NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

Years Ended September 30, 2023 and 2022

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Years Ended September 30, 2023 and 2022

TABLE OF CONTENTS

DESCRIPTION	PAGE NUMBER/S
I. FINANCIAL STATEMENTS	
Independent Auditor's Report	1 – 3
Management's Discussion & Analysis	4 – 10
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13 – 14
Notes to Financial Statements	15 – 36
II. INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE	
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*	37 – 38
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the *Uniform Guidance*	39 – 41
Schedule of Expenditures of Federal Awards	42 – 43
Notes to the Schedule of Expenditures of Federal Awards	44 - 45
Schedule of Findings and Questioned Costs	46 - 48
III. SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	49

BURGER · COMER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Northern Marianas College

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Northern Marianas College (the College), a component unit of the CNMI government, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of September 30, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College 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 College'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.

Saipan Office
1930 Picarro Lane I Liyang Village
P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837
Fax Nos. (670) 235-6905 (670) 233-8214

Guam Office
333 South Marine Corps Drive
Tamuning, Guam 96913
Tel Nos. (671) 646-5044 (671) 472-2680
Fax Nos. (671) 646-5045 (671) 472-2686

Palau Office
PO Box 1266
Koror, PW 96940
Tel Nos. (680) 488-8615
Fax Nos. (680) 488-8616

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 College'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 College'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.

Emphasis of Matter

We draw attention to Note 13, which discloses the economic uncertainties that have arisen as a result of the declared outbreak of a coronavirus (COVID-19) a pandemic by the World Health Organization. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Burger Comer & Associates

Saipan, Commonwealth of the Northern Mariana Islands
June 28, 2024

Introduction
The Management's Discussion and Analysis (MD&A) provides a broad overview of the financial position and performance of the Northern Marianas College as of the fiscal years ended September 30, 2023 and 2022, the results of its operations for the years then ended, and significant changes from the previous year. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* as amended by GASB Statements Nos. 37 and 38. The MD&A, financial statements and accompanying notes, are the responsibility of the College management.

The focus of the MD&A is on the Northern Marianas College financial information contained in the statement of financial position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows which include the auxiliary services and the College foundation.

The Institution
The Northern Marianas College (the College) is a component unit of the Commonwealth of the Northern Mariana Islands (CNMI) Government. It was formally established as a nonprofit public corporation under the CNMI Public Law 3-43 on January 19, 1983 to serve as the state agency for adult and higher education programs. Autonomy was later granted by CNMI Public Law 4-34 (Post-Secondary Education Act of 1984) effective October 1, 1985.

The College was granted initial accreditation by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges (WASC), on June 11, 1985.

In October 2021 the College was granted accreditation for a period of 8 years through September 2029 by the WASC Senior College and University Commission (WSCUC).

Overview of the Financial Statements
The financial statements of the Northern Marianas College have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by GASB.

The financial statement presentation consists of the statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and accompanying notes for the fiscal years ended September 30, 2023 and 2022. These statements provide information on the financial position of the College and the financial activity and results of its operations during the years presented. A description of these statements follows:

The ***Statement of Net Position*** presents information on assets, liabilities, and deferred outflows and inflows of resources, with the difference between these reported as net position. Changes in net position over time may provide an indicator as to whether the financial position of the College is improving or deteriorating.

Net position is divided into three major categories:

- The first category is the investment in capital assets, which indicates the College's equity in property, plant and equipment.
- The second category is restricted net assets, which is further divided into two additional classifications:
    1. Nonexpendable – the corpus of the nonexpendable restricted net assets is available only for investment purposes.
    2. Expendable – these net assets are available only for purposes defined by donors and/or other external entities that have placed time or purpose restrictions on the use of the assets.
- The third and final category is unrestricted. An unrestricted net position can be used for any lawful purpose of the College.

The ***Statement of Revenues, Expenses, and Changes in Net Position*** reports how net position has changed during the fiscal year. It compares related operating revenues and operating expenses connected with the College's principal business as the CNMI agency for higher education and adult education programs. Operating expenses include the cost of instruction, administrative expenses, student expenses, student services, and operations and maintenance. All other revenues and expenses are reported as non-operating.

The ***Statement of Cash Flows*** reports inflows and outflows of cash, classified into four major categories:

- Cash flows from operating activities include transactions and events reported as components of operating income in the Statement of Revenues, Expenses, and Changes in Net Position.
- Cash flows from noncapital financing activities include operating grant proceeds.
- Cash flows from capital and related financing activities include the borrowing and repayment (principal and interest) of capital-related debt, the acquisition and construction of capital assets, and the proceeds of capital grants and contributions.
- Cash flows from investing activities include proceeds from sale of investments, receipt of interest, and changes in the fair value of investments subject to reporting as cash equivalents. Outflows in this category include the purchase of investments.

The ***Notes to the Financial Statements*** are various notes to provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are found immediately following the financial statements to which they refer.

Financial Highlights

The College net position of $52,613,323 is comprised of $59,979,639 in total assets, less $7,366,316 in total liabilities and deferred inflows of resources. The net position increased $13,015,441 in FY-2023 as a result of this year's operations. The College net operating revenues increased $9,367,327 in FY-2023 compared to FY-2022. The growth in net operating revenues are primarily due to increases in Federal operating grants combined with cost-cutting and prioritization measures.

Statement of Net Position

The statement of net position presents the financial position of the College at the end of its fiscal year. The Northern Marianas College's net position was $52,613,323 and $39,597,882 at September 30, 2023 and 2022, respectively, and experienced an increase of $13,015,441 in FY-2023. The College's total assets increased $14,988,536 in FY-2023. Total liabilities and deferred inflows of resources during FY-2023 increased $1,973,095. The following table reflects the financial position at September 30, 2023 and 2022:

Condensed Statements of Net Position

	2023	2022
Current assets	$39,416,217	30,901,798
Capital assets, net	9,979,781	5,308,520
Other noncurrent assets	10,583,641	8,780,785
Total assets	$59,979,639	44,991,103
Current liabilities	6,065,381	3,588,617
Noncurrent liabilities	170,282	126,389
Deferred inflows of resources	1,130,653	1,678,215
Total liabilities and deferred inflows	7,366,316	5,393,221
Net investment in capital assets	9,979,781	5,308,520
Restricted - nonexpendable	3,200,000	3,200,000
Restricted - expendable	7,383,641	5,580,785
Unrestricted	32,049,901	25,508,577
Total net position	$52,613,323	39,597,882

Current Assets

Current assets at September 30, 2023 increased $8,514,419 compared to the previous year. In general, current assets are those assets that are available to satisfy current liabilities (i.e., those that will be paid within one year). Current assets at September 30, 2023 consist primarily of cash and cash equivalents of $26,119,892, account receivable and unbilled charges of $1,966,632, due from grantor agencies of $8,582,230, due from CNMI government $2,233,824, auxiliary enterprise inventories of $317,820 and $195,819 of prepayments. The increase in current assets during FY-2023 is primarily due to increases of cash and cash equivalents as well as increases in receivable from federal grants.

Current Liabilities

Current liabilities increased $2,476,764 compared to the previous year due to on-going building construction projects at the College. Current liabilities at September 30, 2023 consist principally of accounts payable of $3,017,936, accrued salaries and benefits payable of $1,741,678, current portion of compensated absences of $526,216, unearned revenues of $774,711, and lease liability of $4,840.

