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

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2024 and 2023

BURGER COMER & ASSOCIATES
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COMMONWEALTH ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Commonwealth
of the Northern Mariana Islands)

Years ended September 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Commonwealth Economic Development Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Commonwealth Economic Development Authority (CEDA), a component unit of the CNMI government, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Commonwealth Economic Development Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commonwealth Economic Development Authority (CEDA) as of September 30, 2024 and 2023, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CEDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CEDA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CEDA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CEDA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CEDA's basic financial statements. The accompanying combining statement of net position, combining statements of revenues, expenses and changes in net position, and combining statement of cash flows of the Development Banking Division and the Development Corporation Division are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 combining statement of net position, combining statement of revenues, expenses and changes in net position, and combining statement of cash flows of the Development Banking Division and the Development Corporation Division are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026, on our consideration of the CEDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CEDA'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 the CEDA's internal control over financial reporting and compliance.

Burger Comer & Associates

Saipan, Commonwealth of the Northern Mariana Islands
June 30, 2026

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Management's Discussion and Analysis

Years Ended September 30, 2024 and 2023

The Management's Discussion and Analysis of the Commonwealth Economic Development Authority's (CEDA) financial performance provides an overview of CEDA's financial activities for the fiscal years ended September 30, 2024 and 2023. Please read it in conjunction with the more detailed information contained within the accompanying financial statements.

CEDA, formerly known as the Economic Development Loan Fund, was established as an autonomous public agency in 1985 through Public Law 4-49. Its overall purpose is to stimulate economic development in the Commonwealth of the Northern Mariana Islands (CNMI). Its mission statement is to provide appropriate financial and technical assistance to facilitate the start-up or expansion of private and public enterprises for their success, the benefit of the CNMI's economic welfare and the long-term sustainability of CEDA. CEDA's functions are carried out through the Development Banking Division (DBD) and the Development Corporation Division (DCD). Additionally, in 1994, the Northern Marianas Housing Corporation (NMHC) was included in CEDA. CEDA, as the financing arm of the CNMI, successfully continues its role to stimulate the CNMI's economy by financing major capital improvements and investing in its people. CEDA has a Board of Directors composed of seven individuals appointed for staggered four-year terms by the Governor of the CNMI. CEDA maintains its main office in Saipan and branch offices in Rota and Tinian. In June of 2021, CNMI Public Law (PL) 22-01 was passed. This law changed CDA to CEDA or the Commonwealth Economic Development Authority.

This law mandated CEDA to be the central agency within the CNMI to lead economic development. Specifically, the following organizational duties were mandated: (1) To assist in the development of the economic development plan for the Commonwealth, and control and implement that part of the plan assigned to it by law, (2) To be responsible for actively promoting the CNMI as a location for private investment, (3) To promote and encourage the CNMI and development of new businesses within the Commonwealth, as well as promote the retention and expansion of existing businesses, (4) To promote and encourage the expansion and development of market for the products of the CNMI and to encourage the establishment of commercial linkages of CNMI products within the CNMI tourism industry, and (5) To coordinate, develop, and participate in off-island investor missions to generate interest and investment in the CNMI, with emphasis on business investments from the United States of America.

DBD AND DCD

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

DBD AND DCD, CONTINUED

DCD's mission is to initiate, stimulate and facilitate development of the economy in the CNMI for the economic and social advancement of the people of the CNMI by granting loans, loan guarantees and providing financial, technical and advisory assistance to the private sector in the CNMI.

DCD's primary activity relates to the servicing of its direct loan portfolio. As of September 30, 2024 and 2023, DCD's net loans receivable was $7,098,328 and $7,668,663.

DBD maintains a portfolio consisting of loans to various governmental and quasi-governmental agencies of the CNMI government.

In August 2016, CEDA and the Commonwealth Utilities Corporation (CUC) entered into a Settlement Agreement directing CUC to assign the payment it receives from the Public School System (PSS) Settlement Agreement and to pay the remaining difference of $478,798 to CEDA. CUC further agrees to make quarterly dividend payments of $270,000 to CEDA beginning on October 1, 2016. As of September 30, 2024 and 2023, CEDA received cumulative dividend payments of $12,960,000 and $11,880,000 from CUC. DBD continues to hold preferred stock in CUC based on the conversion of debt dated September 30, 2009. See note 8 to the financial statements for more detailed information. The conversion has permitted CUC to move ahead with greater flexibility in obtaining financing and has given CEDA the opportunity to receive funds loaned to CUC through dividends on the preferred stock, which will be recorded in the Revolving Fund for CIP projects.

As stated above, the net value of DCD's loan portfolio after recoveries was $7,098,328 in 2024 and $7,668,663 in 2023. These figures represent the estimated change in the provision for loan allowance and the potential recovery of value of loans and accrued interest for the respective fiscal years. In July of 2021, CEDA increased its direct loan program borrowing limit from $250,000 up to a maximum of $450,000 per loan.

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

In response to the difficulties experienced by virtually all of DCD's borrowers, management has been working on solutions that can benefit both CEDA and the borrowers. One such solution is the Debt-Relief Program. Qualifying borrowers are encouraged to restructure their delinquent loans at new, less-burdensome interest rates (typically 2%) and the accrued interest is set aside so that the new loan has a chance of being fully amortized if the new payment schedule is adhered to. This gives borrowers who were previously in seemingly hopeless situations new hope for paying off their loans and retaining possession of their collateral. While CEDA may potentially lose some of the accrued interest that has been set aside, the reality is that it is unlikely that this interest would have been recovered without modifying the original loan terms.

In cases where borrowers are in default, CEDA has exhausted all possible means to collect and there is no workable solution for repayment of the loan, CEDA has been forced to write-off loans.

FINANCIAL HIGHLIGHTS

Combined Statements of Net Position
As of September 30, 2024 and 2023

	2024	2023
Current assets	$ 15,254,523	$ 13,685,913
Other assets	25,862,660	11,850,744
Capital assets, net	719,610	748,543
Foreclosed real estate, net	1,479,943	1,479,943
Noncurrent assets	12,872,166	14,679,247
Total assets	56,188,902	42,444,390
Current Liabilities	21,457,973	2,531,051
Noncurrent Liabilities	530,278	545,370
Total Liabilities	21,988,251	3,076,421
Deferred inflows of resources	1,143,382	1,183,447
Net position:		
Net investment in capital assets	719,610	748,543
Restricted	32,337,659	37,435,979
Total net position	33,057,269	38,184,522
Total Liabilities, deferred inflows of resources and net position	$ 56,188,902	$ 42,444,390

FINANCIAL HIGHLIGHTS, CONTINUED

Combined Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2024 and 2023

	2024	2023
Operating revenues	$ 2,381,153	$ 1,506,427
Recoveries (bad debts)	(665,664)	63,302
Net operating revenues	1,715,489	1,569,729
Operating expenses	2,073,826	1,658,150
Operating loss	(358,337)	(88,421)
Total nonoperating revenues (expenses), net	883,144	877,843
Income (loss) before transfers and capital contributions	524,807	789,422
Transfers for capital development grants	(416,060)	-
Transfer to CNMI Government pursuant to Public Law 23-18	(5,236,000)	-
Change in net position	(5,127,253)	789,422
Net position - beginning	38,184,522	37,395,100
Net position - ending	$ 33,057,269	$ 38,184,522

