

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

PERIOD FROM MARCH 20, 2021 TO SEPTEMBER 30, 2021

WITH INDEPENDENT AUDITOR'S REPORT THEREON

Burger, Comer & Associates
1930 Picarro Lane, I Liyang Village
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NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)

Report on the Audit of Financial Statements
Period from March 20, 2021 to September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Northern Marianas Technical Institute

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Northern Marianas Technical Institute (the Organization), a non-profit public corporation of the CNMI Government for the period from March 20, 2021 to September 30, 2021, and the related notes to the 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 Northern Marianas Technical Institute as of September 30, 2021, and the respective changes in net position, and, where applicable, cash flows thereof for the period from March 20, 2021 to September 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Northern Marianas Technical Institute, a non-profit public corporation of the CNMI Government, 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 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 the Northern Marianas Technical Institute'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 the Northern Marianas Technical Institute'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 Northern Marianas Technical Institute'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 and budgetary comparison information on pages 4 to 10 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 April 29, 2024, on our consideration of the Northern Marianas Technical Institute'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 Northern Marianas Technical Institute'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 Northern Marianas Technical Institute's internal control over financial reporting and compliance.

Bryce Combs & Associates

Saipan, MP
April 29, 2024

NORTHERN MARIANAS TECHNICAL INSTITUTE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Period from March 20, 2021 to September 30, 2021

The objective of Management's Discussion and Analysis (MD&A) is to provide readers of the Northern Marianas Technical Institute's (NMTI) financial statements an overview and better understanding of its financial position and results of activities for the year ended September 30, 2021. Management has prepared this overview as required supplementary information to the financial statements and the footnotes that follow. This MD&A should be read in conjunction with the financial statements and accompanying footnotes.

Financial Highlights

- The Consolidated Natural Resources Act (CNRA) of 2008, U.S. Public Law 110-229 that amended the Covenant to establish federal control over immigration in the Commonwealth of the Northern Mariana Islands (CNMI) led to U.S. Public Law 115-218, The Northern Mariana Islands U.S. Workforce Act of 2018 that was passed, in part, to incentivize the hiring of United States workers in the CNMI.

Certain fees collected pursuant to CNRA and the NMI Workforce Act are transferred to the CNMI government and held in the Commonwealth Worker (CW) Fund for the sole and exclusive purpose of funding vocational education, apprenticeships, or other training programs for United States workers. The CW Fund is the Northern Marianas Technical Institute's primary funding source.

- The NMI Workforce Act requires the CNMI Governor to submit a plan for the expenditure of CW Fund to the US Secretary of Labor 120 days before the first day of the fiscal year and annually thereafter, not later than 120 days after receiving the expenditure plan, the U.S. Secretary of Labor must issue a determination on the plan and submit a report to U.S. Congress that describes the effectiveness of the Commonwealth government at meeting goals set forth, disbursements of funds are made in accordance to an approved expenditure plan. Per Saipan Local Law 20-18, CNMI Department of Labor is the authorized designee for the expenditure of the CW Fund. The amount of funding is contingent on availability and approval pursuant to the NMI Workforce Act.
 - The NMTI is responsible for preparing said expenditure plans to the CNMI Secretary of Labor annually no later than 160 days before the first day of each fiscal year.
 - In FY 2021, the NMTI received CW Funds from FY 2020 4th Quarter disbursement on June 4, 2021 in the amount of \$250,000; and
 - On December 10, 2021, NMTI received FY 2021 CW Funds in the amount of \$780,856.

NORTHERN MARIANAS TECHNICAL INSTITUTE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Period from March 20, 2021 to September 30, 2021

- US Public Law 108-188 Section 104(e) of the Title One of the amended Compacts of Free Association describes Compact Impact financial assistance committed by the United States Government to the State of Hawaii, Guam, CNMI, and American Samoa. The goal of this \$30 million in annual grants support is to help these affected jurisdictions defray costs incurred as a result of increased demands placed on health, educational, social, or public safety services, or infrastructure related to such services, due to the residence of qualified nonimmigrants from the Federated States of Micronesia, the Republic of Marshall Islands, or the Republic of Palau.
 - On September 29, 2021, the amount of \$220,384 was awarded to NMTI (Technical) Compact Impact funds.