Capital Assets, net.

The College capital assets are substantially comprised of land, buildings and building improvements, furniture and equipment, computers and vehicles. As of September 30, 2023, and 2022, the College had $9,979,781 and $5,308,520, respectively, invested in capital assets. The College building construction which is currently in progress as of September 30, 2023 totaled $4,024,081, mainly contributed to the increase in the value of the College capital assets. After the end of FY-2018, NMC experienced a great loss of capital assets because of Super Typhoon Yutu. As a result, many buildings were destroyed and adjustments to depreciation and other assets were made accordingly.

A summary of capital assets, by major classification, and related accumulated depreciation and amortization for the FY-2023 and FY-2022 are as follows:

Summary of Capital Assets

	2023	2022
Land	$ 1,113,376	1,113,376
Buildings and improvements	6,927,021	6,747,021
Furniture and equipment	3,070,396	1,458,534
Vehicles	1,166,022	1,147,027
Computers and software	768,552	768,552
Intangible asset	1,008,900	-
Construction in Progress	4,024,081	1,537,467
Total capital assets	18,078,348	12,771,977
Less accumulated depreciation and amortization:		
Buildings and improvements	4,736,871	4,591,990
Furniture and equipment	1,652,754	1,294,981
Vehicles	932,232	834,112
Computers and software	764,710	742,374
Intangible asset	12,000	-
Total accumulated depreciation and amortization	8,098,567	7,463,457
Capital assets, net	$ 9,979,781	5,308,520

Noncurrent Assets

The College's FY-2023 noncurrent assets comprised of investments and capital assets increased $6,474,117 compared to the previous year attributed to the increase in fair market value of long-term investment as well as building construction at the College. The increase in FMV in investments assets in FY-2023, despite concerns over inflation and higher interest rate, is largely due to resiliency of US Equities and US Tech stocks.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Northern Marianas College results of operations, as well as non-operating activities. Revenues, expenses, and changes in net position for the FY-2023 and FY-2022 are summarized as follows:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2023	2022
Operating revenues	$33,325,119	23,957,792
Nonoperating revenues	5,130,785	1,985,752
Total revenues	38,455,904	25,943,544
Operating expenses	25,440,463	21,035,167
Increase (decrease) in net position	$13,015,441	4,908,377

Total operating revenues were $33,325,119 with an increase of $9,367,327 in FY-2023 compared to FY-2022. Non-operating revenues include CNMI appropriations and realized and unrealized gain on investments, increased $3,145,033 in FY-2023. Total expenses for FY-2023 were $25,440,463 with an increase of $4,405,296 compared to the prior year.

Revenue Overview

	2023	2022
U.S. Federal grants	$26,619,211	20,661,135
Tuition and fees, net	4,954,800	2,190,989
Private gifts & donations	20,170	20,318
Other operating	1,730,938	1,085,350
Operating revenues	33,325,119	23,957,792
CNMI appropriations	4,027,930	4,052,146
Gain or (Loss) on Investments	1,102,855	(2,066,394)
Nonoperating revenues	5,130,785	1,985,752
Total Revenue	$38,455,904	25,943,544

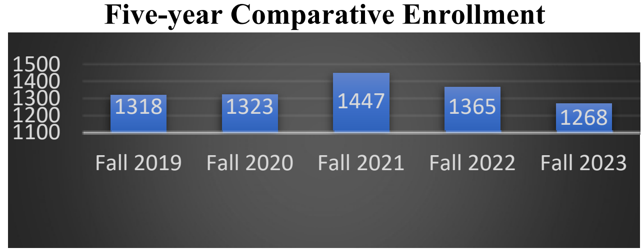
U.S. Federal Grants

U.S. federal grants are government funds to support projects and programs of the College. There are various federal agencies (i.e., U.S. Department of Education, U.S. Department of Agriculture, U.S. Department of Interior, U.S. Department of Labor, U.S. Small Business Administration, U.S. Department of Health and Human Services, and U.S. Department of Homeland Security) in which the College received total grants of $26,619,211 in FY-2023 compared to $20,661,135 in FY-2022. The increase of $5,958,076 is mostly due to the grant awards received from US Department of Education's Education Stabilization Fund II, pass-through to the College from the Office of the Governor.

Tuition and Fees, Net

Tuition and fee revenue, net of scholarship and allowances, totaled $4,954,800 which is being used for the College operations, increased $2,763,811 in FY-2023. The gross PELL awards received in FY-2023 slightly increased from $5,144,833 in FY-2022 to $5,401,016. Annual average full-time equivalent students were approximately 1,268 and 1,127 for fall semester enrollment during year 2023 and year 2022, respectively.

Five-year Comparative Enrollment



Private Gifts, Grants and Donations – Restricted

The College foundation received gifts and donations of $20,170 in FY-2023 that can only be used for stated purposes.

Other Operating Revenue

Other operating revenue of the College comprised of auxiliary enterprise activity which is bookstore sales *(net of cost of sales)* to the students and staff, programs revenue, indirect revenue, rent, and other miscellaneous revenues totaled to $1,730,938 and $1,085,350 for the fiscal years ended September 30, 2023 and 2022, respectively.

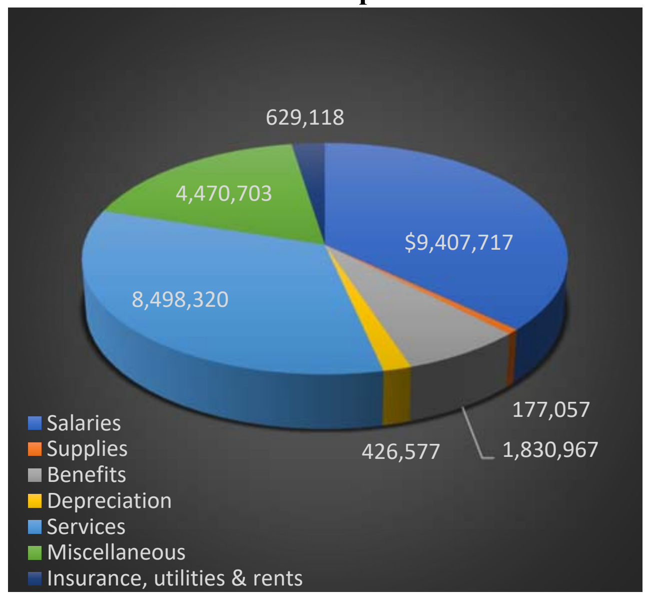
CNMI Appropriations

Another source of the College revenues is CNMI appropriations, which, for financial reporting purposes, are classified as non-operating revenues. CNMI appropriations totaled $4,027,930 and $4,052,146 for FY-2023 and FY-2022. CNMI appropriations support the College campus operations, personnel expenses and fringe benefit and debt service. The College received almost the same amount of appropriations from CNMI government compared to the prior year.