Combined Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities	$ 19,197,672	$ (4,597,853)
Cash flows from capital and related financing activities	(5,779,571)	249,088
Cash flows from investing activities	4,758,436	766,379
Net increase (decrease) in cash and cash equivalents	18,176,537	(3,582,386)
Cash and cash equivalents at beginning of year	1,182,110	1,184,474
Cash and cash equivalents, restricted at beginning of year	3,081,975	6,661,997
Total cash and cash equivalents at beginning of year	$ 4,264,085	$ 7,846,471
Cash and cash equivalents at end of year	940,301	1,182,110
Cash and cash equivalents, restricted at end of year	21,500,321	3,081,975
Total cash and cash equivalents at end of year	$ 22,440,622	$ 4,264,085

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position by Division
Years Ended September 30, 2024 and 2023

Development Banking Division

	2024	2023
Operating revenues:		
Interest and dividends on investments	$ 368,212	$ 269,233
Net operating revenues	368,212	269,233
Other operating expenses	491,617	217,188
Operating income (loss)	(123,405)	52,045
Nonoperating revenues (expenses):		
Dividend income	900,000	900,000
Total nonoperating revenues (expenses), net	900,000	900,000
Income before transfers	776,595	952,045
Transfers for capital development grants	(416,060)	-
Transfer to CNMI Government pursuant to Public Law 23-18	(5,236,000)	-
Change in net position	$ (4,875,465)	$ 952,045

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position by Division
Years Ended September 30, 2024 and 2023

Development Corporation Division

	2024	2023
Operating revenues:		
Interest and fees on loans	$ 665,918	$ 308,726
Interest and dividends on investments	579,303	347,408
Other	767,720	581,060
	2,012,941	1,237,194
(Bad debts) recoveries	(665,664)	63,302
Net operating revenues	1,347,277	1,300,496
Operating expenses:		
Salaries and wages	747,015	745,641
Employee benefits	345,047	279,056
Travel	59,520	89,659
Repairs and maintenance	99,205	65,187
Professional fees	62,721	63,285
Depreciation	46,881	49,494
Utilities	37,993	31,754
Office rent	17,163	16,842
Other	166,664	100,044
Total operating expenses	1,582,209	1,440,962
Operating loss	(234,932)	(140,466)
Nonoperating revenues (expenses):		
Other income	650	525
Other expenses	(17,506)	(22,682)
Total non operating expenses, net	(16,856)	(22,157)
Change in net position	$ (251,788)	$ (162,623)

FINANCIAL HIGHLIGHTS, CONTINUED

Condensed Comparative Statements of Cash Flows by Division
Years Ended September 30, 2024 and 2023

Development Banking Division

	2024	2023
Cash flows from operating activities	$ 368,212	$ 269,233
Cash flows from capital and related financing activities	(6,196,204)	(163,147)
Cash flows from investing activities	5,486,430	811,231
Net change in cash and cash equivalents	(341,562)	917,317
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents, restricted at beginning of year	2,092,652	1,175,335
Total cash and cash equivalents at beginning of year	$ 2,092,652	$ 1,175,335
Cash and cash equivalents at end of year	-	-
Cash and cash equivalents, restricted at end of year	1,751,090	2,092,652
Total cash and cash equivalents at end of year	1,751,090	2,092,652

Development Corporation Division

	2024	2023
Cash flows from operating activities	$ 18,829,460	$ (4,867,086)
Cash flows from capital and related financing activities	416,633	412,235
Cash flows from investing activities	(727,994)	(44,852)
Net change in cash and cash equivalents	18,518,099	(4,499,703)
Cash and cash equivalents at beginning of year	1,182,110	1,184,474
Cash and cash equivalents, restricted at beginning of year	989,323	5,486,662
Total cash and cash equivalents at beginning of year	$ 2,171,433	$ 6,671,136
Cash and cash equivalents at end of year	940,301	1,182,110
Cash and cash equivalents, restricted at end of year	19,749,231	989,323
Total cash and cash equivalents at end of year	$ 20,689,532	$ 2,171,433

FINANCIAL HIGHLIGHTS, CONTINUED

DCD AND DBD

- In 2024, DCD and DBD had net operating revenues of $1,347,277 and $368,212 respectively. A significant part of DCD's net operating revenues was due to interest and fees collected from loans and investment returns while DBD's net operating revenues resulted from investment returns. DCD had additional allowance of $665,664 and recovery of $63,302 in 2024 and 2023, respectively. Interest and fees earned on loans for DCD increased by $357,192 in fiscal year 2024 due to higher revenue received from loans and decreased by $13,652 in fiscal year 2023. DBD had no outstanding loans receivable in fiscal year 2024 and 2023.

- DCD invested surplus funds in time certificates of deposit (TCDs) to take advantage of higher interest rates. Related earnings on investments increased from $347,408 for the year ended September 30, 2023 to $579,303 for the year ended September 30, 2024, due to CEDA DCD reinvesting investments earnings as opposed to drawing it down as income. DBD also invested in TCDs due to the continued decline of interest earned on savings deposits. Earnings on interest and dividends on investments increased from $269,233 for the year ended September 30, 2023 to $368,212 for the year ended September 30, 2024.

- In fiscal year 2024, operating expenses for DCD increased by $141,247 or 9% from 2023. In fiscal year 2023, operating expenses for DCD increased by $29,455 or 2% from 2022. In fiscal year 2022, operating expenses for DCD increased by $163,962 or 13% from 2021. DBD's operating expenses increased by $274,429 or 126% from 2023 and increased by $1,008 or .04% from fiscal year 2022. Efforts of management and staff are ongoing to reduce DCD's expenses. DBD's expenses were due to reimbursements paid to DCD to cover shared costs.

- CEDA management and staff are constantly reaching out to distressed borrowers by working closely with loan clients, finding innovative ways to restore their loans to "performing" status and pursuing realization of value from collateralizing assets for loans that have no hope of recovery.

- DBD and DCD's combined change in net position decreased by $5,127,253 from 2024 to 2023 and DBD and DCD's combined change in net position increased by $789,422 from 2023 to 2022.

FINANCIAL HIGHLIGHTS, CONTINUED

DCD AND DBD, CONTINUED

- In fiscal years 2024 and 2023, DCD was lending up to $450,000 for its new direct loan program for renovations and repairs of existing rental properties.

- CEDA received preferred stock dividend payments of $1,080,000 and $1,080,000 in fiscal years 2024 and 2023, respectively. As of September 30, 2024 and 2023, CEDA received cumulative preferred stock dividend payments of $12,960,000 and $11,880,000, respectively, from CUC since implementation of the Settlement Agreement.

