

**NORTH DAKOTA HOUSING INCENTIVE FUND
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

Governor Kelly Armstrong
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the North Dakota Housing Incentive Fund, a special revenue fund of the State of North Dakota, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively compromise the North Dakota Housing Incentive Fund'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 financial position of the North Dakota Housing Incentive Fund, a special revenue fund of the State of North Dakota, as of June 30, 2025 and 2024, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the North Dakota Housing Incentive Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the North Dakota Housing Incentive Fund and do not purport to, and do not, present fairly the financial position of the State of North Dakota, as of June 30, 2025 and 2024 and the changes in its financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 the North Dakota Housing Incentive Fund'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.

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 opinion. 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 the North Dakota Housing Incentive Fund'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 the North Dakota Housing Incentive Fund'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 4-7 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2025, on our consideration of the North Dakota Housing Incentive Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota Housing Incentive Fund'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 North Dakota Housing Incentive Fund's internal control over financial reporting and compliance.



BRADY MARTZ
BISMARCK, NORTH DAKOTA

November 24, 2025

NORTH DAKOTA HOUSING INCENTIVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024

The discussion and analysis of the financial performance of the Housing Incentive Fund (Fund) that follows is meant to provide additional insight into the Fund's activities for the years ended June 30, 2025 and 2024. Please read it in conjunction with the Fund's financial statements and footnotes, which are presented within this report.

Financial Highlights

The Fund's current assets consist only of cash deposited at the Bank of North Dakota. The cash balance at the end of FY2025 was \$9,414,275. This is a decrease of \$5,971,517 from the FY2024 balance. The cash balance at the end of FY2024 was \$15,385,792. This is an increase of \$8,123,207 from the FY2023 balance. The cash balance at the end of FY2023 was \$7,262,585. The fluctuations are a result of the Fund's operational activity.

Current liabilities were \$18,336 in FY2025, \$85,641 in FY2024 and \$0 in FY2023. The entire FY2025 and FY2024 payable was to North Dakota Housing Finance Agency for administrative costs, no amounts were payable to other entities.

No contribution revenue was received in FY2025, FY2024, or FY2023.

In FY2025, the Fund received project payments of \$816,697. In FY2024, the Fund received project payments of \$169,576. In FY2023, the Fund received project payments of \$57,475. Funds were remitted in accordance with the HIF loan agreement.

No fee income was received in FY2025, FY2024, or FY2023.

Administrative and operating expenses paid to North Dakota Housing Finance Agency were \$533,277 in FY2025 and \$288,401 in FY2024. The expenses were the result of general operating, administrative, and salary expense specifically related to homeless programs. This is an increase of \$244,876 from the FY2024 expense, which was an increase of \$288,401 from the FY2023 expense of \$0. The changes year over year are a result of general operating, administrative, and salary expenses.

The Fund's grant expense decreased by \$825,538 from \$6,652,935 in FY2024 to \$5,827,397 in FY2025. The Fund's grant expense decreased by \$296,799 from \$6,949,734 in FY2023 to \$6,652,935 in FY2024. All grant expenses can be attributed to the first, second, third, and fourth initiated measure of the Fund. Additionally, the Fund's grant expense related to recaptured funds was \$388,073 in FY2025, \$240,674 in FY2024 and \$971,113 in FY2023.

The Fund's FY2025 ending balance of \$9,395,939 is a result of beginning balance of \$15,300,151 less operating expense of \$533,277, grant expense recaptured funds of \$388,073 and grant expense of \$5,827,397, plus project payments of \$816,697 and interest income of \$27,838. The Fund's FY2024 ending balance of \$15,300,150 is a result of beginning balance of \$7,262,585 less operating expense of \$288,401, grant expense recaptured funds of \$240,674 and grant expense of \$6,652,935, plus project payments of \$169,576 and the sixth initiated measure of \$13,750,000 along with \$1,300,000 in FHLB Member Impact grant funds. The Fund's FY2023 ending balance of \$7,262,585 is a result of beginning balance of \$15,125,957 less grant expense recaptured funds of \$971,113 and grant expense of \$6,949,734, plus project payments of \$57,475. The fund balance is considered restricted.