- CNMI Public Law 20-92 officially establishes the Northern Marianas Technical Institute as a non-profit public corporation on February 19, 2019, however, partly due to the COVID-19 CNMI-wide shutdown and other organizational circumstances the powers of the Board of Directors (Trades) were officially uninhibited to the Board of Trustees (Technical) on February 8, 2021.
 - The Northern Marianas Technical Institute, formerly known as the Northern Marianas Trades Institute, was transitioned from a non-profit educational institute to a non-profit public corporation effective February 8, 2021.
 - On March 20, 2021, the Board of Trustees (technical) voted and appointed a new Interim Chief Executive Officer (ICEO), with the ICEO's inception, funding was not immediately available for the hiring and onboarding of faculty and staff for the continuity of the Institute's daily operations.
 - With the onset of COVID-19 pandemic, all former trades staff were furloughed by prior administration on April 17, 2020 with the exception of two (2) instructors and two (2) maintenance staff who got called back on January 5, 2021 to carry out the completion of Automotive and Electrical courses and facility maintenance already paid for by prior administration in 2020. There was no documentation provided to the ICEO on such contracts for the two courses and for the four (4) staff.
 - By May 2021, the ICEO was able to hire a Human Resources Manager and five former trades employees, two instructors, two maintenance staff and the former Executive Secretary of the Trades Institute; at this time, some financial documents were gathered by the Executive Secretary from the accounting firm that NMTI (trades) worked with at the time of their operations – these documents were not furnished to the ICEO at the time of the transition.

NORTHERN MARIANAS TECHNICAL INSTITUTE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Period from March 20, 2021 to September 30, 2021

- By June 2021, upon receipt of FY 2020 4th Quarter CW funds, ICEO was able to recall the former trades staff that were furloughed on April 2020. All staff were asked to complete an Employment Application and submit a resume to the HR Manager, of the 29 former NMTI (trades) faculty and staff, NMTI (Technical) was able to officially reinstate twelve (12) – a total of eight (8) faculty, two (2) maintenance staff, and two (2) administrative staff.

Statement of Revenues, Expenses and Changes in Net Position

Revenues and other support:	2021
Tuition and fees	\$ 92,131
Government support:	
CW Funds	250,000
Compact Impact Funds	220,384
Local appropriation	113,403
Donations	11,998
Other Sources	<u>16,722</u>
Total Income:	\$ <u>704,638</u>
Expenses:	
Payroll, taxes and benefits	\$ 220,445
Depreciation	80,236
Supplies	24,751
Professional fees	15,629
Communications and utilities	13,929
Bad debt	13,314
Repairs and maintenance	9,101
Miscellaneous	8,547
Rent	<u>2,934</u>
Total Expense:	\$ <u>388,886</u>
Change in Net Position:	\$ <u>315,752</u>

NORTHERN MARIANAS TECHNICAL INSTITUTE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Period from March 20, 2021 to September 30, 2021

Revenues

Revenues are classified as either general revenues or program revenues. The general revenue classification includes tuition and fees, CW funds, and Compact Impact Funds. Program revenues are those directly generated by a functional expense or activity of the institute. These revenues include PSS programs and in-kind contributions. Total revenue for Fiscal Year 2021 is \$704,638.

Expenses

Wages and salaries covered faculty and staff salaries and wages from May 2021 to September 2021 inclusive of Fringe Benefits and Payroll Taxes. Supplies covered routine operational and office supplies, i.e., acetylene, fire extinguishers, food consumable for culinary program, and PPE as required for all workshop learning. Contractual covered communications, utilities, and security services. Supplies Operations covered repairs and maintenance of vehicles and various facility repairs such as OSHA requirements, ADA compliant ramps, and vehicle batteries and parts.

Net Position

Net position represents the residual interest in the Organization's assets after liabilities are deducted and consists of the following categories:

Net investment in capital assets - includes capital assets, net of accumulated depreciation and amortization, reduced by outstanding debt, net of debt service reserve.