Expense Overview

	2023	2022
Salaries	$ 9,407,717	$ 9,336,041
Services	8,498,320	6,153,583
Miscellaneous	4,470,711	2,408,436
Benefits	1,830,966	1,814,538
Insurance, utilities & rents	629,117	606,105
Depreciation & amortization	426,577	401,863
Supplies	177,055	314,601
Total expenses	$ 25,440,463	$ 21,035,167

FY-2023 Expenses



Highlights of the College Expenses

During the FY-2023 the College expenses increased $4,405,296 due to the following factors:

- Total salaries and compensation expenses to full-time and part-time personnel for FY-2023 slightly increased $71,676 compared to the prior year.
- Services expenses are expenses comprising of professional services contracts, security, janitorial, auxiliary enterprise expenses, and including student expenses, PELL scholarships, allowances and PELL refunds increased $2,344,737 compared to prior year.
- Miscellaneous expenses are expenses including administrative travel (related to recruitment, training, and development), licenses and tech fees, and office equipment (under $5,000) increased $2,062,275 compared to the prior year. This increase was mainly from federally funded administrative travel expenses as well as the campus wide replacement of old desktop to laptop in preparation for hybrid (cloud base) workplace.

- Benefits expenses are College expenses primarily to pay employers contributions in employees' Medicare, retirement, health and life insurances, and social security. The benefit expenses slightly increased $16,428 compared to the prior year.

- All other College expenses i.e., insurance policies, utilities and rent expense, depreciation and amortization expense, and supplies expense, decreased $89,820 compared to the prior year.

Long Term Debt

The College did not engage in long-term debt financing in the fiscal year 2023.

Subsequent Events and Other Operational Factors

- The College has been able to maintain a consistent and stable financial position throughout recent periods. This result has been accomplished despite challenging economic circumstances.
- The College maintains a diversified portfolio managed by professional investment managers and employs conservative spending and investing policies to minimize and strategize against investment fluctuations and/or losses. In FY-2023 the College endowment portfolio increase its realized and unrealized gain of $1,102,855.
- Earlier in FY-2020, despite the global health emergency of COVID-19 outbreak, the College is able to continue its operation due to the fund received from Governor's Education Stabilization Fund (GESF-1) and federal assistance to respond to COVID-19. These funds are used to keep the College in operation, design and/or develop online learning platforms, provide financial assistance to students and their families in order to recover from loss of employment due to the effect of pandemic, and to help students continue finishing their respective degrees, etc.
- During FY-2023, the College was a recipient of the U.S. Department of Education's Stabilization Fund II (ESF-2) Governor's fund awarded from the Office of the Governor. The College was able to keep its daily operations, able to meet personnel expenses and continue to provide students with uninterrupted services, programs, sessions and/or classes.

The Future College's Facility

Amidst all the challenges the College has faced for the last few years, is the unprecedented growth for the institution in terms of infrastructure. The institution is currently building a new, state-of-the-art facility that is highly resilient to typhoons and other natural disasters. The new facilities master plan is part of the College's strategic master plan, in taking care of the College's valuable resources. The new facilities are federally funded by U.S. DHHS – FEMA, the Economic Development Administration, the U.S. Department of Education, and other federal and local agencies.

Management Outlook

The College's management continues to have a cautiously optimistic financial outlook. The College continues to rely on:

- **Tuition revenues** as one of the larger and significant sources of revenues. Management will continue to diligently focus on further increases in retention rates as well as continuous monitoring and forecasting of applications and enrollments;
- **CNMI budget appropriations**. The College's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing local government support; and,
- **Federal Revenue** continues to play a major role in the College's financial management plan as funding from the various grants are needed to help keep the College operating in efforts to meet the College's mission and help students and community through their educational and/or personal goals.

Greater reliance on tuition and fees, CNMI appropriations, federal grants, the growing significance of other revenue streams, as well as the increased importance of efficiency measures is the new norm in the College, which is the sole government component of higher education in the CNMI. The College has a history of lean operations and significant investments in efficiency measures. These efforts must continue and remain a priority in order to sustain the current and expected future financial stability. Management continues to monitor these changing operational factors, assess potential impacts, and proactively plan and act.

Contacting the College's Financial Management

This financial report is designed to provide a general overview of the College's finances and to demonstrate the College's accountability for the funds it receives. The Management's Discussion and Analysis for the year ended September 30, 2023 is set forth in the report on the audit of the College's financial statements which is dated June 28, 2024. The Management's Discussion and Analysis explains the major factors impacting the 2023 financial statements. If you have questions about the 2023 or 2022 reports, or need additional information, please contact David Attao, Chief Financial Officer at the Northern Marianas College, P.O. Box 501250, Saipan, MP 96950, or email david.attao@marianas.edu.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Net Position
September 30, 2023 and 2022

	2023	2022
Assets:		
Current assets:		
Cash and cash equivalents	$ 26,119,892	19,498,178
Time certificate of deposit	-	702,561
Accounts receivable and unbilled charges, net	1,966,632	1,976,361
Due from grantor agencies	8,582,230	1,750,182
Due from CNMI	2,233,824	5,950,597
Inventories	317,820	359,169
Prepayments	195,819	664,750
Total current assets	39,416,217	30,901,798
Noncurrent assets:		
Investments	10,583,641	8,780,785
Capital assets, net	9,979,781	5,308,520
Total noncurrent assets	20,563,422	14,089,305
Total assets	59,979,639	44,991,103
Liabilities:		
Current liabilities:		
Accounts payable	3,017,936	1,005,722
Accrued salaries and benefits payable	1,741,678	1,347,196
Current portion of compensated absences	526,216	568,825
Unearned revenues	774,711	666,874
Lease liability	4,840	-
Total current liabilities	6,065,381	3,588,617
Noncurrent liabilities:		
Compensated absences, net of current portion	170,282	126,389
Total liabilities	6,235,663	3,715,006
Deferred inflows of resources:		
Grant receipts	1,130,653	1,678,215
Net position:		
Investment in capital assets, net	9,979,781	5,308,520
Restricted net assets:		
Nonexpendable	3,200,000	3,200,000
Expendable	7,383,641	5,580,785
Unrestricted	32,049,901	25,508,577
Net position	52,613,323	39,597,882
Total liabilities, deferred inflows of resources, and net position	$ 59,979,639	44,991,103

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended September 30, 2023 and 2022

	2023	2022
Operating revenues:		
U.S. Federal grants	$ 26,619,211	20,661,135
Tuition and fees (net of scholarship discounts and allowances of $2,431,157 in 2023 and $2,061,096 in 2022)	4,954,800	2,190,989
Private gifts, grants and donations - restricted	20,170	20,318
Others (net of bookstore cost of sales of $195,702 in 2023 and $272,282 in 2022)	1,730,938	1,085,350
Net operating revenues	33,325,119	23,957,792
Operating expenses:		
Salaries	9,407,717	9,336,041
Services	8,498,320	6,153,583
Miscellaneous	4,470,711	2,408,436
Benefits	1,830,966	1,814,538
Insurance, utilities and rents	629,117	606,105
Depreciation and amortization	426,577	401,863
Supplies	177,055	314,601
Total operating expenses	25,440,463	21,035,167
Operating income	7,884,656	2,922,625
Nonoperating revenues (expenses):		
CNMI appropriations	4,027,930	4,052,146
Realized and unrealized gain on loss	1,102,855	(2,066,394)
Total nonoperating revenues	5,130,785	1,985,752
Change in net position	13,015,441	4,908,377
Net position, beginning of the year	39,597,882	34,689,505
Net position, end of the year	$ 52,613,323	39,597,882