NORTH DAKOTA HOUSING INCENTIVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
JUNE 30, 2025 AND 2024

Overview of the Financial Statements

Condensed Balance Sheets
June 30, 2025, 2024 and 2023

	2025	2024	2023	\$ Change	Percentage
ASSETS					
Restricted current assets	\$ 9,414,275	\$ 15,385,792	\$ 7,262,585	\$ (5,971,517)	-39%
Total assets	<u>\$ 9,414,275</u>	<u>\$ 15,385,792</u>	<u>\$ 7,262,585</u>	<u>\$ (5,971,517)</u>	<u>-39%</u>
LIABILITIES					
Current liabilities	\$ 18,336	\$ 85,641	\$ -	\$ (67,305)	-79%
Total liabilities	<u>18,336</u>	<u>85,641</u>	<u>-</u>	<u>(67,305)</u>	<u>-79%</u>
FUND BALANCE					
Restricted for affordable multifamily housing	<u>9,395,939</u>	<u>15,300,151</u>	<u>7,262,585</u>	<u>(5,904,212)</u>	<u>-39%</u>
Total liabilities and fund balance	<u>\$ 9,414,275</u>	<u>\$ 15,385,792</u>	<u>\$ 7,262,585</u>	<u>\$ (5,971,517)</u>	<u>-39%</u>

Condensed Statements of Revenues, Expenses, and Changes in Fund Balance
Years Ended June 30, 2025, 2024 and 2023

	2025	2024	2023	\$ Change	Percentage
REVENUES					
Project payment	\$ 816,697	\$ 169,576	\$ 57,475	\$ 647,121	382%
Interest income	<u>27,838</u>	<u>-</u>	<u>-</u>	<u>27,838</u>	<u>100%</u>
Total revenues	<u>844,535</u>	<u>169,576</u>	<u>57,475</u>	<u>674,959</u>	<u>398%</u>
EXPENDITURES					
OPERATING EXPENSES					
Administrative and operating expenses	533,277	288,401	-	244,876	85%
Grant expenses (recaptured funds)	388,073	240,674	971,113	147,399	61%
Grant expenses	<u>5,827,397</u>	<u>6,652,935</u>	<u>6,949,734</u>	<u>(825,538)</u>	<u>-12%</u>
Total expenditures	<u>6,748,747</u>	<u>7,182,010</u>	<u>7,920,847</u>	<u>(433,263)</u>	<u>-6%</u>
Revenue over expenditures	<u>(5,904,212)</u>	<u>(7,012,434)</u>	<u>(7,863,372)</u>	<u>1,108,222</u>	<u>-16%</u>
TRANSFERS					
Transfers from FHLB Member Impact Fund	-	1,300,000	-	(1,300,000)	-100%
Transfers from General Funds	<u>-</u>	<u>13,750,000</u>	<u>-</u>	<u>(13,750,000)</u>	<u>-100%</u>
CHANGE IN FUND BALANCE	<u>(5,904,212)</u>	<u>8,037,566</u>	<u>(7,863,372)</u>	<u>(13,941,778)</u>	<u>-173%</u>
TOTAL FUND BALANCE, BEGINNING OF YEAR	<u>15,300,151</u>	<u>7,262,585</u>	<u>15,125,957</u>	<u>8,037,566</u>	<u>111%</u>
TOTAL FUND BALANCE, END OF YEAR	<u>\$ 9,395,939</u>	<u>\$ 15,300,151</u>	<u>\$ 7,262,585</u>	<u>\$ (5,904,212)</u>	<u>-39%</u>

NORTH DAKOTA HOUSING INCENTIVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
JUNE 30, 2025 AND 2024