CAPITAL ASSETS

At September 30, 2024 and 2023, CEDA had $719,610 and $748,543, respectively, of net investment in capital assets. This represents a net decrease of $28,933 or 4% during fiscal year 2024 and of $38,030 or 5% during fiscal year 2023.

	2024	2023
Depreciable capital assets, net	$ 535,262	$ 564,195
Non-depreciable capital assets	184,348	184,348
	$ 719,610	$ 748,543

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

ECONOMIC OUTLOOK

DCD AND DBD

CEDA continues to face economic challenges driven by both global and local negative forces. Historically, the CNMI has been regarded as pro-business due to its favorable tax climate, relatively affordable housing, and various incentives that encourage new business formation and development. Its economic resilience has been demonstrated by its relatively quick recovery from two major natural disasters.

However, the CNMI's heavy dependence on tourism as its primary economic driver makes it particularly vulnerable. The region faces strong competition from larger destinations with significantly bigger marketing budgets, as well as sensitivity to global geopolitical dynamics.

ECONOMIC OUTLOOK, CONTINUED

DCD AND DBD, CONTINUED

The ongoing trade tensions between the United States and China, along with the global health and economic impacts of the COVID-19 pandemic, severely disrupted the CNMI's economy. The economic activity in the CNMI slowed to a near standstill.

CEDA's biggest challenge in the past was funding its operations from earnings generated from its loan portfolios and investments. This approach proved difficult because revenue generated through traditional loan interest and investment returns was often insufficient to fully support ongoing administrative and operational costs. To address this shortfall, management implemented a combination of revenue enhancements, diversified financial strategies, and expenditure reductions to reduce reliance on unpredictable earnings and improve long-term financial sustainability.

CEDA continues to find innovative ways to assist existing borrowers. CEDA offers finance leases on certain properties with an option to purchase. This strategy helps recover principal balances over time while also reducing excess property inventory acquired through foreclosures. CEDA also offers a Debt-Relief Program aimed at assisting eligible delinquent borrowers in moving from non-payment to a performing loan status. This program reduces interest rates on qualifying loans to 2%. While the lowered rate results in minimal income for CEDA, management believes it motivates borrowers to restart regular payments by making their loan obligations more affordable and protecting their collateral. Additionally, the Loan Deferment Program allows borrowers to defer payments once for up to four months during challenging economic times. The goal is that once borrowers regain performing status and consistently make payments, the resulting increase in cash flow will gradually enhance CEDA's financial position.

Lastly, CEDA received funding from the SSBCI (State Small Business Credit Initiative) 2.0 program. This bank-driven effort partners CEDA with local banks to increase access to capital for businesses, promoting sustained economic development through collaborative support.

CONTACTING CEDA MANAGEMENT

This financial report is designed to provide a general overview of CEDA's financial condition and to demonstrate its accountability for monies received. If you have questions about this report or need additional financial information, contact Mr. Derek T. Sasomoto, CEDA Executive Director, P.O. Box 502149, Saipan, MP 96950-2149, or call (670) 234-6245 or email d.sasamoto@developcnmi.com.

COMMONWEALTH ECONOMIC DEVELOPMENT AUTHORITY
(fka: Commonwealth Development Authority)

Statements of Net Position
Years Ended September 30, 2024 and 2023

ASSETS		2024	2023
Current assets:			
Cash and cash equivalents	$	940,301	1,182,110
Time certificates of deposit		11,522,846	10,794,852
Receivables:			
Current portion of loans receivable, net		1,817,924	620,399
Current portion of foreclosed assets notes receivable, net		75,292	46,956
Current portion of lease receivable, net		36,460	46,943
Rent, net		73,743	59,126
Accrued interest, net of allowance for doubtful accounts of $640,292 and $654,775 as of September 30, 2024 and 2023, respectively		178,319	146,391
Dividends receivable		540,000	720,000
Other, net		69,638	69,136
Total current assets		15,254,523	13,685,913
Other assets:			
Cash and cash equivalents, restricted		21,500,321	3,081,975
Time certificate of deposit, restricted		4,362,339	8,768,769
Total other assets		25,862,660	11,850,744
Noncurrent assets:			
Loans receivable, net of current portion		5,280,404	7,048,264
Foreclosed assets notes receivable, net of current portion		516,397	530,499
Lease receivable, net of current portion		1,075,365	1,100,484
Due from CNMI government		6,000,000	6,000,000
Depreciable capital assets, net of accumulated depreciation		535,262	564,195
Nondepreciable capital assets		184,348	184,348
Foreclosed real estate, net		1,479,943	1,479,943
Total noncurrent assets		15,071,719	16,907,733
	$	56,188,902	42,444,390

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		2024	2023
Current liabilities:			
Accounts payable and accrued expenses	$	1,573,206	1,406,192
Unearned revenues, current portion		15,094	15,094
Funds held for loan guaranty program		19,869,673	1,109,765
Total current liabilities		21,457,973	2,531,051
Unearned revenues, net of current portion		530,278	545,370
Total liabilities		21,988,251	3,076,421
Deferred inflows of resources:			
Deferred inflows- Leases		1,143,382	1,183,447
Commitments and contingencies			
Net position:			
Net investment in capital assets		719,610	748,543
Restricted		32,337,659	37,435,979
Total net position		33,057,269	38,184,522
	$	56,188,902	42,444,390

See accompanying notes to financial statements.

COMMONWEALTH ECONOMIC DEVELOPMENT AUTHORITY
(fka: Commonwealth Development Authority)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2024 and 2023

	2024	2023
Operating revenues:		
Interest and fees on loans	$ 665,918	308,726
Interest and dividends on investments	947,515	616,641
Other	767,720	581,060
	2,381,153	1,506,427
Recovery of loan impairment	126,369	63,302
Provision for loan impairment	(792,033)	-
Net operating revenues	1,715,489	1,569,729
Operating expenses:		
Salaries and wages	747,015	745,641
Employee benefits	345,047	279,056
Travel	59,520	89,659
Repairs and maintenance	99,205	65,187
Professional fees	62,721	63,285
Depreciation	46,881	49,494
Utilities	37,993	31,754
Rent	17,163	16,842
Other	658,281	317,232
Total operating expenses	2,073,826	1,658,150
Operating loss	(358,337)	(88,421)
Nonoperating revenues (expenses):		
Dividend income	900,000	900,000
Other income	650	525
Other expense	(17,506)	(22,682)
Nonoperating revenues, net	883,144	877,843
Income before transfers and capital contributions	524,807	789,422
Transfers for capital development grants	(416,060)	-
Transfer to CNMI Government pursuant to Public Law 23-18	(5,236,000)	-
Change in net position	(5,127,253)	789,422
Net position - beginning	38,184,522	37,395,100
Net position - ending	$ 33,057,269	38,184,522

See accompanying notes to financial statements.

