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

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

Years Ended September 30, 2025 and 2024

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

Years Ended September 30, 2025 and 2024

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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 (NMC), a component unit of the CNMI Government, as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise NMC'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 NMC as of September 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 NMC, 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 NMC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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.

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In performing an audit in accordance with generally accepted 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 NMC'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 NMC's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NMC'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 are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 22, 2026, on our consideration of NMC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NMC'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 NMC's internal control over financial reporting and compliance.

Burger Comer & Associates

Saipan, Commonwealth of the Northern Mariana Islands
June 22, 2026

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, 2025 and 2024, 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 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, 2025 and 2024. 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 position, which is further divided into two additional classifications:
    1. Nonexpendable – the corpus of the nonexpendable restricted net position 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 nonoperating.

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's net position of $94,007,706 is composed of $103,139,715 in total assets, less $9,132,009 in total liabilities and deferred inflows of resources. This reflects a net position increase of $28,637,761 for FY-2025. Additionally, net operating revenues rose by $19,232,991 compared to FY-2024.

Statement of Net Position

The statement of net position presents the financial position of the College at the end of its fiscal year. Northern Marianas College's net position was $94,007,706 and $65,369,945 at September 30, 2025 and 2024, respectively, representing an increase of $28,637,761 in FY-2025. During this period, the College's total assets increased by $31,240,240, while total liabilities and deferred inflows of resources increased by $2,602,479. The following table reflects the financial position as of September 30, 2025 and 2024:

Condensed Statements of Net Position

	2025	2024
Current assets	$45,455,010	39,359,472
Capital assets, net	41,931,275	17,739,038
Other noncurrent assets	15,753,430	14,800,965
Total assets	103,139,715	71,899,475
Current liabilities	7,977,432	4,930,918
Noncurrent liabilities	108,257	177,953
Deferred inflows of resources	1,046,320	1,420,659
Total liabilities and deferred inflows	9,132,009	6,529,530
Net investment in capital assets	41,931,275	17,739,038
Restricted - nonexpendable	3,200,000	3,200,000
Restricted - expendable	12,553,430	11,600,965
Unrestricted	36,323,001	32,829,942
Total net position	$94,007,706	65,369,945

Current Assets
Current assets at September 30, 2025 increased $6,095,538 compared to the previous year. Generally, current assets are those available to satisfy current liabilities (those due within one year). As of September 30, 2025, current assets primarily consist of $34,282,535 in cash and cash equivalents; $552,513 in accounts receivable and unbilled charges; $8,141,780 due from grantor agencies; $1,832,656 due from CNMI government; $269,860 in auxiliary enterprise inventories; and $375,666 in prepayments. The increase in current assets during FY-2025 is primarily attributed to higher cash balances and increased receivables from federal grantor agencies, specifically the Federal Emergency Management Agency (FEMA) and National Telecommunications and Information Administration (NTIA).

Current Liabilities
Current liabilities increased $3,046,514 compared to the prior year, primarily driven by ongoing construction projects across the College. As of September 30, 2025, current liabilities consist principally of $4,708,839 in accounts payable; $1,904,476 in accrued salaries and benefits payable; $653,168 for the current portion of compensated absences; $642,684 in unearned revenues; and $68,265 representing the current portion of lease liability.

Capital Assets, net.
The College's capital assets primarily consist of land, buildings and improvements, furniture, equipment, computers, and vehicles. As of September 30, 2025, and 2024, the College held $41,931,275 and $17,739,038, respectively, in net capital assets. This significant growth is largely attributable to ongoing construction projects, which totaled $36,629,480 in Construction in Progress (CIP) as of September 30, 2025. This reinvestment follows the substantial loss of capital assets experienced after Super Typhoon Yutu in late 2018. Following that event, the College made necessary adjustments to depreciation and asset valuations to reflect the destruction of multiple buildings and properties of the College.

A summary of capital assets, by major classification, and related accumulated depreciation and amortization for the FY-2025 and FY-2024 are as follows:

Summary of Capital Assets

	2025	2024
Land	$ 1,113,376	1,113,376
Buildings and improvements	6,927,021	6,927,021
Furniture and equipment	3,094,560	3,051,420
Vehicles	1,162,617	1,152,260
Computers and software	783,550	768,552
Intangible asset	1,619,737	1,072,554
Construction in Progress	36,629,480	12,195,360
Total capital assets	51,330,341	26,280,543
Less accumulated depreciation and amortization:		
Buildings and improvements	5,009,014	4,879,314
Furniture and equipment	2,099,059	1,728,848
Vehicles	1,035,400	963,001
Computers and software	769,396	768,562
Intangible asset	486,197	201,780
Total accumulated depreciation and amortization	9,399,066	8,541,505
Capital assets, net	$41,931,275	17,739,038

Noncurrent Assets
The College's FY-2025 noncurrent assets, consisting of investments and capital assets, increased by $25,144,702 compared to the prior year. This growth is attributed to the appreciation in the fair market value (FMV) of long-term investments, as well as ongoing building construction at the College. Despite broader economic concerns regarding inflation and elevated interest rates, the increase in investment asset FMV during FY-2025 was largely driven by the resiliency of U.S. equities and the technology sector.