Budgetary Information

As discussed in Note 1 to the financial statements, the Housing Incentive Fund (HIF) was first authorized by the Sixty-second Legislative Assembly under chapter 54-17 of the North Dakota Century Code (NDCC) and was reauthorized by the Sixty-third and Sixty-fourth Legislative Assemblies. The aggregate amount of tax credits allowed to all eligible contributors in the first initiated measure was \$15,000,000; \$20,000,000 in the second initiated measure; and \$30,000,000 in the third initiated measure. A transfer from the General Fund of \$15,400,000 was authorized in the second initiated measure. In the third initiated measure a transfer from the Bank of North Dakota earnings of \$5,000,000 was authorized along with an additional transfer for \$5,000,000 contingent on the Bank of North Dakota's calendar year 2015 net income. The Sixty-fifth Legislative Assembly reauthorized HIF with no additional funding. The Sixty-sixth Legislative Assembly reauthorized the Fund with a transfer of \$7,500,000 from the General Fund. The Sixty-seventh Legislative Assembly reauthorized the Fund with a transfer of \$9,500,000 from the General Fund. The Sixty-eighth Legislative Assembly reauthorized the Fund with a transfer of \$13,750,000 from the General Fund.

Outlook

North Dakota Housing Incentive Fund was established by the North Dakota Sixty-second Legislative Assembly under chapter 54-17 of the North Dakota Century Code. The Fund was created to receive contributions for the tax years of 2011 and 2012 up to \$15,000,000. The Fund was fully funded by the December 31, 2012 deadline. The Fund was reauthorized and expanded by the Sixty-third Legislative Assembly. The Fund was able to receive up to \$20,000,000 of tax credits for tax years 2013 and 2014. In addition to the tax credits, the Fund received an additional \$15,400,000 general fund appropriation, for a total of \$35,400,000. The legislation for the Funds authorization included an emergency clause, which allowed the Fund to begin receiving contributions in FY2013. The Fund was fully funded by December 31, 2013.

The North Dakota Sixty-fourth Legislative Assembly reauthorized the Fund to receive up to \$30,000,000 of tax credits for tax years 2015 and 2016. In addition, the Fund received a \$5,000,000 transfer from the Bank of North Dakota. Another contingent transfer from the Bank of North Dakota in the amount of \$5,000,000 occurred in FY2016, as the Bank of North Dakota met the net income contingency in the third initiated measure. All transfers from the Bank of North Dakota were completed in FY2017. The Fund was fully funded by December 31, 2016.

The Sixty-fifth Legislative Assembly reauthorized HIF with no additional funding.

The Sixty-sixth Legislative Assembly reauthorized the Fund with a transfer of \$7,500,000 from the General Fund.

The Sixty-seventh Legislative Assembly reauthorized the Fund with a transfer of \$9,500,000 from the General Fund.

The Sixty-eighth Legislative Assembly reauthorized the Fund with a transfer of \$13,750,000 from the General Fund.

The Sixty-ninth Legislative Assembly reauthorized the Fund with a transfer of \$25,000,000 from the Strategic Investment and Improvements Fund. Additionally, the Fund received one-time funding of \$10,000,000 from the General Fund for homeless programs.

NORTH DAKOTA HOUSING INCENTIVE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
JUNE 30, 2025 AND 2024

Contacting the Housing Incentive Fund's Financial Management

The information in this report is intended to provide the reader with an overview of the Fund's operations along with the Fund's accountability for those operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Housing Incentive Fund, PO Box 1535, Bismarck, ND 58502-1535.