COMMONWEALTH ECONOMIC DEVELOPMENT AUTHORITY

(fka: Commonwealth Development Authority)

Statements of Cash Flows

Years Ended September 30, 2024 and 2023

		2024	2023
Cash flows from operating activities:			
Cash received from interest and fees on loans receivable	$	631,354	278,264
Interest and dividends on investments		947,515	616,641
Cash payments to suppliers for goods and services		(218,693)	(46,857)
Cash received from customers		2,636	1,331
Cash payments to employees for services		(925,048)	(949,893)
Cash received (returned) for loan guaranty		18,759,908	(4,497,339)
Net cash provided by (used for) operating activities		19,197,672	(4,597,853)
Cash flows from capital and related financing activities:			
Acquisition of capital assets		(17,948)	(11,464)
Net collections (issuance) of loans receivable		(95,329)	234,609
Net collections of foreclosed assets notes receivable		(14,234)	25,943
Transfers for capital development grants		(416,060)	-
Transfer to CNMI Government pursuant to Public Law 23-18		(5,236,000)	-
Net cash provided by (used for) capital and related financing activities		(5,779,571)	249,088
Cash flows from investing activities:			
Proceeds from (purchase of) restricted cash and cash equivalents and time certificates of deposits		3,678,436	(313,621)
Dividends received		1,080,000	1,080,000
Net cash provided by investing activities		4,758,436	766,379
Net increase (decrease) in cash and cash equivalents		18,176,537	(3,582,386)
Cash and cash equivalents at beginning of year		1,182,110	1,184,474
Cash and cash equivalents, restricted at beginning of year		3,081,975	6,661,997
Total cash and cash equivalents at beginning of year	$	4,264,085	7,846,471
Cash and cash equivalents at end of year		940,301	1,182,110
Cash and cash equivalents, restricted at end of year		21,500,321	3,081,975
Total cash and cash equivalents at end of year	$	22,440,622	4,264,085
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	$	(358,337)	(88,421)
Adjustment to reconcile operating loss to net cash used for operating activities:			
Recovery of loan impairment		(126,369)	(63,302)
Provision for loan impairment		792,033	-
Depreciation		46,881	49,494
Other		(16,856)	(22,157)
(Increase) decrease in assets:			
Receivables:			
Rent		(14,617)	(19,000)
Accrued interest		(31,928)	(29,131)
Other		(502)	(8,905)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		167,014	74,804
Unearned revenues		(15,092)	(15,094)
Loan guaranty		18,759,908	(4,497,339)
Deferred inflows - leases		(4,463)	21,198
Net cash provided by (used for) operating activities	$	19,197,672	(4,597,853)

See accompanying notes to financial statements.

(1) Reporting Entity

The Commonwealth Economic Development Authority (CEDA), formerly the Commonwealth Development Authority, a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was created as an autonomous public agency of the CNMI pursuant to Public Law 4-49 as amended by Public Laws 4-63, 5-27 and 22-01. CEDA is affiliated with all other component units of the CNMI Government. CEDA's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of CEDA is to stimulate the economic development of the CNMI.

The purpose and functions of the two divisions are as follows:

DBD:

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

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

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

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

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

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

DCD:

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

- To identify, formulate, initiate, stimulate and facilitate business and commercial enterprises where a service necessary and vital to economic development is required, or where profit incentives are not sufficient to attract private sector investors, and

(1) Reporting Entity, continued

- To serve as the economic development loan fund agency for qualified private sector enterprises.

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

(2) Summary of Significant Accounting Policies

The accounting policies of CEDA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. CEDA 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 in the statements of net position. Proprietary fund operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgets

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

Cash and Cash Equivalents and Time Certificates of Deposit

For purposes of the statements of net position and of cash flows, cash and cash equivalents is defined as cash held in demand deposits, savings and unrestricted time certificates of deposit with a maturity date within three months of the date acquired. Deposits maintained in time certificates of deposit with original maturity dates greater than ninety days are separately classified. At September 30, 2024 and 2023, total cash and cash equivalents and time certificates of deposit were $38,325,807 and $23,827,706, respectively, and the corresponding bank balances were $37,734,406 and $23,759,169, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. Bank deposits in the amount of $500,000 were FDIC insured as of September 30, 2024 and 2023.

(2) Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents and Time Certificates of Deposit, continued

CNMI law does not require component units to collateralize their bank accounts and thus CEDA's deposits in excess of FDIC insurance are uncollateralized.

Prepaid Expenses

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

Capital Assets

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

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

Land

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

Foreclosed Real Estate

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

(2) Summary of Significant Accounting Policies, continued

Loans Receivable, Interest Receivable and Allowance for Loan Losses

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

Foreclosed Assets Notes Receivable

Foreclosed assets notes receivable are carried at the aggregate of future payments to be collected less unearned income. Unearned income is amortized on a straight-line basis over the note term.

Restricted Cash and Cash Equivalents and Time Certificates of Deposit

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

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

(2) Summary of Significant Accounting Policies, continued

Revenue Recognition

Operating revenues include all direct revenues such as interest and fees on loans, administrative fees, 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. DCD recognizes interest income on nonperforming loans based on management's assessment of collectability.

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

Funds held for loan guaranty program

Funds held for loan guaranty program are received from the CNMI for the SSBCI cash collateral support program deposited in a financial institution subject to FDIC coverage and funds for loans approved and not yet disbursed at year end. Funds held for loan guaranty program as of September 30, 2024 and 2023 were $18,786,066 and $988,264 respectively. In addition, DCD recorded SSBCI Loan Participation Program funds received from a financial institution of $1,083,607 and $121,501 as of September 30, 2024 and 2023, respectively.

Unearned Revenues

Unearned revenue is recognized when cash, receivables or other assets are recorded prior to being earned. Unearned revenue includes the following major components:

Unearned revenue of DCD represents prepaid income on foreclosed real estate held for lease of $545,372 and $560,464 as of September 30, 2024 and 2023, respectively. Amounts to be recognized over the terms of the leases are as follows:

(2) Summary of Significant Accounting Policies, continued

Unearned Revenues, continued

Year ending September 30,	Lease Recognition
2025	15,094
2026	15,094
2027	15,094
2028	15,094
2029	15,094
2030 - 2034	75,470
2035 - 2039	75,470
2040 - 2044	75,470
2045 - 2049	75,470
2050 - 2054	69,066
2055 - 2059	64,830
2060 - 2064	16,156
2065 - 2069	7,820
2070 - 2074	7,820
2075 - 2079	2,330
	$ 545,372

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, 2024 and 2023 approximated $32,617 and $122,837, respectively.

Retirement Plan

CEDA 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). CEDA also contributes to a defined contribution plan (DC Plan).

(2) Summary of Significant Accounting Policies, continued

Retirement Plan, continued

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

On March 11, 2013, Public Law 18-02 was enacted to amend Public Law 17-82 to clarify those provisions necessary to expedite the refunds and to prevent any further frustration of the process. Included in the public law is the amendment of Section 203(a) of Title 1, Division 8, Part 3, which states that the government obligation to withhold and remit the employee's portion to the employee's defined account shall continue with respect to employees who do not terminate membership in the DB Plan. All but four active CEDA employees voluntarily terminated membership in the DB Plan and CEDA contributed $183,734 and $174,402 to the DB Plan during the years ended September 30, 2024 and 2023, respectively.