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Tuition and fees collected	$ 5,052,908	1,141,979
U.S Federal grants	19,787,163	20,526,445
Other receipts	1,751,108	1,105,668
Payments to employees	(11,238,683)	(11,042,239)
Payments to suppliers	(7,663,434)	(10,203,643)
Net cash provided by operating activities	7,689,062	1,528,210
Cash flows from investing activities:		
Increase (decrease) in time certificate of deposit	2,560	(441)
Proceeds from sales and redemptions of investments	4,268,429	4,140,965
Purchases of investments	(4,347,197)	(4,140,965)
Interest, dividends, and gains on investments	78,768	-
Net cash provided by (used in) investing activities	2,560	(441)
Cash flows from noncapital financing activities:		
CNMI appropriations collected	4,027,930	508,000
Net cash provided by noncapital financing activities	4,027,930	508,000
Cash flows capital and related financing activities:		
Purchases of capital assets	(5,097,838)	(1,227,857)
Net cash used for capital and related financing activities	(5,097,838)	(1,227,857)
Net change in cash and cash equivalents	6,621,714	807,912
Cash and cash equivalents, beginning of year	19,498,178	18,690,266
Cash and cash equivalents, end of year	$ 26,119,892	19,498,178

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	2023	2022
Reconciliation of operating income to net cash provided by (used for) operating actvities:		
Operating income	$ 7,884,656	2,922,625
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation and amortization	426,577	401,863
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	9,729	(1,048,201)
Due from grantor agencies	(6,832,048)	(353,257)
Inventories	41,349	(10,844)
Prepayments	468,931	(664,750)
Accounts payable	2,012,214	(45,324)
Accrued salaries and benefits payable	394,482	100,062
Compensated absences	1,284	8,278
Unearned revenues	107,837	(809)
Lease liability	4,840	-
Due from CNMI	3,716,773	(1,280,402)
Deferred inflows of resources	(547,562)	1,498,969
Net cash provided by operating activities	$ 7,689,062	1,528,210

See accompanying notes to financial statements.

(1) Organization

The Northern Marianas College (the College), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was formally established as a nonprofit public corporation by CNMI Public Law 3-43 on January 19, 1983 to serve as the state agency for higher education and adult education programs. Autonomy was later granted by CNMI Public Law 4-34 (Post-Secondary Education Act of 1984) effective October 1, 1985.

The College is governed by a seven-member Board of Regents appointed by the Governor of the CNMI with the advice and consent of the Senate. Executive powers are vested in the College President who is appointed by the Board. The College was granted initial accreditation by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges (WASC), at its meeting on June 11, 1985. The College undergoes periodic re-evaluations and approval of its accreditation. In October 2021 the College was granted accreditation for a period of 8 years through September 2029 by the WASC Senior College and University Commission.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Operating revenues are those revenues that are generated from the primary operations of the College. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the College. All other expenses are reported as non-operating expenses.

Basis of Accounting

For financial statement purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations.

Revenues are recognized if probable of collection, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

For the purpose of the statements of net position and cash flows, cash and cash equivalents are defined as cash on hand and cash held in demand accounts as well as short-term investments with a maturity date within ninety days of the date acquired. Time certificates of deposit with maturities of greater than three months are separately classified.

At September 30, 2023 and 2022, the carrying amount of the College's cash and cash equivalents and time certificates of deposit were $26,119,892 and $20,200,739, respectively, and the corresponding bank balances were $27,981,113 and $20,929,234, respectively. Of the bank balance amounts, $27,981,113 and $20,929,234, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2023, bank deposits in the amount of $750,000 were FDIC insured. The College does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government and the CNMI government, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated allowances for uncollectible amounts.

The allowance for doubtful accounts is stated at an amount that management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a charge to bad debt expense.

Inventories

Bookstore inventories are valued at retail less gross profit percentages sufficient to reduce inventories to the lower of first-in, first-out (FIFO) cost or net realizable value. All other inventories are valued at the lower of FIFO cost or net realizable value.

Capital Assets

Buildings and improvements, furniture and equipment, vehicles and computers are recorded at cost in instances where cost is determinable or estimated cost where cost is not determinable. Land, which was donated, is recorded at fair market value at September 30, 2023 and 2022. The College capitalizes property and equipment that equals or exceeds $5,000. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets.

(2) Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

The College has elected to present as capital assets those items acquired subsequent to 1994, except for land and buildings and improvements. Accordingly, capital asset records consist of additions commencing in fiscal year 1994 since any earlier acquired fixed assets have been fully depreciated or disposed.

Investments

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by the issuer and amounts of investments in any one issuer that represents five percent (5%) or more of total investments for the College. As of September 30, 2023 and 2022, there were no investments in any one issuer that exceeded five percent (5%) of total investments.

Custodial credit risk is the risk that in the event of failure of the counterparty, the College will not be able to recover the value of its investments or collateral security that are in the possession of outside parties. Investment securities are exposed to custodial risk if the security is uninsured, is not registered in the name of the College and is held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the name of the College.

The following investment policy governs the investment of assets of the College:

General:

- Any pertinent restrictions existing under the laws of the CNMI with respect to the College, that may exist now or in the future, will be the governing restriction.
- U.S. and non-U.S. equities, ADRs (American Depository Receipts), convertible bonds, preferred stocks, fixed-income securities, mutual funds and short-term securities are permissible investments.
- No individual security of any issuer, other than that of the United States Government, shall constitute more than 5% (at cost) of the Total Fund or 10% (at cost) of any Investment Manager's portfolio.
- No investment may be made in the securities of a single corporate entity in excess of 15% (at market) of any individual Investment Manager's portfolio, without prior approval.
- Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

- Investments in a registered mutual fund managed by the Investment Manager are subject to prior approval.
- The following securities and transactions are not authorized without prior written approval; letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and margin transactions.
- An Investment Manager's portfolio shall not be excessively over weighted in any one industry (as compared to respective benchmark index) without prior approval by timely reporting and advice to the Board of Regents and Directors.

U.S. Fixed Income:

- All fixed income securities held in the portfolio shall have a Standard & Poor's credit quality rating of no less than "BBB", or an equivalent credit quality rating from Moody's (Baa) or Fitch (BBB). U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.
- No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the Investment Manager has specific prior written authorization from the Board of Regents and Directors.
- Total portfolio quality (capitalization weighted) shall maintain a credit quality rating of no less than "A".

Equities:

- Consistent with the desire to maintain broad diversification, allocations to any economic or industry sector should not be excessive.
- Equity holdings shall be restricted to readily marketable securities of corporations that are actively traded on the major exchanges and over the counter.
- The Investment Managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, as per the Investment Policy Statement, they will be evaluated against their peers on the performance of the total funds under their direct management.
- Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible investments.

Cash and Cash Equivalents:

- Cash equivalent reserves shall consist of cash instruments having a quality rating of Standard & Poor's A-1, Moody's P-1, or their equivalent. U.S. Treasury and Agency securities, Bankers Acceptances, Certificates of Deposit, and Collateralized Repurchase Agreements are also acceptable investment vehicles. Custodial Sweep Accounts must be, in the judgment of the Investment Managers, of credit quality equal or superior to the standards described above.

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

Cash and Cash Equivalents, Continued:

- In the case of Certificates of Deposit, they must be issued by FDIC insured institutions. Deposits in institutions with less than $10,000,000 in assets may not be made in excess of $100,000 (or prevailing FDIC insurance limit), unless the Deposit is fully collateralized by U.S. Treasury Securities.
- No single issue shall have a maturity of greater than two (2) years.
- Custodial Sweep Account portfolios must have an average maturity of less than one (1) year.