NORTH DAKOTA HOUSING INCENTIVE FUND
BALANCE SHEETS
JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	<u>\$ 9,414,275</u>	<u>\$ 15,385,792</u>
Total assets	<u><u>\$ 9,414,275</u></u>	<u><u>\$ 15,385,792</u></u>
LIABILITIES		
Due to state agencies	<u>\$ 18,336</u>	<u>\$ 85,641</u>
Total liabilities	<u>18,336</u>	<u>85,641</u>
FUND BALANCE		
Restricted for affordable multifamily housing	<u>9,395,939</u>	<u>15,300,151</u>
Total fund balance	<u>9,395,939</u>	<u>15,300,151</u>
Total liabilities and fund balance	<u><u>\$ 9,414,275</u></u>	<u><u>\$ 15,385,792</u></u>

See Notes to Financial Statements

NORTH DAKOTA HOUSING INCENTIVE FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
REVENUES		
Project payments	\$ 816,697	\$ 169,576
Interest income	27,838	-
	<u>844,535</u>	<u>169,576</u>
Total revenues		
EXPENDITURES		
Current:		
Administrative and operating expenses	533,277	288,401
Grant expenses (recaptured funds)	388,073	240,674
Grant expenses	5,827,397	6,652,935
	<u>6,748,747</u>	<u>7,182,010</u>
Total expenditures		
Revenue over (under) expenditures	<u>(5,904,212)</u>	<u>(7,012,434)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(5,904,212)</u>	<u>(7,012,434)</u>
TRANSFERS		
Transfers from FHLB Member Impact Fund	-	1,300,000
Transfers from General Fund	-	13,750,000
	<u>-</u>	<u>13,750,000</u>
CHANGE IN FUND BALANCE	(5,904,212)	8,037,566
TOTAL FUND BALANCE, BEGINNING OF YEAR	<u>15,300,151</u>	<u>7,262,585</u>
TOTAL FUND BALANCE, END OF YEAR	<u>\$ 9,395,939</u>	<u>\$ 15,300,151</u>

See Notes to Financial Statements

NORTH DAKOTA HOUSING INCENTIVE FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 PRINCIPAL BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The North Dakota Housing Incentive Fund (Fund) was created in 2011 by an initiated measure. The Fund was created as a special revolving fund at the Bank of North Dakota. The Fund is to be used to address unmet housing needs in North Dakota which includes new construction, rehabilitation, or acquisition of multifamily housing projects; gap assistance, matching funds, and accessibility improvements; assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness. The Fund was reenacted in 2013 by an initiated measure. Under the new allocation plan, in addition to the types of uses described above, the Fund must give first priority through its scoring and ranking process to housing for essential services. The second priority is to provide housing for individuals and families of low and moderate income. The fund was reenacted in 2015 by an initiated measure. Under this allocation plan, all terms are the same as the 2013 measure. The 2023 legislative session appropriated a transfer from the State's General Fund in the amount of \$13.75 million to the Fund.

Reporting Entity

In accordance with criteria set forth by the Governmental Accounting Standards Board, the Fund should include all component units over which the Fund exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Fund.

Based on the criteria above, no organizations were determined to be part of the reporting entity. The Fund is included as part of the primary government of the State of North Dakota's reporting entity.

Budgetary Process

The Fund is considered a continuing appropriation and only prepares a budget detailing the expected expenditures of the Fund. Those expenditures encompass the funds already appropriated to the Fund.

The State's budgeting system does not include revenues and thus, a Statement of Revenues and Expenses - Budget and Actual cannot be prepared as required by generally accepted accounting principles. A statement of appropriations cannot be presented because the Fund is a continuing appropriation and therefore no specific appropriation has been made to compare to.

NORTH DAKOTA HOUSING INCENTIVE FUND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025 AND 2024

Accounting Standards

The Fund follows the pronouncements of the Governmental Accounting Standards Board, which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities. Funding is derived from individual, business, and financial institution tax payers who receive a dollar-for-dollar tax credit in exchange for their contributions to the Fund along with transfers from the State of North Dakota and related agencies.

Fund Accounting

The Fund is accounted for by a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The Fund accounts for the flow of resources of carrying on specific activities in accordance with laws, regulations, or debt restrictions. The Fund is operated as a special revenue fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The Fund is used to account for contributions from state income and financial institution taxpayers.

