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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2022

WITH INDEPENDENT AUDITOR'S REPORT THEREON

Burger, Comer & Associates
1930 Picarro Lane, I Liyang Village
P.O. Box 504053
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NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)

Report on the Audit of Financial Statements
For the Year Ended September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Northern Marianas Technical Institute

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Northern Marianas Technical Institute (the Institute), a non-profit public corporation of the CNMI Government, for the year ended September 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Northern Marianas Technical Institute as of September 30, 2022, and the respective changes in net position, and, where applicable, cash flows thereof for the year ended September 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Northern Marianas Technical Institute, a non-profit public corporation of the CNMI Government, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northern Marianas Technical Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northern Marianas Technical Institute's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2026, on our consideration of the Northern Marianas Technical Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northern Marianas Technical Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Marianas Technical Institute's internal control over financial reporting and compliance.

Burger Comer & Associates

Saipan, MP

July 31, 2026

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial activities of the Northern Marianas Technical Institute (NMTI) for the fiscal year ended September 30, 2022. This discussion is intended to assist readers in understanding NMTI's financial position, changes in net position, and overall financial performance. The MD&A should be read in conjunction with the accompanying financial statements and notes thereto.

Overview

Fiscal Year 2022 represented another important year in NMTI's organizational development as the Institute continued strengthening operations following its transition to a non-profit public corporation under Public Law 20-92. During the year, NMTI continued to expand workforce development opportunities for CNMI residents while maintaining responsible financial stewardship of public resources.

The Institute's primary source of funding continued to be the Commonwealth Worker (CW) Fund established under the Northern Mariana Islands U.S. Workforce Act of 2018. These funds support vocational education, apprenticeships, and workforce training programs designed to increase participation of United States workers in the Commonwealth's labor force. Throughout FY 2022, NMTI successfully administered these funds in accordance with approved expenditure plans submitted through the CNMI Department of Labor and the U.S. Department of Labor.

During FY 2022, NMTI received and recorded significant funding to support its workforce development programs and operations, including:

- FY 2021 Commonwealth Workforce (CW) Funds totaling $780,856;
- FY 2022 First and Second Quarter CW Funds totaling $300,000;
- FY 2022 Third Quarter CW Funds totaling $150,000; and
- EDA Grant reimbursement totaling $33,417 from the Department of Commerce.

These primary funding sources totaled $1,264,273.

During the fiscal year, NMTI also recorded several accounting adjustments and reallocations associated with these funding sources. This included $88,019 reclassified from CW Funds to Compact Impact to support eligible workforce-related expenditures and $117,128, representing 15% of the FY 2021 CW Funds, reprogrammed for allowable administrative purposes. These transactions represented reallocations of existing funding and did not constitute additional funding received.

Other activity included $278 returned to the CW program and a $100 EDA bank account opening balance. Including these amounts, total activity reflected in the underlying accounting records was $1,264,650.

Collectively, these funding sources supported the Institute's continued delivery of workforce education and training programs, strengthened operational capacity, and advanced NMTI's mission of preparing a skilled local workforce aligned with the economic and workforce needs of the Commonwealth.

Financial Highlights

The Institute remained in a stable financial position during FY 2022 and reported positive operating results.

Major financial highlights include:

- Total assets increased to $823,272, consisting primarily of cash and cash equivalents, receivables, capital assets, and lease-related right-of-use assets.
- Total liabilities remained relatively low at $90,405, representing approximately 11% of total assets, demonstrating a strong balance sheet with limited debt obligations.
- Net Position increased to $732,867, reflecting an annual increase of $19,407 after implementation of GASB Statement No. 87.
- The Institute maintained $383,074 in cash and cash equivalents, providing sufficient liquidity to meet current operating needs.
- Government support remained the Institute's largest revenue source at $1,264,650, representing approximately 75% of total revenues. Tuition and fees generated $388,989, accounting for approximately 23% of total revenues, with the remaining revenues derived from other support sources.

Statement of Net Position

At September 30, 2022, NMTI reported total assets of $823,272.

Current assets consisted primarily of:

- Cash and Cash Equivalents of $383,074
- Accounts Receivables (net) of $83,332
- Other receivables of $9,223
- Right-of-use lease assets totaling $31,643
- Prepaid expenses of $1,470

Capital assets, net of accumulated depreciation, totaled $314,530, reflecting the Institute's continued investment in instructional equipment, facilities, and infrastructure necessary to support workforce training programs.