Restricted nonexpendable - net position subject to externally imposed stipulations that require the Organization to maintain them permanently.

Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

NORTHERN MARIANAS TECHNICAL INSTITUTE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Period from March 20, 2021 to September 30, 2021

Statement of Financial Position

	2021
Current Assets:	
Cash and cash equivalents	\$ 368,807
Accounts receivable, net	85,990
Prepaid expenses	26,695
Other receivables	350
Capital assets, net	<u>299,699</u>
Total Assets	\$ <u>781,541</u>
Current Liabilities:	
Deferred revenue	53,091
Accounts payable	11,712
Accrued expenses	<u>9,000</u>
Total Liabilities:	<u>73,803</u>
Total Net Position	<u>707,738</u>
Total Liabilities and Net Position	\$ <u>781,541</u>

Assets

Accounts receivable consists of student tuition and educational tax credit received for FY 2021. The significant decrease in Property and Equipment and inventory received in FY 2020 is due to an incomplete transition from the Northern Marianas Trades Institute to the Northern Marianas Technical Institute.

Liabilities

These are composed primarily of accounts payable to vendors and deferred revenues.

Economic Outlook

The Northern Marianas Technical Institute (NMTech) plays a vital role in equipping individuals with the skills needed to succeed in the workforce. Technical and trade education programs offer a pragmatic approach to career development. As traditional job markets evolve, there is an increasing demand for specialized skills. The fields of study offered at the Northern Marianas Technical Institute are essential in addressing these demands, providing a unique opportunity for students to gain in-demand skills also noting that professional certificates as a form of micro credentials are proven to be useful in the workforce – a minimum of 3 and a maximum of 10

NORTHERN MARIANAS TECHNICAL INSTITUTE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Period from March 20, 2021 to September 30, 2021

professional certificates can help assist workers fulfill their work commitments as prescribed by the employers with regard to technological advancements.

The Northern Marianas Technical Institute has launched educational programs offering Google Career Certificates, Cosmetology, Baking & Pastry, Culinary Arts, Automotive Technology and various construction trades courses.

The economic benefits of these programs are reflected in what they encompass, such as, Google's Career Certificate program as a gateway to the tech industry. With the growth of digitalization, the demand for tech-savvy professionals remains high. Completing these certificates can lead to well-paying jobs in various technology-related roles, such as IT support or data analytics.

The beauty and wellness industry continues to thrive. Graduates can work in salons, spas, or even launch their own businesses after completing cosmetology courses at NMTEch. The economic outlook is promising due to the perpetual demand for personal grooming services and the touchback issues we are currently experiencing with the beauty workforce getting affected due to immigration laws that apply in the CNMI.

The culinary industry offers a rewarding career pathway as graduates can find employment in bakeries, hotels, restaurants, and have a leg up in entering those establishments by being a student at NMTEch through internships that offer on the job training and serve as a vetting process at companies that continue to operate within the CNMI.

As long as there are vehicles on the road, there will be a need for automotive technicians. The increasing complexities of modern vehicles requires specialized knowledge, making graduates highly employable in car dealerships and repair shops.

Electricians are crucial in both residential and commercial settings. The demand for electrical services persists, driven by technological advancements and the need for energy-efficient solutions. Graduates can enjoy job security and attractive wages.

The various construction fields are the backbone of infrastructure development. Welders and construction professionals are consistently in demand for building and repairing essential structures. Graduates have the opportunity to engage in a variety of construction projects and can consider self-employment as well.

The primary goal of these programs is skills development to provide students with practical, hand-on skills that are directly applicable to the job market. Employability graduates are equipped with the tools to secure well-paying jobs or entrepreneurial opportunities in their respective fields. As students gain experience and expertise, they can expect income growth and career advancement. Skills taught in these programs are always in demand, ensuring job security and/or have the option to start their own businesses, leading to financial independence and job satisfaction and stability that increases their quality of life.