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, and nonoperating activities. Revenues, expenses, and changes in net position for the FY-2025 and FY-2024 are summarized as follows:

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

	2025	2024
Operating revenues	$ 53,017,980	33,784,989
Nonoperating revenues	5,499,523	6,261,771
Total revenues	58,517,503	40,046,760
Operating expenses	29,879,742	27,290,138
Increase (decrease) in net position	$ 28,637,761	12,756,622

Total operating revenues increased by $19,232,991 in FY-2025 compared to FY-2024. Conversely, non-operating revenues—which include CNMI appropriations and realized/unrealized gains on investments—decreased by $762,248 during the same period. Total expenses for FY-2025 were $29,879,446, representing an increase of $2,589,604 over the prior year.

Revenue Overview

	2025	2024
U.S. Federal grants	$45,623,247	25,747,718
Tuition and fees, net	4,832,319	5,150,578
Private gifts & donations	49,900	44,060
Other operating	2,512,514	2,842,633
Operating revenues	53,017,980	33,784,989
CNMI appropriations	4,547,059	4,044,445
Interest and dividends	366,612	273,534
Realized and unrealized gain on investments	585,852	1,943,792
Nonoperating revenues	5,499,523	6,261,771
Total Revenue	$58,517,503	40,046,760

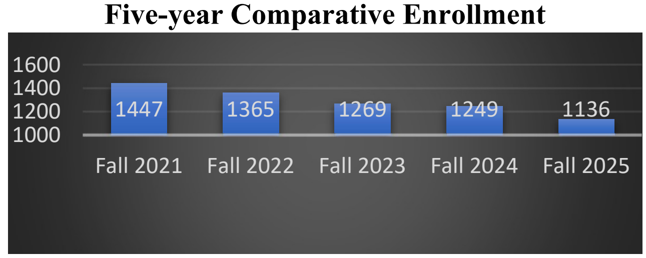
U.S. Federal Grants

U.S. federal grants are vital government funds that support the College's diverse projects and programs. In FY-2025, the College received a total of $45,623,247 in federal grants—a significant increase of $19,875,529 over FY-2024. These funds were awarded by various federal agencies, including the U.S. Departments of Education, Agriculture, Interior, Commerce, Labor, Health and Human Services, Homeland Security and Small Business Administration.

Tuition and Fees, Net

Tuition and fee revenue, net of scholarship discounts and allowances, totaled $4,832,319 for College operations, representing a slight decrease of $318,259 in FY-2025. Conversely, gross Pell Grant awards increased to $7,010,096 in FY-2025, up from $5,676,399 in FY-2024. Regarding enrollment, the annual average full-time equivalent (FTE) student count for the fall semester was approximately 1,136 in 2025, compared to 1,249 in 2024.

Five-year Comparative Enrollment



Private Gifts, Grants and Donations – Restricted

The College's foundation received $49,900 in additional gifts and donations during FY-2025. These funds are donor-restricted and may only be used for their specifically stated purposes.

Other Operating Revenue

Other operating revenues totaled $2,512,514 and $2,842,633 for the fiscal years ended September 30, 2025 and 2024, respectively, reflecting a decrease of $330,119. These revenues are generated by various programs and activities, including Community Development Institute (CDI) programs; Auxiliary services, primarily bookstore sales (net of cost of sales) to students, staff, and general public; indirect cost recoveries; rental income; and other miscellaneous revenues.

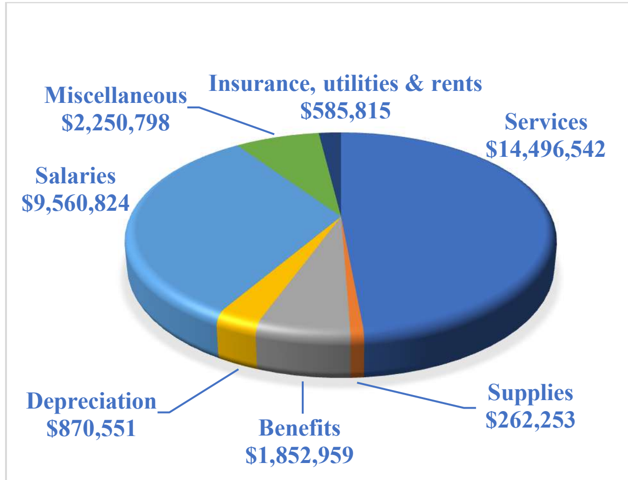
CNMI Appropriations

A significant revenue source for the College is CNMI Government appropriations, which are classified as nonoperating revenues for financial reporting purposes. These appropriations totaled $4,547,059 and $4,044,445 for FY-2025 and FY-2024, respectively. CNMI appropriations provide critical support for campus operations, personnel expenses, fringe benefits, and debt service. While these funds increased by $502,614 over the prior year, they remained relatively consistent with historical funding levels.