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. CEDA is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. CEDA recorded DC contributions for the years ended September 30, 2024 and 2023 of $10,966 and $12,163, respectively, equal to the required contributions for each year.

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

(2) Summary of Significant Accounting Policies, continued

Net Position

CEDA'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 CEDA maintain them permanently. At September 30, 2024 and 2023, CEDA does not have nonexpendable net position.

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

- Unrestricted

  Net position that is not subject to externally imposed stipulations. As CEDA considers all net position, except net investments in capital assets, to be restricted for economic development, CEDA does not have unrestricted net position of September 30, 2024 and 2023.

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 NMISF. 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 CEDA. CEDA has not recorded related revenues and pension expense for the years ended September 30, 2024 and 2023 as amounts were not available.

(2) Summary of Significant Accounting Policies, continued

Leases

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition is accounted for under GASB Statement No. 87 unless explicitly excluded.

A contract that transfers ownership of the underlying asset to the lessee by the end of the contract and does not contain termination options but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised is reported as a financed purchase of the underlying asset or sale of the asset by CEDA.

CEDA accounts for the lease and non-lease components of a lease as separate contracts. If a lease involves multiple underlying assets, CEDA, in certain cases, accounts for each underlying asset as a separate lease contract. To allocate the contract price to different components, CEDA uses contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract are accounted for as a single lease unit. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria are considered part of the same lease contract and are evaluated in accordance with the guidance for contracts with multiple components.

The lease term is defined as the period during which a lessee has a non-cancelable right-to-use (RTU) an underlying asset, plus the following periods, if applicable:

- Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
- Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
- Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised.

(2) Summary of Significant Accounting Policies, continued

Leases, continued

The lease term is reassessed only if one or more of the following occur:

- The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option.
- The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option.
- An event specified in the lease contract that requires an extension or termination of the lease takes place.

An amendment to a lease contract is considered a lease modification unless the CEDA's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. CEDA accounts for lease termination by reducing the carrying values of the lease liability and lease asset or the lease receivable and deferred inflows of resources, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease is accounted for by remeasuring the lease liability and adjusting the related lease asset or remeasuring the lease receivable and adjusting the related deferred inflows of resources.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Short-term lease payments are recognized as outflows of resources or inflows of resources based on the payment provisions of the lease contract.

Lessee Accounting

CEDA recognizes a lease liability and a RTU asset at the commencement of the lease term unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term less any lease incentives. The RTU asset is measured at the amount of the initial measurement of the lease liability, including any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

(2) Summary of Significant Accounting Policies, continued

Lessee Accounting, continued

The future lease payments are discounted using the interest rate the lessor charges CEDA, which may be the interest rate implicit in the lease. If the interest rate cannot be readily determined, an estimated incremental borrowing rate (an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term) will be used.

CEDA reduces the lease liability as payments are made and recognizes an outflow of resources for interest on the liability. CEDA amortizes the RTU asset using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

Variable payments based on future performance of CEDA or usage of the underlying asset should not be included in the measurement of the lease liability but are recognized as outflows of resources in the period in which the obligation for those payments is incurred. However, any component of those variable payments that is fixed in substance should be included in the measurement of the lease liability.

Lessor Accounting

As a lessor, CEDA recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term for leases that meet the criteria under GASB Statement No. 87, *Leases*. A lease receivable is not recognized for short-term leases or leases that transfer ownership of the underlying asset.

The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the same amount as the lease receivable, adjusted for any lease payments received at or before the commencement of the lease term that relate to future periods.

CEDA recognizes interest revenue on the lease receivable and an inflow of resources from the deferred inflow of resources on a straight-line basis over the term of the lease. The lease receivable is reduced as payments are received.

The future lease payments are discounted using the interest rate the lease contract charges the lessee, which may be the rate implicit in the lease. If the rate cannot be readily determined, an estimate based on CEDA’s lending practices may be used.

Variable payments based on future performance or usage are not included in the measurement of the lease receivable but are recognized as inflows of resources in the period in which the payment is received. Any portion of those variable payments that is fixed in substance is included in the measurement of the lease receivable.

(2) Summary of Significant Accounting Policies, continued

New Accounting Standards

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 implementation of this statement had a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 is effective for the fiscal year ending September 30, 2023.

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 implementation of this statement had a material effect on the financial statements. GASB Statement No. 94 is effective for the fiscal year ending September 30, 2023.

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 implementation of this statement had a material effect on the financial statements. GASB Statement No. 96 is effective for the fiscal year ending September 30, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

(2) Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in the absence of specific transition provisions in the new pronouncement.

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature.

In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management does not believe that the implementation of this statement had a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - not be recognized until the leave commences. This Statement also requires that liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

(2) Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

This Statement amends the existing requirement to disclose the gross increases and decreases in the liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is evaluating whether the implementation of this statement will have a material effect on the financial statements.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

(2) Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management is evaluating whether implementation of this statement will have a material effect on the financial statements.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed.

This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

(2) Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management is evaluating whether implementation of this statement will have a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets and to improve the consistency and comparability of capital asset disclosures among governmental entities.

This Statement requires certain types of capital assets to be separately disclosed in the capital asset note disclosures required by GASB Statement No. 34. These include lease assets recognized under GASB Statement No. 87, intangible right-to-use assets recognized under GASB Statement No. 94 for public-private and public-public partnership arrangements, subscription assets recognized under GASB Statement No. 96, and other intangible capital assets. In addition, the Statement establishes disclosure requirements for capital assets held for sale, including the ending balances of historical cost and accumulated depreciation or amortization by major class of asset, and the carrying amount of related debt for which such assets are pledged as collateral. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management is evaluating whether implementation of this statement will have a material effect on the financial statements.

Off-Balance Sheet Financial Instruments

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

Estimates

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

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

DBD

Restricted cash and cash equivalents and time certificates of deposit represent the proceeds of Covenant funding and liquidated revenue bonds derived from pledged Covenant funding, and are restricted for capital development purposes. Proceeds are deposited with commercial lending institutions and the securities are held in the name of CEDA. At September 30, 2024 and 2023, restricted cash and cash equivalents and time certificates of deposit amounting to \$6,113,429 and \$10,861,421, respectively, consist of amounts held in demand deposit accounts. These amounts are presented at fair value in the accompanying financial statements, in accordance with GASB Statement No. 31.

DCD

Restricted cash and cash equivalents represent funds for the SSBCI loan program maintained by CEDA as the disbursing agent deposited with commercial lending institutions held in the name of CEDA. At September 30, 2024 and 2023, restricted cash and cash equivalents for the SSBCI loan program were \$19,749,231 and \$989,323, respectively, maintained in financial institutions subject to FDIC.

(4) Loans Receivable

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

Outstanding loans are due within various periods not to exceed thirty (30) years. The interest rates charged are based on the economic purpose of the loan. Production development loans bear interest at 7% to 9%, marine and agriculture loans bear interest at 4.5%, commercial development loans bear interest at 7% to 9%, and microloans bear interest at 7% to 12%. In October 2007, CEDA initiated a "Debt Relief Program" (the Program) to address increasing delinquent loans.