NORTHERN MARIANAS TECHNICAL INSTITUTE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Period from March 20, 2021 to September 30, 2021

We believe that our educational institute, in offering a wide range of programs, contributes significantly to the economic landscape. Our students are prepared for a rapidly changing job market and can achieve various goals, including skill development, employability, job security, income growth, and entrepreneurship. These fields not only provide economic opportunities but also play a crucial role in shaping the workforce of the future. As such, investing in education and training in these areas continues to be a prudent choice for individuals seeking stable and rewarding careers.

Financial Management Contact

This financial report is designed to provide all interested users with a general overview of the Organization's finances. Inquiries concerning this report, if any, may be directed to NMTech's address below:

Northern Marianas Technical Institute
P.O. Box 504880
Saipan, MP 96950

NORTHERN MARIANAS TECHNICAL INSTITUTE
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Statement of Net Position

As of September 30, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 368,807
Accounts receivable, net of allowance for doubtful accounts (\$13,314)	85,990
Prepaid expenses	26,695
Other receivables	<u>350</u>

Total current assets 481,842

Capital assets, net 299,699

Total assets \$ 781,541

LIABILITIES AND NET POSITION

Current liabilities:

Deferred revenue	53,091
Accounts payable	11,712
Accrued expenses	<u>9,000</u>

Total current and total liabilities 73,803

Net position:

Net investment in capital assets	299,699
Unrestricted	<u>408,039</u>

Total net position 707,738

Total liabilities and net position \$ 781,541

See accompanying notes to financial statements.

NORTHERN MARIANAS TECHNICAL INSTITUTE
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Statement of Revenues, Expenses and Changes in Net Position

For the period from March 20, 2021 to September 30, 2021

Revenues and other support:	
Tuition and fees	\$ 92,131
Government support	583,787
Other revenues and support	<u>28,720</u>
Total revenues and other support	704,638
Expenses:	
Salaries and wages	203,581
Depreciation	80,236
Supplies	24,751
Payroll taxes	15,573
Professional fees	15,629
Bad debt	13,314
Utilities	9,664
Repairs and maintenance	9,101
Communications	4,265
Miscellaneous	6,853
Rent	2,934
Advertising	1,694
Employee benefits	<u>1,291</u>
Total expenses	<u>388,886</u>
Income before capital contributions from primary government	315,752
Capital contributions from primary government	<u>391,986</u>
Change in net position	707,738
Net position at beginning of period	<u>-</u>
Net position at end of period	<u><u>\$ 707,738</u></u>

See accompanying notes to financial statements.

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)

Statement of Cash Flows

For the period from March 20, 2021 to September 30, 2021

Cash flows from operating activities:	
Contributions received	\$ 583,787
Collections of receivables transferred in from trades	85,990
Collections of tuition and fees	92,131
Cash received from other revenues and support	28,701
Payment of payables transferred in from trades	(20,712)
Payment of prepaid expense transferred in from trades	(24,255)
Expenses paid	<u>(388,886)</u>
Net cash provided by operating activities	<u>356,756</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	12,051
Capital contributions received, net	<u>391,986</u>
Net cash provided by capital and related financing activities	<u>404,037</u>
Net increase in cash and cash equivalents	368,807
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u><u>\$ 368,807</u></u>
Reconciliation of earnings from operations to net cash provided by operating activities:	
Earnings from operations	315,752
Adjustments to reconcile earnings from operations to net cash provided by operating activities:	
Depreciation	80,236
Changes in assets and liabilities:	
Other receivables	(350)
Prepaid expenses	(26,695)
Accounts receivable	(85,990)
Deferred revenue	53,091
Accounts payable	11,712
Accrued expenses	<u>9,000</u>
Net cash provided by operating activities	<u><u>\$ 356,756</u></u>

See accompanying notes to financial statements.