Expense Overview

	2025	2024
Services	$ 14,496,542	10,231,351
Salaries	9,560,824	9,996,389
Miscellaneous	2,250,798	3,590,227
Benefits	1,852,959	1,820,340
Depreciation and amortization	870,551	804,258
Insurance, utilities and rents	585,815	610,555
Supplies	262,253	237,018
Total expenses	$ 29,879,742	27,290,138

FY-2025 Expenses



Highlights of the College Expenses

Overall, during FY-2025, the College's total expenses increased by $2,589,604. The following highlights summarize the primary drivers of the College's expenditures:

- Total salaries and compensation expenses for full-time and part-time personnel in FY-2025 decreased by $435,565 compared to the prior year.
- Services and Student-Related Expenses: These expenditures—which include professional service contracts, security, janitorial services, and auxiliary enterprise costs—increased by $4,265,191 compared to the prior year. This increase also reflects higher student-related outflows, including Pell scholarships, allowances, and refunds.
- Miscellaneous and Administrative Expenses: These costs—which include administrative travel for recruitment and training, software licensing, tech fees, and office equipment under $5,000—decreased by $1,339,429 compared to the prior year. This reduction is primarily attributed to the transition to low-cost, cloud-based workplace maintenance, reduced licensing fees, and minimal acquisitions of computer supplies and equipment during the fiscal year.

- Benefits Expenses: These expenditures primarily consist of the College's employer contributions toward employee Medicare, retirement, health and life insurance, and Social Security. Benefit expenses increased by $32,619 compared to the prior year.
- Other Operating Expenses: All other expenditures—including insurance premiums, utilities, rent, depreciation and amortization, and supplies—increased by $66,788 compared to the prior year.

Long Term Debt

The College did not engage in long-term debt financing in the fiscal year 2025.

Subsequent Events and Other Operational Factors

- The College has maintained a consistent and stable financial position throughout recent periods. This stability has been achieved through disciplined fiscal management and local/federal support, despite a challenging economic landscape characterized by inflation and shifting market conditions.
- Investment Strategy and Performance: The College maintains a diversified portfolio managed by professional investment advisors. Through conservative spending and investing policies, the institution actively seeks to minimize and mitigate the impact of market fluctuations and potential losses. In FY-2025, the College endowment portfolio—including interest, dividends, and realized and unrealized gains—achieved a total increase of $952,465.
- Pandemic Response and Recovery: Following the global COVID-19 outbreak in FY-2020, the College successfully maintained continuous operations through the strategic use of the Governor's Education Stabilization Fund (GESF-1) and other federal pandemic assistance. These funds were instrumental in sustaining core institutional operations; designing and deploying robust online learning platforms; providing direct financial assistance to students and families impacted by pandemic-related job losses; and ensuring students could persist in their studies and complete their degrees despite economic and health-related disruptions.
- Education Stabilization Fund II (ESF-2): During FY-2023, the College was a recipient of the U.S. Department of Education's Stabilization Fund II (ESF-2) via an award from the Office of the Governor. Subsequently, in FY 2024, the College recognized and expended $852,349 in indirect cost recoveries from these funds. This support was vital in sustaining daily operations, allowing the College to meet personnel obligations and ensure the uninterrupted delivery of student services, academic programs, and course sessions.

The Future of the College's Facility

Despite the significant challenges the College has navigated over recent years, the institution is currently experiencing an era of unprecedented infrastructure development. The College is constructing a new, state-of-the-art campus designed to be highly resilient against typhoons and other natural disasters. This modernization is a cornerstone of the Facilities Master Plan, which integrates with the College's broader Strategic Master Plan to safeguard and optimize the institution's most valuable resources.

These new facilities are primarily supported by federal funding from FEMA (U.S. DHS), the Economic Development Administration (EDA), the U.S. Department of Education, and other federal and local agencies.

Furthermore, two major construction and infrastructure projects are scheduled for groundbreaking in FY-2026:

- Center for Research Extension and Development (CRED): A resilient, LEED Silver-certified facility designed to house advanced agricultural laboratories, specialized research spaces, and community development offices.

- Workforce Development and Training Center (WDTC): A key component of the Campus Master Plan aimed at expanding vocational, health, and technical training. This center will play a vital role in enhancing career opportunities and workforce readiness within the CNMI.

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, while carefully monitoring cash flow and expenses.
- **CNMI budget appropriations**. The College's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing local government support.
- **Federal Revenue** continues to play a major role in the College 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, 2025 is set forth in the report on the audit of the College's financial statements which is dated June 22, 2026. The Management's Discussion and Analysis explains the major factors impacting the 2025 financial statements. If you have questions about the 2025 or 2024 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, 2025 and 2024