The Program provides for reduction of interest to two percent and extension of term up to thirty years with a mandated three-year callable provision where warranted and justified.

Major classifications of economic development loans as of September 30, 2024 and 2023 are as follows:

(4) Loans Receivable, continued

	DBD	DCD	2024	2023
General	$ -	$ 25,106,229	$ 25,106,229	$ 25,679,884
Marine		3,991,277	3,991,277	4,038,771
Agriculture	-	1,033,545	1,033,545	1,044,336
Banking Division	-	-	-	-
Loan principal receivable	-	30,131,051	30,131,051	30,762,991
Less allowance for loan losses	-	(23,032,723)	(23,032,723)	(23,094,328)
Net loan receivable	$ -	$ 7,098,328	$ 7,098,328	$ 7,668,663

Maturities of the above principal balances subsequent to September 30, 2024 will be as follows:

	DBD	DCD	Total
Fully matured and others	$ -	$ 22,184,775	$ 22,184,775
1 - 6 months	-	5,270	5,270
7 - 18 months	-	43,320	43,320
19 months - 3 years	-	913,910	913,910
After 3 years	-	6,983,776	6,983,776
	$ -	$ 30,131,051	$ 30,131,051

(4) Loans Receivable, continued

Allowance for Loan Losses

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

	DBD	DCD	Total
Balance - beginning of year	$ -	$ 23,094,328	$ 23,094,328
Provision for (recovery from)			
Loan losses	-	792,033	792,033
Write-off loans	-	(853,638)	(853,638)
Balance - end of year	$ -	$ 23,032,723	$ 23,032,723

(5) Foreclosed Asset Leases

CEDA leased certain foreclosed real estate properties for periods ranging from ten to twenty-five years under what were previously direct finance leases. With the implementation of GASB Statement 87, these arrangements are now treated as sales of the underlying properties. The leases bear interest at fixed rates ranging from 4.5% to 5.0% and provide options to purchase at $1 and $100 plus the outstanding receivable and related accrued interest. Income for the years ended September 30, 2024 and 2023 amounted to $31,051 and $34,734 respectively and is included in other operating revenues. Future minimum payments and future minimum income under these arrangements as of September 30, 2024 are as follows:

September 30:	Payments	Principal	Interest
2025	$ 94,269	$ 75,292	$ 18,977
2026	84,220	67,883	16,337
2027	80,234	66,585	13,649
2028	71,400	59,961	11,439
2029	73,551	64,262	9,289
2030 - 2034	243,199	219,441	23,758
2035 - 2037	40,019	38,265	1,754
	$ 686,892	$ 591,689	$ 95,203

(6) Investments

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

On May 7, 2009, CUC and CEDA entered into a Preferred Stock Agreement (the Agreement) to effectuate the terms and conditions of the MOA by requiring CUC to issue shares of cumulative, non-convertible and non-transferrable preferred stock of $45,000,000 to CEDA and yielding annual dividends of two percent. The Commonwealth Public Utilities Commission approved the Agreement on September 3, 2009.

The Agreement provides CUC the right to purchase from CEDA up to $16,200,000 of the $45,000,000 preferred stock through offset against CUC's future, internally funded capital improvement projects. Subject to CUC purchase exception, CEDA shall not transfer any of its rights, title, or interest to such preferred stock. Further, the Agreement provides for deferral of the dividend payments for the first three years after issuance, with such deferred dividend payments being amortized, interest free, over a fifteen-year period. Dividends were to be paid to CEDA beginning October 1, 2012 but were not received. The Agreement cancels and discharges the indebtedness of CUC to CEDA of $61,568,750 in principal and $138,670,797 in accrued interest, including related late charges and any other charges owed by CUC on the capital development loans.

CUC issued to CEDA forty-five shares of preferred stock with a par value of $1,000,000 per share for a total aggregate value of $45,000,000 dated September 28, 2009. The preferred stock yields guaranteed dividends at two percent per annum payable quarterly in advance. The dividends of the preferred stock are cumulative from and after October 1, 2009 and bear no interest. CEDA has taken the position that the value of the preferred stock represents the net present value of the future stream of dividend payments required by CUC and not the face value of the stock itself. At September 30, 2024 and 2023, CEDA has recorded an investment of $11,309,651, with a corresponding 100% valuation allowance, based on the discounted cash flows of the future dividend payments at 6.27% per annum.

(6) Investments, continued

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

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

On August 17, 2016, CEDA entered into an agreement with CUC for the total amount of unpaid dividend payments owed by CUC to CEDA and agreed to a dividend of $4,320,000 for the year ended September 30, 2016. The agreement states that CUC will make quarterly dividend payments beginning October 1, 2016, as required by the preferred stock agreement, with a payment to CEDA of $270,000 which represents the full amount of the quarterly dividend due. In 2015, CEDA has determined that, prospectively, dividend income will be recognized upon collection; however, changes in circumstances in CUC's cash flows resulted in collections of dividends receivable as of September 30, 2024 and 2023. At September 30, 2024 and 2023, CEDA recorded dividends receivable of $540,000 and $720,000, respectively, for deferred dividends earned for the first three years after issuance of the preferred stock which is being amortized over a fifteen-year period ending September 30, 2027.

(7) Capital Assets

Capital assets consist of the following at September 30, 2024 and 2023:

DCD

	Estimated useful lives	Balance at October 1, 2023	Additions	Deletions	Balance at September 30, 2024
Capital assets not being depreciated:					
Land, net		$ 184,348	$ -	$ -	$ 184,348
Capital assets being depreciated:					
Structure and improvements	7 years	$ 776,584	$ 2,998	$ -	$ 779,582
Vehicles/office equipment	3-5 years	245,755	12,158	(2,378)	255,535
Computer equipment	3-5 years	85,119	1,893	-	87,012
Furniture and fixtures	7 years	113,224	899	(959)	113,164
Rent to Own Home (RTOH)	10 years	65,863	-	-	65,863
		1,286,545	17,948	(3,337)	1,301,156
Less: accumulated depreciation		(722,350)	(46,881)	3,337	(765,894)
Total capital assets being depreciated		564,195	(28,933)	-	535,262
Total capital assets, net		$ 748,543	$ (28,933)	$ -	$ 719,610

(7) Capital Assets, continued

	Estimated useful lives	Balance at October 1, 2022	Additions	Deletions	Balance at September 30, 2023
Capital assets not being depreciated:					
Land, net		$ 184,348	$ -	$ -	$ 184,348
Capital assets being depreciated:					
Structure and improvements	7 years	$ 774,985	$ 1,599	$ -	$ 776,584
Vehicles/office equipment	3-5 years	244,907	848	-	245,755
Computer equipment	3-5 years	78,800	6,319	-	85,119
Furniture and fixtures	7 years	110,526	2,698	-	113,224
Rent to Own Home (RTOH)	10 years	65,863	-	-	65,863
		1,275,081	11,464	-	1,286,545
Less: accumulated depreciation		(672,856)	(49,494)	-	(722,350)
Total capital assets being depreciated		602,225	(38,030)	-	564,195
Total capital assets, net		$ 786,573	$ (38,030)	$ -	$ 748,543