Total liabilities were $90,405, including current obligations of $88,455 and long-term finance lease liabilities of $1,950. The Institute's relatively low debt burden demonstrates prudent fiscal management and provides flexibility for future operational and capital needs.

Unrestricted net position totaled $418,337, providing management with financial flexibility to respond to operational priorities and future strategic initiatives. Net investment in capital assets totaled $314,530, representing the Institute's investment in long-term educational infrastructure.

Statement of Revenues, Expenses, and Changes in Net Position

Total revenues and other support for FY 2022 were $1,687,661. Government support of $1,264,650 continued to serve as the Institute's primary revenue source, supplemented by $388,989 in tuition and fees and $34,022 in other revenues.

Total operating expenses were $1,668,254.

The Institute's largest expenditures included:

- Salaries and wages: $880,302
- Bad debt expense: $190,225
- Supplies: $151,047
- Employee benefits: $96,304
- Depreciation and amortization: $89,051
- Professional fees: $67,504
- Payroll taxes: $67,360

These expenditures reflect NMTI's continued investment in personnel, instructional resources, and operational support necessary to deliver quality workforce education programs throughout the Commonwealth.

The Institute reported a positive change in net position of $19,407, demonstrating that revenues exceeded expenses during the fiscal year and further strengthening NMTI's financial position.

Capital Assets

At September 30, 2022, NMTI reported $314,530 in capital assets, net of accumulated depreciation. These assets include leasehold improvements, instructional equipment, vehicles, office equipment, furniture, and other facilities necessary to support educational operations. Continued investment in capital assets reflects the Institute's commitment to maintaining modern instructional environments that meet industry standards and workforce training needs.

Long-Term Obligations

The Institute continued implementing the requirements of GASB Statement No. 87 (Leases) during FY 2022. As a result, lease assets and lease liabilities were recognized on the Statement of Net Position.

Finance lease liabilities totaled $7,747, of which $5,797 is due within one year and $1,950 is classified as long-term. These obligations remain modest relative to the Institute's overall financial position.

Economic Outlook

NMTI's long-term financial sustainability continues to depend largely on Commonwealth Worker Fund appropriations and other governmental support authorized under the Northern Mariana Islands U.S. Workforce Act. While reliance on governmental funding remains significant, management continues pursuing opportunities to diversify revenue through tuition, workforce partnerships, grants, and specialized training programs.

The Institute remains committed to expanding workforce development opportunities that directly address the labor needs of the Commonwealth while maintaining sound fiscal management and accountability over public resources.

As demand for skilled trades and technical education continues to increase throughout the CNMI, NMTI is well positioned to strengthen its role as the Commonwealth's premier provider of career and technical education.

Request for Information

This MD&A is intended to provide citizens, government officials, funding agencies, and other interested parties with a general overview of the financial condition of the Northern Marianas Technical Institute. Questions concerning this report or requests for additional financial information should be directed to:

Northern Marianas Technical Institute
Office of the Chief Executive Officer
12966 Lower Base Drive, Lower Base
P.O. Box 504880 Saipan, MP 96950

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)
Statement of Net Position
For the Year Ended September 30, 2022

ASSETS

Current assets:	
Cash and cash equivalents	$ 383,074
Accounts receivable, net of allowance for doubtful accounts ($203,539)	83,332
Prepaid expenses	1,470
Other receivables	9,223
Total current assets	477,099
Noncurrent assets:	
Capital assets, net	314,530
Operating right-of-use asset, net	24,030
Finance right-of-use asset, net	7,613
Total noncurrent assets	346,173
Total assets	$ 823,272

LIABILITIES AND NET POSITION

Current liabilities:	
Accounts payable	32,452
Accrued expenses	22,500
Deferred revenue	27,706
Finance lease liability, current portion	5,797
Total current liabilities	88,455
Long-term liabilities:	
Finance lease liability, net of current portion	1,950
Total liabilities	90,405
Net position:	
Net investment in capital assets	314,530
Unrestricted	418,337
Total net position	732,867
Total liabilities and net position	$ 823,272

See accompanying notes to financial statements.

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2022

Revenues and other support:	
Tuition and fees	$ 388,989
Government support	1,264,650
Other revenues and support	34,022
Total revenues and other support	1,687,661
Expenses:	
Salaries and wages	880,302
Bad debt expense	190,225
Supplies	151,047
Employee benefits	96,304
Depreciation and amortization	89,051
Professional fees	67,504
Payroll taxes	67,360
Utilities	27,138
Travel and entertainment	25,072
Repairs and maintenance	17,680
Miscellaneous	17,538
Communications	17,147
Advertising	10,175
Rent	6,845
Training and professional development	4,866
Total expenses	1,668,254
Change in net position	19,407
Net position at beginning of period, as previously reported	707,738
Cumulative effect of implementing GASB Statement No. 87	5,722
Net position at beginning of period, as restated	713,460
Net position at end of period	$ 732,867

See accompanying notes to financial statements.