	2025	2024
Assets:		
Current assets:		
Cash and cash equivalents	$ 34,282,535	29,846,617
Accounts receivable and unbilled charges, net of allowance for credit losses	552,513	1,276,198
Due from grantor agencies	8,141,780	5,306,181
Due from CNMI	1,832,656	2,450,315
Inventories	269,860	295,539
Prepayments	375,666	184,622
Total current assets	45,455,010	39,359,472
Noncurrent assets:		
Investments	15,753,430	14,800,965
Capital assets, net	41,931,275	17,739,038
Total noncurrent assets	57,684,705	32,540,003
Total assets	103,139,715	71,899,475
Liabilities:		
Current liabilities:		
Accounts payable	4,708,839	1,667,296
Accrued salaries and benefits payable	1,904,476	1,497,793
Current portion of compensated absences	653,168	583,685
Unearned revenues	642,684	1,121,734
Lease liability, current portion	68,265	60,410
Total current liabilities	7,977,432	4,930,918
Noncurrent liabilities:		
Lease liability , net of current portion	16,072	63,273
Compensated absences, net of current portion	92,185	114,680
Total liabilities	8,085,689	5,108,871
Deferred inflows of resources:		
Grant receipts	1,046,320	1,420,659
Net position:		
Investment in capital assets, net	41,931,275	17,739,038
Restricted net position:		
Nonexpendable	3,200,000	3,200,000
Expendable	12,553,430	11,600,965
Unrestricted	36,323,001	32,829,942
Net position	94,007,706	65,369,945
Total liabilities, deferred inflows of resources, and net position	$ 103,139,715	71,899,475

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, 2025 and 2024

	2025	2024
Operating revenues:		
U.S. Federal grants	$ 45,623,247	25,747,718
Tuition and fees (net of scholarship discounts and allowances of $2,671,535 in 2025 and $2,604,298 in 2024)	4,832,319	5,150,578
Private gifts, grants and donations - restricted	49,900	44,060
Others (net of bookstore cost of sales of $218,163 in 2025 and $213,959 in 2024)	2,512,514	2,842,633
Net operating revenues	53,017,980	33,784,989
Operating expenses:		
Salaries	9,560,824	9,996,389
Services	14,496,542	10,231,351
Miscellaneous	2,250,798	3,590,227
Benefits	1,852,959	1,820,340
Insurance, utilities and rents	585,815	610,555
Depreciation and amortization	870,551	804,258
Supplies	262,253	237,018
Total operating expenses	29,879,742	27,290,138
Operating income	23,138,238	6,494,851
Nonoperating revenues (expenses):		
CNMI appropriations	4,547,059	4,044,445
Interest and dividends	366,612	273,534
Realized and unrealized gain on investments	585,852	1,943,792
Total nonoperating revenues	5,499,523	6,261,771
Change in net position	28,637,761	12,756,622
Net position, beginning of the year	65,369,945	52,613,323
Net position, end of the year	$ 94,007,706	65,369,945

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, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Tuition and fees collected	$ 3,629,584	4,807,167
U.S Federal grants	42,787,648	29,023,767
Other receipts	2,562,414	2,886,693
Payments to employees	(11,413,783)	(11,816,729)
Payments to suppliers	(12,567,014)	(14,718,378)
Net cash provided by operating activities	24,998,849	10,182,520
Cash flows from investing activities:		
Proceeds from sales and redemptions of investments	4,566,736	7,319,956
Purchases of investments	(4,660,887)	(9,319,956)
Net cash used in investing activities	(94,151)	(2,000,000)
Cash flows from noncapital financing activities:		
CNMI appropriations collected	4,547,059	4,044,445
Net cash provided by noncapital financing activities	4,547,059	4,044,445
Cash flows from capital and related financing activities:		
Purchases of capital assets	(25,015,839)	(8,500,240)
Net cash used for capital and related financing activities	(25,015,839)	(8,500,240)
Net change in cash and cash equivalents	4,435,918	3,726,725
Cash and cash equivalents, beginning of year	29,846,617	26,119,892
Cash and cash equivalents, end of year	$ 34,282,535	29,846,617

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, 2025 and 2024

	2025	2024
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 23,138,238	6,494,851
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	870,551	804,258
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	723,685	690,434
Due from grantor agencies	(2,835,599)	3,276,049
Inventories	25,679	22,281
Prepayments	(191,044)	11,197
Accounts payable	3,041,543	(1,350,640)
Accrued salaries and benefits payable	406,683	(243,885)
Compensated absences	46,988	1,867.00
Unearned revenues	(479,050)	347,023
Lease liability	7,855	55,570
Due from CNMI	617,659	(216,491)
Deferred inflows of resources	(374,339)	290,006
Net cash provided by operating activities	$ 24,998,849	10,182,520

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 nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the College. All other expenses are reported as nonoperating 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.

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting, continued

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.

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, 2025 and 2024, the carrying amount of the College's cash and cash equivalents and time certificates of deposit was $34,282,535 and $29,846,617, respectively, and the corresponding bank balances were $35,070,575 and $31,124,214, respectively. Of the bank balance amounts, $35,070,575 and $31,124,214, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2025, 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 is 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.

(2) Summary of Significant Accounting Policies, Continued

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, 2025 and 2024. 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.

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, 2025 and 2024, 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.

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

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.
- 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.

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

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, 2025 and 2024, the College recorded accrued annual leave in the amount of $745,353 and $698,365, respectively, which is included within the statements of net position as compensated absences.

(2) Summary of Significant Accounting Policies, Continued

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.

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, 2025 and 2024.

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, 2025, the College only has one type of deferred inflows of resources arising from grants received with restrictions.