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)
Statement of Revenues, Expenses and Changes in Fund Balance - Budget and Actual
(GAAP Basis) - General Fund
For the period from March 20, 2021 to September 30, 2021

	General Fund				
	Budget				Variance
	Original	Revision	Final	Actual	Favorable (Unfavorable)
Expenses:					
Personnel	\$ 1,014,698	\$ -	\$ 1,014,698	\$ 220,445	\$ 794,253
All other	<u>117,200</u>	<u>-</u>	<u>117,200</u>	<u>168,441</u>	<u>(51,241)</u>
Total Expenses	<u>1,131,898</u>	<u>-</u>	<u>1,131,898</u>	<u>388,886</u>	<u>743,012</u>
Revenues:					
CNMI appropriation	<u>1,131,898</u>	<u>-</u>	<u>1,131,898</u>	<u>583,787</u>	<u>548,111</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Reconciliation of Budget to GAAP Basis					
2021 Budget					
Appropriations				\$ 1,131,898	
2021 Expenses					
Actual (GAAP)				<u>388,886</u>	
Variance				<u>\$ 743,012</u>	

See accompanying notes to financial statements.

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)

Notes to Financial Statements

For the period from March 20, 2021 to September 30, 2021

(1) Summary of Significant Accounting Policies

Nature of Organization

The Northern Marianas Trades Institute (the Organization) was incorporated under the laws of the Commonwealth of the Northern Mariana Islands (CNMI) on April 21, 2008. On July 18, 2013 the Organization amended its articles of incorporation to apply for a charter as a non-profit, tax-exempt corporation.

On February 18, 2019, Public Law 20-92 was enacted, which specified that the Northern Marianas Technical Institute (the Organization), formerly known as the Northern Marianas Trades Institute, would become a non-profit public entity. The public law contained various deadlines regarding the appointment of a Board of Directors, the formation of a Transition Committee, and the formal transition from the existing non-profit organization to the public corporation. As of February 8, 2021, the Committee on Transition Report was completed and submitted to the Office of the Public Auditor, Office of the Governor, and Office of the Attorney General by the Chairman of the Board of Trustees, Mr. Mario Valentino.

The Organization provides educational training for trades and technical careers that may lead to job placement for participants through internships and apprenticeships into subsidized employment with an emphasis on: developing the local workforce to meaningfully and effectively replace overseas contract workers within the private and public sector industries; integrating soft skills training to supplement the skills-based coursework with all courses and training; and establishing a respected, certified and accredited regional skills and vocational trades institute that is centered on vocational and skills-based training to resident workers.

Basis of Accounting

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Budgetary Data

The Northern Marianas Technical Institute has no authority to impose taxes to generate revenue. NMTI is a dependent non-profit public corporation established by CNMI Public Law 20-92, and is a dependent educational institute as revenue and expenditure authorizations come primarily through the Office of the Governor through various sources of funding that adhere to and are adopted on a basis consistent with accounting principles generally accepted in the United States of

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)

Notes to Financial Statements, continued

For the period from March 20, 2021 to September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

Budgetary Data, continued

America. An annual appropriated budget is earmarked for the Northern Marianas Technical Institute through the Commonwealth Worker Funds (CW Funds). Budgets for non-major funds are not included in the CW funds. Budgets for these funds are based upon grant awards received. Project-length financial plans for capital projects typically come directly through the Office of the Governor and are handled directly through the Office of Capital Improvement Projects, an Office of the Governor. Pursuant to CNMI Public Law 20-92, the Chief Executive Officer is to submit as follows:

1. Submit to the Board of Trustees an annual budget of the operation and maintenance of the Institute for its approval and forwarding the Governor and Legislature pursuant to 1 CMC Section 7206.
2. To cause to be submitted to the Governor and the Legislature no later than 120 days after the end of fiscal year a report describing the condition and progress of career and technical training during the preceding fiscal year, including financial reports showing the result of operations for that fiscal year and the financial status of the Institute on the last day thereof.

Reporting Entity

NMTI, as the CNMI's sole vocational, trades and technical educational institute, is under the direction of the NMTI Board of Trustees, which consists of seven voting members who are residents of the CNMI appointed by the Governor and confirmed by the Senate: one from Rota, one from Tinian, one of Carolinian descent, a woman representative, out of seven members at least five shall represent businesses and industries, and two remaining members from the general public. Members of the Board choose lots to designate three members who serve for four years, two members to serve for three years, and two members to serve for two years. The Chief Executive Officer, who is appointed by the Board of Trustees, is responsible for administering NMTI in accordance with applicable laws and Board of Trustees Policies.