Basis of Accounting

The Fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded when the related fund liability is incurred.

Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standards Board (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Fund classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by upper management.
- Unassigned – includes fund balance which has not been classified within the above-mentioned categories.

NORTH DAKOTA HOUSING INCENTIVE FUND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025 AND 2024

The Fund uses restricted / committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Fund would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Contributions

The Fund recognizes contribution revenue when taxpayer donations are received.

Project Payments

Project payments are recognized when earned and are amounts required to be paid back to the Fund when projects meet certain cash flow requirements.

NOTE 2 DEPOSITS

Custodial Credit Risk

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "all state funds...must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

The bank balances of deposits of the Fund at June 30, 2025 and 2024 were \$9,414,275 and \$15,385,792 consisting of non-interest-bearing operating cash deposited at the Bank of North Dakota.

The deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10. The carrying amounts of the deposits of the Fund at the Bank of North Dakota at June 30, 2025 and 2024 were \$9,414,275 and \$15,385,792.

NORTH DAKOTA HOUSING INCENTIVE FUND
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025 AND 2024

NOTE 3 RELATED PARTY TRANSACTIONS

The Fund had the following transactions with related parties as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Due to state agencies:		
North Dakota Housing Finance Agency	<u>\$ 18,336</u>	<u>\$ 85,641</u>
Administrative expenditures:		
North Dakota Housing Finance Agency	<u>\$ 533,277</u>	<u>\$ 288,401</u>
Transfers in:		
State of North Dakota - General Fund	<u>\$ -</u>	<u>\$13,750,000</u>

NOTE 4 COMMITMENTS

The Fund makes various commitments relating to construction projects to meet unmet housing needs across North Dakota. The Fund had \$7,247,906 of signed commitments for construction projects as of June 30, 2025. The Fund had \$12,233,832 of HIF funds awarded for construction projects as of June 30, 2025. The total paid on these commitments as of June 30, 2025 was \$4,985,926.

NOTE 5 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Fund's year end. Subsequent events have been evaluated through November 24, 2025, which is the date these financial statements were available to be issued.

**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**

Governor Kelly Armstrong
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

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 North Dakota Housing Incentive Fund, a special revenue fund of the State of North Dakota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise North Dakota Housing Incentive Fund's basic financial statements, and have issued our report thereon dated November 24, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Dakota Housing Incentive Fund'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 the North Dakota Housing Incentive Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Housing Incentive Fund'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. 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota Housing Incentive Fund'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.



BRADY MARTZ
BISMARCK, NORTH DAKOTA

November 24, 2025

**SUMMARY OF NORTH DAKOTA
HOUSING INCENTIVE FUND AUDIT
FOR FISCAL YEAR ENDED JUNE 30, 2025
PREPARED BY BRADY MARTZ
November 24, 2025**

Purpose of the audit: To determine the financial statements are free from material misstatement.

Type of Opinion: Unmodified

Summary of findings/recommendations: No findings/recommendations

Explanations of significant audit adjustments and corrected or uncorrected misstatements:

1. The following material misstatements were identified as a result of the audit procedures performed, which were corrected by management:
 - a. None
2. The following uncorrected misstatements were identified as a result of the audit procedures performed, which were determined by management to be immaterial both individually and in the aggregate:
 - a. None

Disagreements with management or difficulties encountered in performing the audit:
None

Other items to highlight in the report: None

Cost of the audit:

Current audit \$6,017
Prior audit \$5,320

November 24, 2025

Governor Kelly Armstrong
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

We have audited the financial statements of the North Dakota Housing Incentive Fund, a special revenue fund of the State of North Dakota for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 6, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Dakota Housing Incentive Fund are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2025. We noted no transactions entered into North Dakota Housing Incentive Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not identify any known or likely misstatements during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 24, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to North Dakota Housing Incentive Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, Advisory Board and management of the North Dakota Housing Incentive Fund and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

BRADY MARTZ
BISMARCK, NORTH DAKOTA