(2) Summary of Significant Accounting Policies, Continued

Classification of Revenues

The College has classified its revenues as either operating or nonoperating 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.

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 nonoperating 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.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

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.

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.

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

The College's total contributions to the Settlement and Retirement Fund for the years ended September 30, 2025, 2024, and 2023 were $227,515, $258,337, and $245,725, 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.

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.

Leases

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

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

NMC accounts for the lease and non-lease components of a lease as separate contracts. If a lease involves multiple underlying assets, NMC, in certain cases, accounts for each underlying asset as a separate lease contract. To allocate the contract price to different components, NMC uses contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract are accounted for as a single lease unit.

(2) Summary of Significant Accounting Policies, Continued

Leases, Continued

Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria are considered part of the same lease contract and are evaluated in accordance with the guidance for contracts with multiple components.

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

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

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

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

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

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

(2) Summary of Significant Accounting Policies, Continued

Leases, Continued

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

Lessee Accounting

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

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

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

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

New Accounting Standards

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.

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

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 does not believe that implementation of this statement had a material effect on the financial statements

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

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

- 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 does not believe that implementation of this statement had a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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.

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.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

(3) Accounts Receivable and Unbilled Charges

Summarized below are the College's accounts receivable and unbilled charges as of September 30, 2025 and 2024:

	2025	2024
Student tuition and fees	$ 2,243,479	3,145,689
Auxiliary enterprises	7,771	90,323
Other activities	157,954	22,930
Total	2,409,204	3,258,942
Allowance for doubtful accounts	(1,856,691)	(1,982,744)
Net receivable and unbilled charges	$ 552,513	1,276,198

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

Notes to Financial Statements
September 30, 2025 and 2024

(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.

The following table presents a summary of the College's investments by type as of September 30, 2025 and 2024, at fair value:

	2025			
	Fair Value as of 09/30/2025	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	$ 4,174,123	4,174,123	-	-
International equity	2,871,434	2,871,434	-	-
Total equity securities	7,045,557	7,045,557	-	-
Deb Securities				
Real Estate and Tangibles	631,333	-	-	631,333
Cash and cash equivalents	854,246	-	-	854,246
Alternative Investments	449,432	-	-	449,432
Asset-Backed, Mortgage-Backed, Collateralized Mortgage Obligation	1,745,321	-	1,745,321	-
Certificates of Deposit	883,803	-	883,803	-
US Treasury	3,047,326	-	3,047,326	-
Corporate Bonds	1,096,412	-	1,096,412	-
Total Investments by Fair Value Level	$ 15,753,430	7,045,557	6,772,862	1,935,011

(4) Investments, Continued

	2024			
	Fair Value as of 09/30/2024	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	$ 3,571,740	3,571,740	-	-
International equity	2,664,363	2,664,363	-	-
Total equity securities	6,236,103	6,236,103	-	-
Deb Securities				
Real Estate and Tangibles	667,672	-	-	667,672
Cash and cash equivalents	734,566	-	-	734,566
Alternative Investments	433,075	-	-	433,075
Asset-Backed, Mortgage-Backed, Collateralized Mortgage Obligation	1,832,723	-	1,832,723	-
Certificates of Deposit	892,699	-	892,699	-
US Treasury	2,614,231	-	2,614,231	-
Corporate Bonds	1,389,896	-	1,389,896	-
Total Investments by Fair Value Level	$ 14,800,965	6,236,103	6,729,549	1,835,313

At September 30, 2025 and 2024, the College's fixed income securities had the following maturities:

	2025					
		Investment Maturities (In Years)				
Investment type	Fair Value	Less than 1	1-5	6-10	More than 10	Rating
Government and GSE bonds	$ 3,047,327	-	649,524	1,479,402	918,401	AAA
Corporate bond	64,573	-	-	-	64,573	AAA
Corporate bond	67,661	-	-	67,661	-	AA
Corporate bond	81,799	-	-	81,799	-	A+
Corporate bond	179,657	-	63,189	116,468	-	A
Corporate bond	195,595	-	65,762	129,833	-	A-
Corporate bond	256,346	-	128,667	127,679	-	BBB+
Corporate bond	250,780	-	188,402	-	62,378	BBB
Corporate bond	2,629,124	674,824	208,979	-	1,745,321	No rating
	$ 6,772,862	674,824	1,304,523	2,002,842	2,790,673	
Percentage of Portfolio	100%	10%	19%	30%	41%	

(4) Investments, Continued

	2024					
		Investment Maturities (In Years)				
Investment type	Fair Value	Less than 1	1-5	6-10	More than 10	Rating
Government and GSE bonds	$ 2,614,231	-	568,307	1,230,746	815,178	AAA
Corporate bond	63,838	-	-	-	63,838	AAA
Corporate bond	67,645	-	-	67,645	-	AA
Corporate bond	83,361	-	-	83,361	-	A+
Corporate bond	63,487	-	63,487	-	-	A
Corporate bond	333,808	-	29,478	304,330	-	A-
Corporate bond	334,761	-	108,313	226,448	-	BBB+
Corporate bond	442,996	-	187,984	190,602	64,410	BBB
Corporate bond	2,725,422	-	892,699	-	1,832,723	No rating
	$ 6,729,549	-	1,850,268	2,103,132	2,776,149	
Percentage of Portfolio	100%	0%	28%	31%	41%	