GASB Statement No. 40 requires entities to provide information about the credit risk associated with their investments by disclosing the credit quality ratings.

Endowment Fund

The College administers an endowment fund through the NMC Foundation Board of Directors, a separate legal entity. The investments are held in the name of the College; however, they are administered by a separate legal entity. The fund was established through an initial contribution of $3,000,000, with additional contributions of $100,000 from the NMC Foundation during the year ended September 30, 2010 and $100,000 from a private donation during the year ended September 30, 2008. Principal of this fund is nonexpendable while investment income is available for operations subject to approval by the Foundation Board. Investment income is accounted for as expendable restricted revenues of the College. Fundraising activity of the Foundation Board is accounted for as unrestricted revenue of the College. All activities of the Foundation Board are accounted for within the College’s financial statements.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences

The College recognizes the cost for accrued annual leave at the time such leave is earned. As of September 30, 2023 and 2022, the College recorded accrued annual leave in the amount of $696,498 and $695,214, respectively, which is included within the statements of net position as compensated absences.

Net Position

The College’s net position is classified as follows:

Investment in Capital Assets - This represents the College’s total investment in capital assets.

Restricted Expendable - Restricted expendable includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties and the Board of Regents.

<u>(2) Summary of Significant Accounting Policies, Continued</u>

Net Position, Continued

Restricted - Nonexpendable - Nonexpendable restricted consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted - Unrestricted represents resources derived from student tuition and fees, CNMI appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The College does not have any deferred outflows of resources as of September 30, 2023 and 2022.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2023, the College only has one type of deferred inflows of resources arising from grants received with restrictions.

Classification of Revenues

The College has classified its revenues as either operating or non-operating according to the following criteria:

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees; (2) sales and services of auxiliary enterprises; and (3) most federal, state and local grants.

(2) Summary of Significant Accounting Policies, Continued

Classification of Revenues, Continued

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions and CNMI appropriations, and other revenue sources such as investment income that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Scholarship Discounts and Allowances - Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Retirement Plan

The College contributed to the Northern Mariana Islands Retirement Fund's (the Fund) defined benefit plan (DB Plan), a cost sharing, multiple-employer plan established and administered by the Fund. On September 30, 2013, the DB Plan was transferred to Northern Mariana Islands Settlement Fund (NMISF) and the College now contributes to NMISF.

GASB Statement No. 45, which has been superseded by GASB Statement No. 75, required employers to record other postemployment benefits (OPEB) expenses for their contractually required contributions to the OPEB plan. Except as described in the paragraphs below, the College has complied with GASB Statement No. 45 by recording OPEB expenses based on the statutorily determined contribution rate of the Fund. It is the understanding of the management of the College that the statutorily determined contribution rate of the Fund incorporates both the pension liability and OPEB liability. GASB Statement No. 45 also requires detailed disclosure of information related to the OPEB plan and the management of the College was unable to obtain this information from the Fund financial report. The management of the College is unable to obtain the required disclosures and is of the opinion that such information must be obtained from the Fund. It is the position of the management of the College that the Fund is solely responsible for disclosure of OPEB information.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

Defined Benefit Plan (DB Plan)

The DB Plan provides retirement, disability, security and other benefits to employees of the CNMI Government and CNMI agencies, instrumentalities and public corporations and their spouses and dependents. Benefits are based on the average annual salary of the beneficiary over the term of credited service. Public Law No. 6-17, the Northern Mariana Islands Retirement Fund (NMIRF) Act of 1988, is the authority under which benefit provisions are established. Public Law No. 6-17 was subsequently amended by Public Law Nos. 6-41, 8-24, 8-30, 8-31, 8-39, 9-25, 9-45, 10-8, 10-19, 11-9, 11-95, 13-60, 15-14, 15- 70, 15-126, 16-2,16-36, 17-82 and 18-02.

DB Plan members are required to contribute 10.5% for Class I members and 11% for Class II members. The actuarially determined contribution rate for the fiscal year ended September 30, 2010 is 72.7215% of covered payroll based on an actuarial valuation as of October 1, 2010 issued in October 2012. The established statutory rate at September 30, 2013 is 72.7215% of covered payroll.

The College's contribution to the Fund is at 20% of covered payroll. This is based on the Court Order requiring the CNMI and Autonomous Agencies to remit contributions to the Fund.

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. The College is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. The DC Plan by its nature is fully funded on a current basis from employer and member contributions. Members of the DC Plan who have completed five years of government service have a vested balance of 100% of both member and employer contributions plus any earnings thereon. With the passage of Public Law 17-82 on September 11, 2012, membership in the DC Plan became voluntary.

The College's total contributions to the Settlement and Retirement Fund for the years ended September 30, 2023, 2022, and 2021 were $245,725, $286,680, and $194,481, respectively.

On June 24, 2008, the Office of the CNMI Governor confirmed that the CNMI central government will be responsible for the College's deficient retirement contribution beginning October 1, 2005. The College's deficient retirement contributions to the Retirement Fund, including penalties and interest, amounted to $9,116,781 as of September 30, 2013. Such deficient retirement contributions and related penalties and interest are not reflected in the accompanying financial statements.

(2) Summary of Significant Accounting Policies, Continued

Estimates

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

New Accounting Standards

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

GASB Statement No. 91 was effective for the fiscal year ending September 30, 2023. Management does not believe that implementation of this statement had a material effect on the financial statements.

In January 2020, GASB issued Statement No. 92. *Omnibus 2020.* The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other than postemployment benefit (OPEB) plan; applicability of Statement No. 73 and 84 to postemployment benefits, measurements of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers of excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 was effective for the fiscal year ending September 30, 2022. Management does not believe that implementation of this statements had a material effect on the financial statements.

In April 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (IBOR). The primary objective of the Statement is to address those and other accounting and financial reporting implications of the replacement of IBOR. GASB Statement No. 93 was effective for the fiscal year ending September 30, 2022. Management does not believe that implementation of this statements had a material effect on the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-private and Public-public Partnership Arrangements* (PPPs). The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). GASB Statement No. 94 will be effective for the fiscal year beginning after September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements* (SBITAs). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 is effective for fiscal years beginning after June 15, 2022. Management does not believe that implementation of this statement had a material effect on the financial statements.

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

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

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management does not believe that the adoption of GASB Statement No. 100 had a material effect on the financial statements.

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

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

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

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

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

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

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

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

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

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

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management is evaluating whether the implementation of this statement will have a material effect on the financial statements.