Pursuant to the Northern Mariana Island U.S Workforce Act of 2018, U.S. Public Law 115-218, certain fees collected to the Consolidates Natural Resource of 2008 and NMI Workforce Act are transferred to the CNMI government and held in the Commonwealth Worker Fund for the sole and exclusive purpose of funding vocational education, apprenticeships, or other training programs for United States Workers.

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)

Notes to Financial Statements, continued

For the period from March 20, 2021 to September 30, 2021

(1) Summary of Significant Accounting Policies

Net Position

Net position represents the residual interest in the Organization's assets after liabilities are deducted and consists of the following categories:

Net investment in capital assets - includes capital assets, net of accumulated depreciation and amortization, reduced by outstanding debt, net of debt service reserve.

Restricted nonexpendable - net position subject to externally imposed stipulations that require the Organization to maintain them permanently.

Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

The Organization reports grants or gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of net position as net assets released from restrictions.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of the Organization. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non-recurring income and costs.

New Accounting Standards

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements. Management has not determined the impact on the accompanying financial statements.

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)

Notes to Financial Statements, continued

For the period from March 20, 2021 to September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

During the year ended September 30, 2021, the Organization implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ending September 30, 2022.

The implementation of these statements did not have a material effect on the accompanying financial statements.

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

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)

Notes to Financial Statements, continued

For the period from March 20, 2021 to September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

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

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

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

NORTHERN MARIANAS TECHNICAL INSTITUTE
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Notes to Financial Statements, continued

For the period from March 20, 2021 to September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

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. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for 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 SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for the fiscal year ending September 30, 2023.

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

NORTHERN MARIANAS TECHNICAL INSTITUTE
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Notes to Financial Statements, continued

For the period from March 20, 2021 to September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand as well as cash in various bank accounts and time certificates of deposit with initial maturity dates of three months or less and includes restricted cash and cash equivalents. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified.

Allowance for Doubtful Accounts

The Organization establishes an allowance for doubtful accounts receivable based on the credit risk of specific students, historical trends, and other information. Bad debts are written off against the allowance based on the specific identification method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment. Expenditures for major additions and improvements are capitalized. Minor replacements, maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets (note 3).

Leased assets and leasehold improvements are amortized over the shorter of the useful life or the lease term. Capitalization thresholds are \$5,000 for leasehold improvements and \$5,000 for all other assets.

Revenue Recognition

Revenues are derived from re-grants from the CNMI government, fundraising activities, tuition and fees charged to students and educational tax credits.

Other revenue is recorded when earned and measurable.

NORTHERN MARIANAS TECHNICAL INSTITUTE
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Notes to Financial Statements, continued

For the period from March 20, 2021 to September 30, 2021

(1) Summary of Significant Accounting Policies, Continued

Use of 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 disclosures 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.

Advertising Costs

The Organization's policy is to expense advertising costs when incurred. For the year ended September 30, 2021, advertising expense was \$1,694.

Compensated Absences

The Organization's employees are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees.

(2) Deposits

GASB Statement No. 40 addresses common deposit and investment risk related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, disclosures are required of investments that have fair value that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risk.

The deposit and investment policies of the Organization are governed by its enabling legislation. The Board of Directors is required to engage one or more fund custodians to assume responsibility for the physical possession of the Organization's investments.

GASB Statement No. 40 requires disclosures for deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Organization does not have a deposit policy for custodial credit risk.

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)

Notes to Financial Statements, continued

For the period from March 20, 2021 to September 30, 2021

(2) Deposits, Continued

As of September 30, 2021, the carrying amount of the Organization's total cash and cash equivalents was \$368,807, and the corresponding bank balances were \$377,104. Of the bank balances, \$377,104 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2021, bank deposits up to the amount of \$250,000 were FDIC insured.

The Organization does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. The Organization has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk on its deposits.