(5) Capital Assets, Net

Summarized below is the College's investment in capital assets and changes for the years ended September 30, 2025 and 2024:

	Estimated Useful Lives	Balance September 30, 2024	Additions	Deletions/Other	Balance September 30, 2025
Depreciable:					
Buildings and improvements	5-30 years	$ 6,927,021	-	-	6,927,021
Furniture and equipment	2-5 years	3,051,420	56,130	(12,990)	3,094,560
Vehicles	5 years	1,152,260	10,357	-	1,162,617
Computers and software	3-5 years	768,552	14,998	-	783,550
		11,899,253	81,485	(12,990)	11,967,748
Less accumulated depreciation		(8,339,725)	(573,144)	-	(8,912,869)
		3,559,528	(491,659)	(12,990)	3,054,879
Intangible Asset:					
Intangible Asset	5 years	1,072,554	547,183	-	1,619,737
Less accumulated depreciation		(201,780)	(284,417)	-	(486,197)
		870,774	262,766	-	1,133,540
Nondepreciable:					
Construction in Progess		12,195,360	24,434,120	-	36,629,480
Land		1,113,376	-	-	1,113,376
Total capital assets, net		$ 17,739,038	24,205,227	(12,990)	41,931,275

(5) Capital Assets, Net, Continued

	Estimated Useful Lives	Balance September 30, 2023	Additions	Deletions/Other	Balance September 30, 2024
Depreciable:					
Buildings and improvements	5-30 years	$ 6,927,021	-	-	6,927,021
Furniture and equipment	2-5 years	3,070,396	273,410	(292,386)	3,051,420
Vehicles	5 years	1,166,022	144,908	(158,670)	1,152,260
Computers and software	3-5 years	768,552	-	-	768,552
		11,931,991	418,318	(451,056)	11,899,253
Less accumulated depreciation		(8,086,567)	(614,478)	361,320	(8,339,725)
		3,845,424	(196,160)	(89,736)	3,559,528
Intangible Asset:					
Intangible Asset	5 years	1,008,900	63,654	-	1,072,554
Less accumulated depreciation		(12,000)	(189,780)	-	(201,780)
		996,900	(126,126)	-	870,774
Nondepreciable:					
Construction in Progess		4,024,081	8,171,279	-	12,195,360
Land		1,113,376	-	-	1,113,376
Total capital assets, net		$ 9,979,781	7,848,993	(89,736)	17,739,038

(6) Long-Term Obligation

Changes in long-term obligations for the years ended September 30, 2025 and 2024, are as follows:

	2025	2024
Compensated Absences		
Balance, beginning	$ 698,365	696,498
Additions	371,170	611,681
Reductions	(324,182)	(609,814)
Balance, end	745,353	698,365
Due within one year	(653,168)	(583,685)
Non-current	$ 92,185	114,680

(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, 2025 and 2024, the College recognized $4,547,059 and $4,044,445, respectively, in appropriations from the CNMI Government.

As of September 30, 2025 and 2024, the amounts due from CNMI Government for appropriations amounted to $1,832,656 and $2,450,315, respectively. These amounts include $177,561 for retirement contributions paid for retired employees.

(7) Related Party Transactions, Continued

As of September 30, 2025 and 2024, 1% of the total amounts appropriated by CNMI law to the College operations and activities, amounting to $40,000 and $39,951, respectively, are withheld for the Office of the Public Auditor (OPA) of the CNMI.

At September 30, 2025 and 2024, amounts payable for utility expense to the Commonwealth Utilities Corporation (CUC), a component unit of the CNMI Government, amounted to $23,141 and $25,845, respectively, and are included in accounts payable in the accompanying statements of net position. During the years ended September 30, 2025 and 2024, total utilities purchased from CUC amounted to $271,581 and $326,010, 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 2025 and 2024. The following table shows natural classifications with functional classifications:

	2025							
	Salaries	Services	Benefits	Insurance, utilities, and rent	Depreciation and amortization	Supplies	Miscellaneous	Total
Institutional	$ 4,392,613	3,438,755	875,397	300,885	-	11,653	942,480	9,961,783
Student service	421,687	3,246,601	107,366	49,337	-	28,683	102,625	3,956,299
Public service	2,788,696	2,730,264	491,387	154,697	-	180,778	1,117,668	7,463,490
Instructional	1,160,636	245,240	284,212	6,960	-	4,782	58,939	1,760,769
Scholarships	-	4,338,561	-	-	-	-	-	4,338,561
Operating and maintenance	11,365	396,826	4,572	73,576	870,551	31,024	28,178	1,416,092
Academic	735,308	2,339	85,799	360	-	-	-	823,806
Auxiliary	50,519	97,956	4,226	-	-	5,333	908	158,942
	$ 9,560,824	14,496,542	1,852,959	585,815	870,551	262,253	2,250,798	29,879,742