(3) Accounts Receivable and Unbilled Charges

Summarized below are the College's accounts receivable and unbilled charges as of September 30, 2023 and 2022:

	2023	2022
Student Tuition and Fees	$ 3,014,592	3,114,160
Auxiliary Enterprises	55,653	95,597
Other Activities	848,093	711,279
Total	3,918,338	3,921,036
Allowance for doubtful accounts	(1,951,706)	(1,944,675)
Net receivable and unbilled charges	$ 1,966,632	1,976,361

(4) Investments

GASB Statement No. 72 requires all investments to be categorized under a fair value hierarchy. The College determines the fair value of its investments based upon both observable and unobservable inputs. The College categorizes its fair value measurements within the fair value hierarchy established by GAAP. Levels within the hierarchy are as follows:

- Level 1- quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – inputs (other than quoted prices included within level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.
- Level 3 – unobservable inputs for an asset or liability, which generally results in a government using the best information available and may include the government's own data.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (NAV). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

(4) Investments, Continued

The following table presents a summary of the College's investments by type as of September 30, 2023 and 2022, at fair value:

	2023			
	Fair Value as of 09/30/2023	Quoted Prices Active Markets Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Equity Securities				
Domestic equity	$ 3,470,003	3,470,003	-	-
International equity	1,952,817	1,952,817	-	-
Total equity securities	5,422,820	5,422,820	-	-
Deb Securities				
Real Estate and Tangibles	532,525	-	-	532,525
Cash and cash equivalents	712,461	-	-	712,461
Alternative Investments	440,526	-	-	440,526
Asset-Backed, Mortgage-Backed, Collateralized Mortgage Obligation	1,016,779	-	1,016,779	-
Certificates of Deposit	434,099	-	434,099	-
US Treasury	1,160,097	-	1,160,097	-
Corporate Bonds	864,334	-	864,334	-
Total Investments by Fair Value Level	$ 10,583,641	5,422,820	3,475,309	1,685,512

	2022			
	Fair Value as of 09/30/2022	Quoted Prices Active Markets Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Equity Securities				
Domestic equity	$ 3,085,051	3,085,051	-	-
International equity	1,676,348	1,676,348	-	-
Total equity securities	4,761,399	4,761,399	-	-
Deb Securities				
Real Estate and Tangibles	515,815	-	-	515,815
Cash and cash equivalents	640,320	-	-	640,320
Asset-Backed, Mortgage-Backed, Collateralized Mortgage Obligation	158,228	-	158,228	-
US Treasury	1,851,254	-	1,851,254	-
Corporate Bonds	853,769	-	853,769	-
Total Investments by Fair Value Level	$ 8,780,785	4,761,399	2,863,251	1,156,135

(4) Investments, Continued

At September 30, 2023 and 2022, the College's fixed income securities had the following maturities:

	2023					
		Investment Maturities (In Years)				
Investment type	Fair Value	Less than 1	1-5	6-10	More than 10	Rating
Government and GSE bonds	$ 1,160,097	-	188,566	591,980	379,551	AAA
Corporate bond	12,787	-	-	-	12,787	AAA
Corporate bond	46,437	-	16,691	29,745	-	A+
Corporate bond	212,748	-	-	199,733	13,015	A-
Corporate bond	203,690	-	52,091	135,966	15,633	BBB+
Corporate bond	99,989	-	34,338	65,651	-	BBB
Corporate bond	1,739,562	722,783	-	-	1,016,779	No rating
	$ 3,475,310	722,783	291,686	1,023,075	1,437,765	
Percentage of Portfolio	100%	21%	8%	30%	41%	

	2022					
		Investment Maturities (In Years)				
Investment type	Fair Value	Less than 1	1-5	6-10	More than 10	Rating
Government and GSE bonds	$ 1,851,254	-	599,496	771,074	480,684	AAA
Corporate bond	13,720	-	-	-	13,720	AAA
Corporate bond	29,200	-	-	29,200	-	A+
Corporate bond	331,675	-	17,063	301,006	13,606	A-
Corporate bond	278,853	-	70,125	193,029	15,699	BBB+
Corporate bond	131,436	-	34,442	96,994	-	BBB
Corporate bond	227,113	-	68,884	-	158,229	No rating
	$ 2,863,251	-	790,010	1,391,303	681,938	
Percentage of Portfolio	100%	0%	28%	49%	23%	

(5) Capital Assets, Net

Summarized below is the College's investment in capital assets and changes for the years ended September 30, 2023 and 2022:

	Estimated Useful Lives	Balance September 30, 2022	Additions	Deletions/Other	Balance September 20, 2023
Depreciable:					
Buildings and improvements	5-30 years	$ 8,284,488	2,666,614	-	10,951,102
Furniture and equipment	2-5 years	1,458,534	1,415,329	196,533	3,070,396
Vehicles	5 years	1,147,027	18,995	-	1,166,022
Computers and software	3-5 years	768,552	-	-	768,552
		11,658,601	4,100,938	196,533	15,956,072
Less accumulated depreciation		(7,463,457)	(426,577)	(196,533)	(8,086,567)
		4,195,144	3,674,361	-	7,869,505
Intangible Asset:					
Intangible Asset	5 years	-	1,008,900	-	1,008,900
Less accumulated depreciation		-	(12,000)	-	(12,000)
		-	996,900	-	996,900
Nondepreciable:					
Land		1,113,376	-	-	1,113,376
Total capital assets, net		$ 5,308,520	4,671,261	-	9,979,781

	Estimated Useful Lives	Balance September 30, 2021	Additions	Deletions/Other	Balance September 20, 2022
Depreciable:					
Buildings and improvements	5-30 years	$ 7,189,977	1,094,511	-	8,284,488
Furniture and equipment	2-5 years	1,464,493	5,400	(11,359)	1,458,534
Vehicles	5 years	1,025,843	121,184	-	1,147,027
Computers and software	3-5 years	768,552	-	-	768,552
		10,448,865	1,221,095	(11,359)	11,658,601
Less accumulated depreciation		(7,079,716)	(401,863)	18,122	(7,463,457)
		3,369,149	819,232	6,763	4,195,144
Nondepreciable:					
Land		1,113,376	-	-	1,113,376
Total capital assets, net		$ 4,482,525	819,232	6,763	5,308,520

(6) Long-Term Obligation

Changes in long-term obligations for the years ended September 30, 2023 and 2022, are as follows:

	2023	2022
Compensated Absences		
Balance, beginning	$ 695,214	686,935
Additions	511,148	322,823
Reductions	(509,864)	(314,544)
Balance, end	696,498	695,214
Due within one year	(526,216)	(568,825)
Non-current	$ 170,282	126,389

(7) Related Party Transactions

To ensure that the College carries out its mission and meets the educational and vocational needs of the community, the College receives annual appropriations from the CNMI Government. During the years ended September 30, 2023 and 2022, the College recognized $4,027,930 and $4,052,146, respectively, in appropriations from the CNMI Government.

As of September 30, 2023 and 2022, the amounts due from CNMI Government for appropriations amounted to $2,233,824 and $5,950,597, respectively. These amounts include $177,561 for retirement contributions paid for retired employees.

As of September 30, 2023 and 2022, 1% of the total amounts appropriated by CNMI law to the College operations and activities, amounting to $43,204 and $80,950, respectively, are withheld for the Office of the Public Auditor (OPA) of the CNMI.

At September 30, 2023 and 2022, amounts payable for utility expense to the Commonwealth Utilities Corporation (CUC), a component unit of the CNMI Government, amounted to $29,481 and $31,165, respectively, and are included in accounts payable in the accompanying statements of net position. During the years ended September 30, 2023 and 2022, total utilities purchased from CUC amounted to $324,591 and $325,337, respectively.

In the ordinary course of business, the College has and expects to continue to have transactions with its employees and officials. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time for comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the College.