(8) Foreclosed Real Estate

A summary of the changes in foreclosed real estate and the related valuation allowance as of September 30, 2024 is as follows:

	DCD For Sale	DCD For Lease	2024	2023
Foreclosed Real Estate:				
Balance at beginning of year	$1,004,460	$2,015,876	$3,020,336	$3,055,336
Additions	-	-	-	-
Deletions	-	-	-	-
Reclassifications	-	-	-	(35,000)
	1,004,460	2,015,876	3,020,336	3,020,336
Valuation allowance	(485,230)	(1,055,163)	(1,540,393)	(1,540,393)
Balance at end of year	$ 519,230	$ 960,713	$1,479,943	$1,479,943

(9) Related Party Transactions

In April 2020, CEDA transferred DBD funds of $6,000,000 to the CNMI Government in connection with the Governor's Executive Order 2020-005 in response to mitigation of COVID-19. The funds are derived from DBD's CIP revolving loan fund and are intended and reserved for CIP future project expenditures. CEDA anticipates that these funds will be reimbursed as soon as conditions improve in the CNMI as it is important that CEDA continues its mandate to fund future capital improvement projects.

In June 2024, Public Law No. 23-18 was signed into law, appropriating $5,236,000 of dividends collected by the CEDA from the CUC for the Twenty-Five Percent (25%) Retirees' Pension for all retirees of the CNMI. Pursuant to the law, CEDA transferred $5,236,000 to the CNMI for the purpose specified in the appropriation.

Public Law 9-68, enacted on October 19, 1995, requires government agencies to pay the CNMI Treasurer an amount not less than the greater of 1% of its total operations budget from sources other than legislative appropriations or pursuant to any other formula, which the CNMI Office of the Public Auditor (OPA) and the agency may agree, to fund the OPA. For the years ended September 30, 2024 and 2023, CEDA recorded expenses of $17,502 and $22,682, respectively.

Transfers for capital development grants

As described in note 2, DBD receives and holds U.S. economic assistance provided in the Covenant. Terms and conditions of this assistance are contained in the *Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands* (the Agreement). In accordance with the Agreement, DBD uses the proceeds, and accumulated earnings, by issuing either grants or loans to subrecipients, and acts in a pass-through capacity. Revenues and expenditures related to grant agreements are recognized by the subrecipient with DBD recording expense under the caption "transfers for capital development grants".

Transfers for capital development grants consist of (a) transfer to Northern Marianas College (NMC) for the construction of Finasisu Lane, including but not limited to road construction, water lines, waste water lines, etc. pursuant to Saipan Local Law No. 23-02 of $321,801 and $-0- for the years ended September 30, 2024 and 2023, respectively, (b) transfer to the CNMI for light installation(s) along the path of Kagman Road Pursuant to Saipan Local Law No. 21-2 of $18,234 and $-0- for the years ended September 30, 2024 and 2023, respectively, (c) transfer to the CNMI for various road improvements on Industrial Drive, Kalamendo and Dotse PI. Waterline project, water system improvements on Navy Hill Drive pursuant to Saipan Local Law No. 22-1 of $76,025 and $-0- for the years ended September 30, 2024 and 2023, respectively.

(10) Commitments and Contingencies

Commitments

CEDA leases certain foreclosed real estate properties for periods ranging from one to fifty-five years. CEDA also leases commercial space in its building for one-to-two-year periods with monthly leases of $100 to $600 per unit. Total lease income for the years ended September 30, 2024 and 2023 amounted to $223,088 and $223,812, respectively. Minimum future lease income for all leases is as follows:

Year ending September 30,	Minimum Lease Income Due
2025	90,945
2026	90,313
2027	90,313
2028	90,313
2029	90,313
Thereafter	2,478,444
	$ 2,930,641

CEDA leases its office space and equipment in Rota for an annual rental of $6,000. Total minimum future rental is $3,500 under this operating lease as of September 30, 2024.

(11) Risk Management

CEDA 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. CEDA 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) Reclassifications

Certain reclassifications have been made to the 2023 financial statement amounts for comparative purposes. Such reclassifications had no effect on previously reported net position.

(13) Subsequent Events

The American Rescue Plan Act of 2021 amended the Small Business Jobs Act of 2010, as codified at 12 U.S.C. § 5701 et seq., to reauthorize the State Small Business Credit Initiative (SSBCI) and appropriate $10 billion to participating jurisdictions in response to the economic effects of the COVID-19 pandemic. On July 16, 2024, CNMI was approved for a potential allocation of $57,057,763 from the U.S. Department of the Treasury under the SSBCI program, which is being administered by CEDA. As of the date of the audit report, CEDA had received $18,734,528 under the program, and as of September 30, 2025, had segregated and allocated a total of $877,135 for loan guarantees, cash collateral supports, and loan participations.

(14) Date of Management's Review

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through June 30, 2026, which is the date the financial statements were available to be issued. On April 13, 2026, Super Typhoon Sinlaku impacted the Commonwealth of the Northern Mariana Islands, causing widespread property damage throughout the islands, including damage to certain properties of CEDA. Management evaluated the damages and determined that the affected properties are repairable. Management further expects that the related repair costs will be covered by insurance. Based on management's assessment, the event is not expected to have a material effect on CEDA's financial statements.

COMMONWEALTH ECONOMIC DEVELOPMENT AUTHORITY

(fka: Commonwealth Development Authority)

Combining Statement of Net Position

September 30, 2024

ASSETS	Development Banking Division	Development Corporation Division	Elimination Entries	Total
Current assets:				
Cash and cash equivalents	$ -	$ 940,301	$ -	$ 940,301
Time certificates of deposit	-	11,522,846	-	11,522,846
Receivables:				
Current portion of loans receivable, net	-	1,817,924	-	1,817,924
Current portion of foreclosed assets notes receivable, net	-	75,292	-	75,292
Current portion of lease receivable, net		36,460		36,460
Rent, net	-	73,743	-	73,743
Accrued interest, net	-	178,319	-	178,319
Dividends	540,000	-	-	540,000
Other, net	-	69,638	-	69,638
Total current assets	540,000	14,714,523	-	15,254,523
Other assets:				
Cash and cash equivalents, restricted	1,751,090	19,749,231	-	21,500,321
Time certificates of deposit, restricted	4,362,339	-	-	4,362,339
Total other assets	6,113,429	19,749,231	-	25,862,660
Noncurrent assets:				
Loans receivable, net of current portion	-	5,280,404	-	5,280,404
Foreclosed assets notes receivable, net of current portion	-	516,397	-	516,397
Lease receivable, net of current portion		1,075,365		1,075,365
Due from CNMI government	6,000,000	-	-	6,000,000
Due from other funds	-	1,528	(1,528)	-
Depreciable capital assets, net of accumulated depreciation	-	535,262	-	535,262
Nondepreciable capital assets	-	184,348	-	184,348
Foreclosed real estate, net	-	1,479,943	-	1,479,943
Total noncurrent assets	6,000,000	9,073,247	(1,528)	15,071,719
	$ 12,653,429	$ 43,537,001	$ (1,528)	$ 56,188,902
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current liabilities:				
Accounts payable and accrued expenses	$ -	$ 1,573,206	$ -	$ 1,573,206
Unearned revenues, current portion	-	15,094	-	15,094
Funds held for loan guaranty program	-	19,869,673	-	19,869,673
Total current liabilities	-	21,457,973	-	21,457,973
Due to other funds	1,528	-	(1,528)	-
Unearned revenues, net of current portion	-	530,278	-	530,278
Total liabilities	1,528	21,988,251	(1,528)	21,988,251
Deferred inflows of resources:				
Deferred inflows- leases	-	1,143,382	-	1,143,382
Net position:				
Net investment in capital assets	-	719,610	-	719,610
Restricted	12,651,901	19,685,758	-	32,337,659
Total net position	12,651,901	20,405,368	-	33,057,269
	$ 12,653,429	$ 43,537,001	$ (1,528)	$ 56,188,902