(8) Natural Classifications with Functional Classification, Continued

	2024							
	Salaries	Services	Benefits	Insurance, utilities, and rent	Depreciation and amortization	Supplies	Miscellaneous	Total
Institutional	$ 4,619,943	1,963,615	885,215	428,538		35,546	2,049,779	9,982,636
Student service	388,253	2,844,529	50,518	21,099	-	25,420	112,129	3,441,948
Public service	2,480,635	1,885,865	400,072	145,618	-	137,526	1,260,789	6,310,505
Instructional	1,609,410	59,552	329,512	15,300	-	7,921	103,935	2,125,630
Scholarships	-	3,072,101	-	-	-	-	-	3,072,101
Operating and maintenance	163,209	386,363	45,368	-	804,258	29,732	52,977	1,481,907
Academic	690,856	15,660	106,242	-	-	593	10,309	823,660
Auxiliary	44,083	3,666	3,413	-	-	280	309	51,751
	$ 9,996,389	10,231,351	1,820,340	610,555	804,258	237,018	3,590,227	27,290,138

(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, 2025 and 2024.

(10) Leases

NMC entered into a 36-month lease to purchase agreement with Xerox Corporation, effective October 1, 2023 and expiring on September 30, 2026, to acquire a copier. Monthly lease payment was $5,406. NMC also entered into a 60-month lease agreement with Xerox Corporation effective October 1, 2024, through September 30, 2029, for copier equipment, with monthly payments of $471.

There was no implicit rate in the lease agreement. Accordingly, discount rates of 4.64% and 3.51% were applied to the respective leases based on U.S. Treasury bond rates at the lease commencement dates.

Total future rental payments are as follows:

Year ending September 30,	
2026	$ 70,526
2027	5,652
2028	5,652
2029	5,652
	87,483
Less amount representing interest	(3,146)
	$ 84,337

(10) Leases, Continued

Information related to capitalized asset and lease liabilities are as follows:

Capitalized leased asset	$ 208,020
Accumulated depreciation	123,683
Capitalized leased asset, net	84,337
Lease liability, current	68,265
Lease liability, non-current	16,072
Total lease liability	$ 84,337

Supplemental information related to NMC's lease follows:

Weighted average remaining lease term	1.75 years
Weighted average discount rate	4.35%

(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.

(11) Contingencies, Continued

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, 2025 and 2024 is $2,195,848 and $2,205,787, respectively. These amounts are not accrued in the accompanying financial statements.

Insurance

The College does not maintain property insurance coverage for substantially all of its buildings and improvements, furniture and equipment, and other capital assets. Accordingly, the College is exposed to the risk of loss from damage or destruction of these assets and is self-insured for such losses to a significant 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) Date of Management's Review

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through June 22, 2026, 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, 2025

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

To the Board of 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 (NMC), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise NMC's basic financial statements, and have issued our report thereon dated June 22, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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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 22, 2026

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

To the Board of Regents
Northern Marianas College

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northern Marianas College's (NMC) 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 NMC's major federal programs for the year ended September 30, 2025. NMC's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, NMC 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, 2025.

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 under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NMC 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 NMC'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 NMC's federal programs.

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 NMC'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 NMC'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 NMC'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 NMC'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 NMC'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 a combination of deficiencies, in internal control over compliance, such that there is a 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of NMC, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise NMC's basic financial statements. We issued our report thereon dated June 22, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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.

Burger Comer & Associates

Saipan, Commonwealth of the Northern Mariana Islands
June 22, 2026

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

Federal Agency (Pass-Through Agency)	Federal Program	Assistance 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		$ -	148,173	148,173	-
	Federal TEACH Grant	84.379		-	43,501	43,501	-
	Federal Work-Study Program	84.033		-	85,051	85,051	-
	Federal Pell Grant Program	84.063		-	6,823,507	6,823,507	-
	Adult Education Program	84.002A		-	333,834	333,834	-
	USDOE APISI Serving Institution Program	84.031L		-	312,120	312,120	-
	Proa Pathway Partnership	84.031L		-	470,919	470,919	-
	Governor’s Broadband Boot Camp	84.424		-	2,940,691	2,940,691	-
	CARES Minority Serving Institution Grant	84.425L		-	590,498	590,498	-
	Emergency Assistance to Higher Education Program	84.938T		-	13,791,027	13,791,027	-
(CNMI Government)	Governor's Stabilization Fund	84.425H	S425H210001	2,200,000	-	2,200,000	-
	Total U.S. Department of Education and Student Financial Assistance Cluster			**2,200,000**	**25,539,321**	**27,739,321**	**-**
U.S. Department of Agriculture	Research in the Northern Mariana Islands (Hatch Act)	10.203		-	1,627,610	1,627,610	-
	Cooperative Extension Services in the Northern Mariana Islands	10.511		-	1,934,397	1,934,397	-
	Expanded Food and Nutrition Education Program	10.514		-	145,200	145,200	-
	Community Facilities	10.766		-	10,357	10,357	-
	Agritourism-Regenerative Workforce Initiative for African American and Insular Communities	10.237		-	2,077,862	2,077,862	-
	Food Science Virtual Reality Technology	10.308		-	690	690	-
	CRED Facilities - CREES Research Lab	10.310		-	10,200	10,200	
(Montana State University)	Sustainable Agriculture Research and Education	10.215	G267-22-W9215	8,799	-	8,799	-
(University of Hawaii)	Agriculture and Food Research Initiative (AFRI)	10.310	MA1404	56,178	-	56,178	-
(Oregon State University)	Pacific Food Safety Education and Training Collaborative	10.328	2023-70020-40632/C0630A-B	5,445	-	5,445	-
	Total U.S. Department of Agriculture			**70,422**	**5,806,316**	**5,876,738**	**-**
U. S. Department of the Interior							
(CNMI Government)	Economic, Social, and Political Development of the Territories	15.875	D22AF00298	165,288	-	165,288	-
	Economic, Social, and Political Development of the Territories	15.875		-	33,972	33,972	-
	USDOI - Solar Project	15.875		-	265,150	265,150	-
	Total US Department of the Interior			**165,288**	**299,122**	**464,410**	**-**

