$2,023,850 and \$1,653,363, respectively, in the accompanying financial statements inclusive of reserves for the remaining non-delinquent and delinquent loans without demand notices of \$1,989,963 and \$1,619,476, 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, 2020 and 2019, NMHC was contingently liable for \$294,321 and \$391,440, 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, 2020 and 2019 was \$104 and \$181, respectively, which is included in "restricted cash and cash equivalents" in the accompanying financial statements. As of September 30, 2020 and 2019, total defaulted loans related to this arrangement was \$61,112.

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, 2020 and 2019, NMHC was contingently liable to these institutions for \$199,868 and \$238,928, respectively. As of September 30, 2020 and 2019, 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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Financial Statements
September 30, 2020 and 2019

(11) 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.

(12) 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.

(13) Subsequent Event

In fiscal year 2021, all positions of the NMHC Board of Directors have been appointed and confirmed and therefore, operations of NMHC is no longer under the direction and control of the CDA Board of Directors.

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

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted		\$644,009	\$644,009
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$159,496	\$8,122	\$167,618
114 Cash - Tenant Security Deposits			
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$159,496	\$652,131	\$811,627
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		\$96,188	\$96,188
128.1 Allowance for Doubtful Accounts - Fraud		-\$70,433	-\$70,433
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$25,755	\$25,755
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	\$0		\$0
145 Assets Held for Sale			
150 Total Current Assets	\$159,496	\$677,886	\$837,382
161 Land			
162 Buildings			
163 Furniture, Equipment & Machinery - Dwellings		\$64,387	\$64,387
164 Furniture, Equipment & Machinery - Administration		\$39,583	\$39,583
165 Leasehold Improvements			
166 Accumulated Depreciation		-\$90,502	-\$90,502
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$13,468	\$13,468
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	\$0	\$13,468	\$13,468
200 Deferred Outflow of Resources			
290 Total Assets and Deferred Outflow of Resources	\$159,496	\$691,354	\$850,850

See Accompanying Independent Auditors' Report.

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

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	14.HCC HCV CARES Act Funding	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		\$233,910	\$233,910
341 Tenant Security Deposits			
342 Unearned Revenue	\$159,496		\$159,496
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	\$159,496	\$233,910	\$393,406
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	\$0
300 Total Liabilities	\$159,496	\$233,910	\$393,406
400 Deferred Inflow of Resources			
508.4 Net Investment in Capital Assets	\$0	\$13,468	\$13,468
511.4 Restricted Net Position	\$0	\$8,122	\$8,122
512.4 Unrestricted Net Position	\$0	\$435,854	\$435,854
513 Total Equity - Net Assets / Position	\$0	\$457,444	\$457,444
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$159,496	\$691,354	\$850,850

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: 09/30/2020

	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue			
70400 Tenant Revenue - Other			
70500 Total Tenant Revenue	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$0	\$3,127,580	\$3,127,580
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		\$7,166	\$7,166
71500 Other Revenue		\$21,556	\$21,556
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$0	\$3,156,302	\$3,156,302
91100 Administrative Salaries		\$293,423	\$293,423
91200 Auditing Fees		\$14,300	\$14,300
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative		\$42,082	\$42,082
91600 Office Expenses		\$25,242	\$25,242
91700 Legal Expense		\$3,071	\$3,071
91800 Travel		\$784	\$784
91810 Allocated Overhead			
91900 Other		\$67,741	\$67,741
91000 Total Operating - Administrative	\$0	\$446,643	\$446,643
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	\$0
93100 Water			
93200 Electricity			
93300 Gas			
93400 Fuel			
93500 Labor			
93600 Sewer			

See Accompanying Independent Auditors' Report.

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

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	14.HCC HCV CARES Act Funding	14.871 Housing Choice Vouchers	Total
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$0	\$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	\$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	\$0
96110 Property Insurance			
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance			
96100 Total insurance Premiums	\$0	\$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		\$56,174	\$56,174
96800 Severance Expense			
96000 Total Other General Expenses	\$0	\$56,174	\$56,174
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	\$0
96900 Total Operating Expenses	\$0	\$502,817	\$502,817
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$2,653,485	\$2,653,485
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments		\$2,916,662	\$2,916,662
97350 HAP Portability-In			
97400 Depreciation Expense		\$12,378	\$12,378
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$0	\$3,431,857	\$3,431,857

See Accompanying Independent Auditors' Report.

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

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2020

	14.HCC HCV CARES Act Funding	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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$0	-\$275,555	-\$275,555
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$0	\$737,516	\$737,516
11040 Prior Period Adjustments, Equity Transfers and	\$0	-\$4,517	-\$4,517
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		\$449,322	\$449,322
11180 Housing Assistance Payments Equity		\$8,122	\$8,122
11190 Unit Months Available		4356	4356
11210 Number of Unit Months Leased		3827	3827
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.