(3) Capital Assets

The following is a summary of capital assets at September 30, 2021:

	<u>Estimated</u> <u>Useful Life</u>	<u>Amount</u>
Leasehold improvements	15 years	\$ 380,641
Shop equipment	5 years	47,966
Vehicles	5 years	192,387
Facilities and equipment	5 years	54,875
Office equipment	5 years	38,401
Furniture and fixtures	7 years	<u>10,674</u>
		724,944
Less accumulated depreciation and amortization		<u>(425,245)</u>
		\$ <u>299,699</u>

NORTHERN MARIANAS TECHNICAL INSTITUTE
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Notes to Financial Statements, continued

For the period from March 20, 2021 to September 30, 2021

(4) Contingencies

Federal awards and their related expenditures can be subject to financial and compliance audits to ascertain if federal laws and guidelines have been followed. Failure to comply with the guidelines can result in the expenditure of Federal awards to be questioned and possibly disallowed.

(5) Concentrations of Credit Risk

Financial instruments which potentially expose the Organization to concentrations of credit risk consist primarily of cash and accounts receivable.

The Organization's cash is placed with financial institutions that, at times, may exceed federally insured limits of \$250,000. At September 30, 2021, the uninsured bank balance was \$127,104. The Organization has not experienced any losses in such accounts.

If all debtors were unable to meet their obligations, the Organization would incur an expense equal to accounts receivable reflected in the accompanying financial statements.

(6) Economic Dependency

The Organization receives a substantial amount of its support from the CNMI government or Federal awards and from private companies. For the year ended September 30, 2021, the Organization derived 87% of its revenue from the CNMI government for the appropriation and sub-award of the Commonwealth Worker Funds. The Organization will face financial hardship should the level of CNMI government support decrease.

(7) Lease Commitments

On December 9, 2008, the Organization entered into a 25-year operating lease agreement with the Department of Public Lands for the use of facilities. The lease agreement required minimum annual payments of \$11,500 for the first five years, and then two percent (2%) of market value for the next twenty years. As of September 30, 2021, the Organization had paid the lease in full covering the period through 2033 at \$495 per quarter. The agreement no longer has a payment term.

On June 13, 2019 the Organization entered into an agreement for designation of use of public domain lands with the Department of Public Lands for a parcel of public land in Koblerville, Saipan with no repayment terms. After 10 years, the Department of Public Lands will conduct a land use review to ascertain compliance with the intended use of the premises.

NORTHERN MARIANAS TECHNICAL INSTITUTE
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Notes to Financial Statements, continued

For the period from March 20, 2021 to September 30, 2021

(8) Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. and throughout Micronesia. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. On May 5, 2023, the WHO declared that the public health emergency ended. It is anticipated that these impacts will continue for some time. As a result of the spread of the coronavirus pandemic, economic uncertainties have arisen which are likely to impact the day-to-day administration of the Organization. While this matter is expected to negatively impact the Organization's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

(9) Risk Management

Because of the state of the market for property and equipment insurance coverage in CNMI, the Organization has been unable to obtain insurance coverage for certain building properties and tools and equipment for various risks at rates and on terms that they consider reasonable. The absence of insurance coverage represents a potential exposure for the Organization in the event of catastrophic losses.

Therefore, the financial condition and net income of the Organization in future periods could be adversely affected if uninsured losses were to be incurred. The amount of such potential losses cannot be reasonably estimated due to the unknown date and extent of such a catastrophe.

(10) Date of Management's Review

Management has considered subsequent events through April 29, 2024, the date the financial statements were available to be issued. There were no such events that would require recognition or disclosure in the financial statements for the year ended September 30, 2021.

**NORTHERN MARIANAS TECHNICAL
INSTITUTE
(A Non-Profit Public Corporation of the CNMI
Government)**

**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***

Period from March 20, 2021 to September 30, 2021



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

The Board of Trustees and Management of Northern Marianas Technical Institute

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 Northern Marianas Technical Institute (the Organization), which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses and changes in net position and of cash flows for the period from March 20, 2021 to September 30, 2021 and the related notes to the financial statements, and have issued our report thereon dated April 29, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 determination of financial statement amounts. 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 purposes.

Bryce Combs & Associates

April 29, 2024
Saipan, MP