See Independent Auditor's Report.

COMMONWEALTH ECONOMIC DEVELOPMENT AUTHORITY
(fka: Commonwealth Development Authority)
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2024

	Development Banking Division	Development Corporation Division	Elimination Entries	Total
Operating revenues:				
Interest and fees on loans	$ -	$ 665,918	$ -	$ 665,918
Interest and dividends on investments	368,212	579,303	-	947,515
Other	-	767,720	-	767,720
	368,212	2,012,941	-	2,381,153
Recovery of loan impairment	-	126,369	-	126,369
Provision for loan impairment	-	(792,033)	-	(792,033)
Net operating revenues	368,212	1,347,277	-	1,715,489
Operating expenses:				
Salaries and wages	-	747,015	-	747,015
Employee benefits	-	345,047	-	345,047
Travel	-	59,520	-	59,520
Repairs and maintenance	-	99,205	-	99,205
Professional fees	-	62,721	-	62,721
Depreciation	-	46,881	-	46,881
Utilities	-	37,993	-	37,993
Rent	-	17,163	-	17,163
Other	491,617	166,664	-	658,281
Total operating expenses	491,617	1,582,209	-	2,073,826
Operating loss	(123,405)	(234,932)	-	(358,337)
Nonoperating revenues (expenses):				
Dividend income	900,000	-	-	900,000
Other income	-	650	-	650
Other expense	-	(17,506)	-	(17,506)
Total nonoperating revenues, net	900,000	(16,856)	-	883,144
Income (loss) before transfers and capital contributions	776,595	(251,788)	-	524,807
Contributions for capital development grants	(416,060)	-	-	(416,060)
Transfer to CNMI Government pursuant to Public Law 23-18	(5,236,000)	-	-	(5,236,000)
Change in net position	(4,875,465)	(251,788)	-	(5,127,253)
Net position - beginning	17,527,366	20,657,156	-	38,184,522
Net position - ending	$ 12,651,901	$ 20,405,368	$ -	$ 33,057,269

See Independent Auditor's Report.

COMMONWEALTH ECONOMIC DEVELOPMENT AUTHORITY
(fka: Commonwealth Development Authority)
Combining Statement of Cash Flows
Year Ended September 30, 2024

	Development Banking Division	Development Corporation Division	Elimination Entries	Total
Cash flows from operating activities:				
Cash received from interest and fees on loans receivable	$ -	$ 631,354	$ -	$ 631,354
Interest and dividends on investments	368,212	579,303	-	947,515
Cash payments to suppliers for goods and services	-	(218,693)	-	(218,693)
Cash received from customers	-	2,636	-	2,636
Cash payments to employees for services	-	(925,048)	-	(925,048)
Cash received (returned) for loan guaranty program	-	18,759,908	-	18,759,908
Net cash provided by (used for) operating activities	368,212	18,829,460	-	19,197,672
Cash flows from capital and related financing activities:				
Net interdivisional transactions	(544,144)	544,144	-	-
Acquisition of capital assets	-	(17,948)	-	(17,948)
Net collections of loans receivable	-	(95,329)	-	(95,329)
Net collections of foreclosed assets notes receivable	-	(14,234)	-	(14,234)
Transfers for capital development grants	(416,060)	-	-	(416,060)
Transfer to CNMI Government pursuant to Public Law 23-18	(5,236,000)	-	-	(5,236,000)
Net cash used for capital and related financing activities	(6,196,204)	416,633	-	(5,779,571)
Cash flows from investing activities:				
Proceeds from (purchase of) restricted cash and cash equivalents and time certificates of deposit	4,406,430	(727,994)	-	3,678,436
Dividend received	1,080,000	-	-	1,080,000
Net cash provided by (used for) investing activities	5,486,430	(727,994)	-	4,758,436
Net increase (decrease) in cash and cash equivalents	(341,562)	18,518,099	-	18,176,537
Cash and cash equivalents at beginning of year	-	1,182,110	-	1,182,110
Cash and cash equivalents, restricted at beginning of year	2,092,652	989,323	-	3,081,975
Total cash and cash equivalents at beginning of year	$ 2,092,652	$ 2,171,433	$ -	$ 4,264,085
Cash and cash equivalents at end of year	-	940,301	-	940,301
Cash and cash equivalents, restricted at end of year	1,751,090	19,749,231	-	21,500,321
Total cash and cash equivalents at end of year	$ 1,751,090	$ 20,689,532	$ -	$ 22,440,622
Reconciliation of operating loss to net cash used for operating activities:				
Operating loss	$ (123,405)	$ (234,932)	$ -	$ (358,337)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Recovery for loan impairment	-	(126,369)	-	(126,369)
Provision for loan impairment	-	792,033	-	792,033
Expenses allocated from DCD to DBD	491,617	(491,617)	-	-
Depreciation	-	46,881	-	46,881
Other	-	(16,856)	-	(16,856)
(Increase) decrease in assets:				
Receivables:				
Rent	-	(14,617)	-	(14,617)
Accrued interest	-	(31,928)	-	(31,928)
Other	-	(502)	-	(502)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	-	167,014	-	167,014
Unearned revenues	-	(15,092)	-	(15,092)
Funds held for loan guaranty program	-	18,759,908	-	18,759,908
Deferred inflows - leases	-	(4,463)	-	(4,463)
Net cash provided by (used for) operating activities	$ 368,212	$ 18,829,460	$ -	$ 19,197,672

See Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Commonwealth Economic Development Authority

We have audited, in accordance with the 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, the financial statements of the Commonwealth Economic Development Authority (CEDA), a component unit of the Commonwealth of the Northern Mariana Islands Government, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise CEDA's basic financial statements and have issued our report thereon dated June 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CEDA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CEDA's internal control. Accordingly, we do not express an opinion on the effectiveness of CEDA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CEDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burger Comer & Associates

Saipan, MP
June 30, 2026

Unresolved Prior Year Findings
Year Ended September 30, 2024

There are no unresolved findings from prior year audits of CEDA.