(8) Natural Classifications with Functional Classification

In order to be consistent with the CNMI Government's reporting method, operating expenses are displayed in their natural classifications for fiscal years 2023 and 2022. The following table shows natural classifications with functional classifications:

	2023							
	Salaries	Services	Benefits	Insurance, utilities, and rent	Depreciation and amortization	Supplies	Miscellaneous	Total
Institutional	$ 2,253,999	1,872,979	1,182,386	-		31,691	2,537,882	7,878,937
Student service	1,479,948	2,429,762	78,232	-	-	24,409	64,241	4,076,592
Public service	1,691,786	678,350	301,074	-	-	76,816	1,082,280	3,830,306
Instructional	3,313,188	42,245	148,070	-	-	14,571	60,609	3,578,683
Scholarships	-	3,250,156	-	-	-	-	-	3,250,156
Operating and maintenance	228,994	214,508	20,409	629,117	426,577	27,519	711,759	2,258,883
Academic	390,992	8,645	96,910	-	-	1,777	13,762	512,086
Auxiliary	48,810	1,675	3,885	-	-	272	178	54,820
	$ 9,407,717	8,498,320	1,830,966	629,117	426,577	177,055	4,470,711	25,440,463

	2022							
	Salaries	Services	Benefits	Insurance, utilities, and rent	Depreciation and amortization	Supplies	Miscellaneous	Total
Institutional	$ 2,389,622	3,101,639	464,443	-	-	107,618	1,215,199	7,278,521
Instructional	3,397,767	73,262	660,384	-	-	47,401	192,732	4,371,546
Public service	1,572,444	282,526	305,620	-	-	108,569	800,138	3,069,297
Scholarships	-	2,061,096	-	-	-	-	-	2,061,096
Operating and maintenance	219,304	533,457	42,624	606,105	401,863	30,735	36,057	1,870,145
Student service	1,301,540	75,094	252,965	-	-	16,461	145,502	1,791,562
Academic	386,878	19,364	75,192	-	-	2,351	17,458	501,243
Auxiliary	68,486	7,145	13,310	-	-	1,466	1,350	91,757
	$ 9,336,041	6,153,583	1,814,538	606,105	401,863	314,601	2,408,436	21,035,167

(9) Commitments

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Outstanding purchase orders and purchase commitments are not reported in the financial statements for the years ended September 30, 2023 and 2022.

(10) Leases

NMC, as a lessee, has a lease to purchase agreement with Xerox for two copier machines. The lease commenced on May 17, 2019 and expires in sixty (60) months with monthly payments of $547.

As of September 30, 2023, the measurement of lease asset, net of $27,978 accumulated amortization, totals $4,840. The future lease payment is $4,840 and was fully paid in June 2024.

(11) Contingencies

Financial and Compliance Audits

The College participates in a number of U.S. Department of Education assisted grant programs and various other federally assisted grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Substantially all grants are subject to either the Uniform Guidance or to financial and compliance audits by the grantor agencies of the Federal Government or their designees.

Lawsuits and Claims

On September 30, 2013, the U.S. District Court approved the Final Settlement Agreement for Case No. 09-000023, to which the College is a party. Beginning in fiscal year 2014, the College and employees who are members of the Retirement Fund, who did not opt out of the Settlement, contribute to the Settlement Fund. The College contributes at 20% of covered payroll. The Settlement Fund asserts that the College should contribute at 30% of covered payroll.

On March 10, 2016, the U.S. District Court for the Northern Mariana Islands issued an order on the Settlement Fund's motion, and found that the College has not been underpaying into the Settlement Fund, and has been meeting its obligations under the Settlement Agreement. The College will have no further liability beyond what it normally pays to the Settlement Fund.

Sick Leave

It is the policy of the College to record expenditures for sick leave when the leave is actually taken. Employees are credited with sick leave at the rate of 4 hours per pay period. Unused sick leave hours may be accumulated without limit but cannot be converted to cash upon termination of employment and are convertible to service upon retirement of employees covered by the defined benefit plan. Sick leave is compensated time for absence during working hours arising from employee illness or injury. The estimated accumulated sick leave at September 30, 2023 and 2022 is $2,326,602 and $2,132,140, respectively. These amounts are not accrued in the accompanying financial statements.

Insurance

The College does not maintain comprehensive general liability insurance coverage for its facilities. Also, the College does not have insurance for its building and improvements, equipment, and furniture and fixtures. In the event of a loss, the college is self-insured to a material extent.

(12) Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed with respect to workers' compensation, general liability, and the use of motor vehicles. Settled claims have not exceeded this commercial coverage in any of the past three years.

For other risks of loss to which it is exposed, the College has elected not to purchase commercial insurance. Instead, the College's management believes it is more economical to manage its risks internally. The College will report all of its risk management activities, if and when such occurs. Claims expenditures and liabilities will be reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Losses, if reported, would include an estimate of claims that have been incurred but not reported.

(13) 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 (WHO) 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 had 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 College. While this matter is expected to negatively impact the College's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

(14) Date of Management's Review

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through June 28, 2024, which is the date the financial statements were available to be issued.

NORTHERN MARIANAS COLLEGE
(A COMPONENT UNIT OF THE CNMI GOVERNMENT)

INDEPENDENT AUDITOR’S REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2023

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*

Board of Regents
Northern Marianas College:

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 College (the College) as of and for the year ended September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Saipan Office
1930 Picarro Lane I Liyang Village
P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837
Fax Nos. (670) 235-6905 (670) 233-8214

Guam Office
333 South Marine Corps Drive
Tamuning, Guam 96913
Tel Nos. (671) 646-5044 (671) 472-2680
Fax Nos. (671) 646-5045 (671) 472-2686

Palau Office
PO Box 1266
Koror, PW 96940
Tel Nos. (680) 488-8615
Fax Nos. (680) 488-8616

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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 purpose.

Burger Comer & Associates

Saipan, Commonwealth of the Northern Mariana Islands
June 28, 2024

BURGER · COMER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents
Northern Marianas College:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Northern Marianas College's (the College's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2023. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Saipan Office
1930 Picarro Lane I Liyang Village
P.O. Box 504053, Saipan, MP 96950
Tel Nos. (670) 235-8722 (670) 233-1837
Fax Nos. (670) 235-6905 (670) 233-8214

Guam Office
333 South Marine Corps Drive
Tamuning, Guam 96913
Tel Nos. (671) 646-5044 (671) 472-2680
Fax Nos. (671) 646-5045 (671) 472-2686

Palau Office
PO Box 1266
Koror, PW 96940
Tel Nos. (680) 488-8615
Fax Nos. (680) 488-8616