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

NORTHERN MARIANAS COLLEGE
(A Component Unit of the CNMI Government)
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended September 30, 2025

Federal Agency (Pass-Through Agency)	Federal Program	Assistance Listing Number	Other Award Number	Expenditures From Pass-Through Awards	Expenditures From Direct Awards	Expenditures Total	Passed-Through to Subrecepient
U.S. Department of Health and Human Services							
(University of Hawaii)	Investments for Public Works and Economic Development Facilities	93.107	KA1863	133,333	-	133,333	-
(Portland State University)	Enhance Cross Discip Infra & Training-Admin	93.310	100119	15,542	-	15,542	-
(University of Hawaii)	University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632	MA1282	203,224	-	203,224	-
(University of Hawaii)	University Centers for Excellence in Developmental Disabilities -- TECH PIECS	93.632	MA1843	190,265	-	190,265	-
			Total U.S. Department of Health and Human Services	**542,364**	**-**	**542,364**	**-**
U.S. Department of Labor							
(CNMI Government)	US Apprenticeship Program	17.285	AP-35118-20-60-A-69	169,177	-	169,177	-
			Total U.S. Department of Labor	**169,177**	**-**	**169,177**	**-**
U.S. Department of Homeland Security							
(CNMI Government)	Federal Emerency Mgmt Agency	97.036	D19AP000082	9,075,686	-	9,075,686	-
(CNMI Government - PAO)	FEMA Project Inspection Services	97.036	FEMA-4404-DR-0A PW212	821,827	-	821,827	-
			Total U.S. Department of Homeland Security	**9,897,513**	**-**	**9,897,513**	**-**
National Science Foundation							
(University of Hawaii)	Alliance of Students with Disabilities for INTO in STEM	47.076	MA1727	6,607	-	6,607	-
(University of Hawaii)	Islands of Opportunity Alliance	47.076	HI1444	10,300	-	10,300	-
(University of Hawaii)	Scholarships to Support Students at Hawaiian and Pacific Island Institutions of Higher Education in STEM Degree Programs	47.076	MA2137	18,970	-	18,970	-
	Innovative and Research Capacity Technologies	47.084		-	32,296	32,296	-
			Total National Science Foundation	**35,877**	**32,296**	**68,173**	**-**
U.S. Small Business Administration	Small Business Development Center Incubator	55.059		-	245,410	245,410	-
	Small Business Development Center	59.037		-	575,141	575,141	-
			Total U.S. Small Business Administration	**-**	**820,551**	**820,551**	**-**
U. S. Department of Commerce and Economic Development Cluster	Workforce Development and Training Center Construction Project	11.307		-	45,000	45,000	-
			Total U. S. Department of Commerce and Economic Development Cluster	**-**	**45,000**	**45,000**	**-**
Total Expenditures of Federal Awards				**$ 13,080,641**	**32,542,606**	**45,623,247**	**-**

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. 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 2025 and 2024, 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, 2025

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, 2025

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	$ 6,823,507
84.379	Teacher Education Assistance for College and Higher Education (TEACH) Grant Program	43,501
84.007	Federal Supplemental Educational Opportunity Grants	148,173
84.033	Federal Work-Study Program	85,051
	Student Financial Assistance Cluster	7,100,232
84.424	Governor's Broadband Boot Camp	2,940,691
10.203	Research in the Northern Mariana Islands (Hatch Act)	1,627,610
	Total Major Program Expenditures	$ 11,668,533
Total Federal Expenditures		$ 45,623,247
	Percentage of total federal awards tested	26%

Dollar threshold used to distinguish between Type A and Type B programs $ 1,000,000

Auditee qualified as low-risk auditee ___X___ yes _____ no

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2025

SECTION II – FINANCIAL STATEMENTS FINDINGS

There were no financial statement audit findings for the fiscal year ended September 30, 2025.

SECTION III – FEDERAL AWARDS FINDINGS

There were no federal awards audit findings for the fiscal year ended September 30, 2025.

SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

There were no unresolved audit findings and questioned costs from the prior year audits of the College.