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Burger Comer & Associates

Saipan, Commonwealth of the Northern Mariana Islands
June 28, 2024

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Agency (Pass-Through Agency)	Federal Program	Listing Number	Other Award Number	Expenditures From Pass-Through Awards	Expenditures From Direct Awards	Expenditures Total	Passed-Through to Subrecepient
U.S. Department of Education and Student Financial Assistance Cluster	Student Financial Assistance Programs:						
	Federal Supplemental Educational Opportunity Grants	84.007		$ -	86,000	86,000	-
	Federal TEACH Grant	84.379		-	70,724	70,724	-
	Federal Work-Study Program	84.033		-	72,830	72,830	-
	Federal Pell Grant Program	84.063		-	5,401,016	5,401,016	-
	Adult Education Program	84.002A		-	330,773	330,773	-
	USDOE APISI Serving Institution Program	84.031L		-	280,415	280,415	-
	Proa Pathway Partnership	84.031L		-	334,104	334,104	-
	CARES Act Higher Education Emergency Relief Fund	84.425F		-	2,240,478	2,240,478	-
	Emergency Assistance to Higher Education Program	84.938T		-	1,843,151	1,843,151	-
(University of Hawaii)	Project BEAM	84.206	MA1380	7,341	-	7,341	
(CNMI Government)	Governor's Stabilization Fund	84.425H	S425H210001	10,401,488	-	10,401,488	-
	Total U.S. Department of Education and Student Financial Assistance Cluster			**10,408,829**	**10,659,491**	**21,068,320**	**-**
U.S. Department of Agriculture	Hatch Act	10.203		-	2,082,795	2,082,795	-
	Cooperative Extension Services - Smith Lever	10.511		-	1,239,409	1,239,409	-
	Expanded Food and Nutrition Education Program	10.514		-	65,150	65,150	
	Community Facilities	10.766		-	18,995	18,995	-
	Agritourism-Regenerative Workforce	10.237		-	20,324	20,324	
(University of Hawaii)	Children'sHealthy Living Program-Food System Resiliency	10.310	MA1404	19,928	-	19,928	
(University of Hawaii)	Children's Healthy Living Center of Excellence	10.310	MA1401	5,607	-	5,607	
(MSU)	Western SARE	10.215	G255-20-W7905	388	-	388	
(University of Hawaii)	Improving Forktail Rabbitfish Prod in the CNMI	10.200	MA1665	19,264	-	19,264	
(University of Idaho)	Food Safety -Hard to Reach Audiences	10.328	AL4021-874793	4,212	-	4,212	-
	Total U.S. Department of Agriculture			**49,399**	**3,426,673**	**3,476,072**	**-**
U. S. Department of the Interior							
(CNMI Government)	Economic, Social, and Political Development of the Territories	15.875	D23AF00036-00 / D23AF00099-00	349,122	-	349,122	-
	Aquaculture Technology-Mangrove Crab Farming	15.875		-	85,754	85,754	-
	Total US Department of the Interior			**349,122**	**85,754**	**434,876**	**-**

See accompanying notes to the schedule of expenditure of federal awards.

U.S. Department of Health and Human Services							
(University of Hawaii)	Investments for Public Works and Economic Development Facilities	93.107	KA1354	151,519	-	151,519	-
(Portland State University)	Enhance Cross Discip Infra & Training-Admin	93.310	100119	37,248	-	37,248	
(University of Hawaii)	University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632	MA1902	269,748	-	269,748	
(University of Hawaii)	Economic Adjustment Assistance	93.632	MA1843	3,405	-	3,405	-
	Total U.S. Department of Health and Human Services			**461,920**	**-**	**461,920**	**-**
U.S. Department of Homeland Security							
(CNMI Government)	US Apprenticeship Program	17.285	AP-35118-20-60-A-69	185,058	-	185,058	-
(CNMI Government)	Federal Emerency Mgmt Agency	97.036	D19AP000082	144,032	-	144,032	-
	Total U.S. Department of Homeland Security			**329,090**	**-**	**329,090**	**-**
National Science Foundation							
(University of Hawaii)	Alliance of Students with Disabilities for INTO in STEM	47.076	MA1727	9,586	-	9,586	-
(University of Hawaii)	Islands of Opportunity Alliance	47.076	HI1444	23,331	-	23,331	
(University of Hawaii)	Advance Marine and Env Science (NSF)	47.076	MA1591	10,685	-	10,685	
	Total National Science Foundation			**43,602**	**-**	**43,602**	**-**
U.S. Department of Labor							
(ETA)	State Apprenticeship Program	17.285	AP-35118-20-60-A-69	41,786	-	41,786	-
	Total U.S. Department of Labor			**41,786**	**-**	**41,786**	
U.S. Small Business Administration	Small Business Development Center	59.037		-	305,608	305,608	-
	Total U.S. Small Business Administration			**-**	**305,608**	**305,608**	**-**
U. S. Department of Commerce and Economic Development Cluster	Workforce Dev't and TrainingCenter Construction	11.307		-	267,760	267,760	-
	Center for Research, Extension and Dev't Facility-Construction	11.307		-	189,174	189,174	-
	Total U. S. Department of Commerce and Economic Development Cluster			**-**	**456,934**	**456,934**	**-**
Total Expenditures of Federal Awards				**$ 11,683,748**	**14,934,460**	**26,618,208**	**-**

See accompanying notes to the schedule of expenditure of federal awards.

(1) Scope of Audit

The Northern Marianas College (the College) was created as an autonomous public agency of the Commonwealth of the Northern Mariana Islands (CNMI) pursuant to Title 3, Division 1, Chapter 3, Article 1 of the Commonwealth Code. The College's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of the College is to provide secondary educational opportunities to the people of the CNMI. Only the financial statements of the College are included within the scope of the Uniform Guidance audit (the "Single Audit").

Programs Subject to Single Audit

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- U.S. Department of Agriculture
- U.S. Department of the Interior
- U.S. Department of Education
- U.S. Department of Health and Human Services
- U.S. Department of Homeland Security
- U.S. Department of Labor
- U.S. Department of Small Business Administration
- U.S. Department of Commerce
- National Science Foundation

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the College and is presented on the accrual basis of accounting, consistent with the manner in which the College maintains its accounting records. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. All program award amounts represent the total allotment or grant award received. All expenses and capital outlays are reported as expenditures.

Cost Allocation

The College is currently allocating administrative costs to program awards based upon criteria prescribed in those program awards.

(3) Indirect Cost Allocation

For fiscal year 2023, the College has an approved indirect cost rate of 21% for all grant programs, except for U.S. Department of Education programs, for which the rate is 8%.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ yes	X no
Noncompliance material to financial statements noted?	______ yes	X no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ yes	X no
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR § 200.516 (a)?	______ yes	X no

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

SECTION I – SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Federal Awards

Identification of major programs:

AL Number	Description	Federal Expenditures
	Student Financial Assistance Cluster:	
84.063	Federal Pell Grant Program	$ 5,401,016
84.379	Teacher Education Assistance for College and Higher Education (TEACH) Grant Program	70,724
84.007	Federal Supplemental Educational Opportunity Grants	86,000
84.033	Federal Work-Study Program	72,830
	Student Financial Assistance Cluster	5,630,570
	Economic Development Cluster:	
11.307	Workforce Development and Training Center Construction Project	267,760
11.307	Workforce Development and Training Center Construction Project	189,174
	Economic Development Cluster	456,934
84.425H	Governor's Stabilization Fund	10,401,488
	Total Major Program Expenditures	$ 16,488,992
Total Federal Expenditures		$ 20,618,208

Percentage of total federal awards tested: 80%

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee ___X___ yes _____ no

SECTION II – FINANCIAL STATEMENTS FINDINGS

There were no financial audit findings for the fiscal year ended September 30, 2023.

SECTION III – FEDERAL AWARDS FINDINGS

There were no federal awards audit findings for the fiscal year ended September 30, 2023.

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)

Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2023

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

A. FINANCIAL STATEMENT FINDINGS

Prior Year Reference	Findings	Status
2022-001	Human Resource (personnel action)	Resolved
2022-002	Human Resource (contracts)	Resolved

B. FEDERAL AWARD FINDINGS

Reference No.	Findings	Status
2022-003	Human Resource (contracts)	Resolved