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)
Statement of Cash Flows
For the Year Ended September 30, 2022

Cash flows from operating activities:	
Cash received from government support	$ 1,264,650
Cash received from tuition and fees	176,037
Cash received from donations and other operating activities	25,149
Cash paid to employees for services	(880,302)
Cash paid to suppliers for goods and services	(489,524)
Net cash provided by operating activities	96,010
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(79,908)
Principal payments on finance lease obligations	(1,835)
Net cash used in capital and related financing activities	(81,743)
Net increase in cash and cash equivalents	14,267
Cash and cash equivalents at beginning of period	368,807
Cash and cash equivalents at end of period	$ 383,074
Reconciliation of earnings from operations to net cash provided by operating activities:	
Earnings from operations	19,407
Adjustments to reconcile earnings from operations to net cash provided by operating activities:	
Depreciation and amortization	89,051
Changes in assets and liabilities:	
Accounts receivable, net	2,658
Other receivables	(8,873)
Prepaid expenses	970
Deferred revenue	(25,385)
Accounts payable	4,682
Accrued expenses	13,500
Net cash provided by operating activities	$ 96,010
Supplemental schedule of noncash investing, capital and financing activities:	
Upon implementation of GASB Statement No. 87, the Institute reclassified prepaid lease expense to a right-of-use operating lease asset	$ 24,255
Recognition of a finance right-of-use asset and related finance lease liability upon implementation of GASB Statement No. 87	$ 22,841

See accompanying notes to financial statements.

NORTHERN MARIANAS TECHNICAL INSTITUTE
(A Non-Profit Public Corporation of the CNMI Government)
Statement of Revenues, Expenses and Changes in Fund Balance - Budget and Actual
(GAAP Basis) - General Fund
For the Year Ended September 30, 2022

	General Fund				
	Budget				
	Original	Revision	Final	Actual	Variance Favorable (Unfavorable)
Expenses:					
Personnel	$ 1,337,220	$ -	$ 1,337,220	$ 1,043,966	$ 293,254
All other	209,063	-	209,063	624,288	(415,225)
Total Expenses	1,546,283	-	1,546,283	1,668,254	(121,971)
Revenues:					
CNMI appropriation	1,143,115	-	1,143,115	1,264,650	121,535
Excess of revenues and other financing sources over expenditures and other financing uses	$ (403,168)	$ -	$ (403,168)	(403,604)	(436)
Reconciliation of Budget to GAAP Basis					
2022 Budget					
Appropriations				$ 1,143,115	
2022 Expenses					
Actual (GAAP)				1,668,254	
Variance				$ (525,139)	

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Nature of the Institute

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

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

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

Basis of Accounting

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

Budgetary Data

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

(1) Summary of Significant Accounting Policies, Continued

Budgetary Data, continued

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

1. Submit to the Board of Trustees an annual budget of the operation and maintenance of the Institute for its approval and forwarding the Governor and Legislature pursuant to 1 CMC Section 7206.

2. To cause to be submitted to the Governor and the Legislature no later than 120 days after the end of fiscal year a report describing the condition and progress of career and technical training during the preceding fiscal year, including financial reports showing the result of operations for that fiscal year and the financial status of the Institute on the last day thereof.

Reporting Entity

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

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

(1) Summary of Significant Accounting Policies

Net Position

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

Net investment in capital assets – Includes capital assets and right-of-use assets, net of accumulated depreciation and amortization, reduced by outstanding debt and lease liabilities attributable to the acquisition of those assets.

Restricted – Net position whose use is subject to externally imposed constraints by creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Net position that does not meet the definition of either net investment in capital assets or restricted net position.

Operating and Non-Operating Revenues and Expenses

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

New Accounting Standards

In 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of certain GASB Statements, including Statements No. 84, 89, 90, 91, 92, and 93 by one year and Statement No. 87 by eighteen months. In accordance with GASB Statement No. 95, the Institute implemented the applicable statements during the fiscal year ended September 30, 2022.

During the year ended September 30, 2022, the Institute implemented the following pronouncements:

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and to enhance the consistency and comparability of fiduciary activity reporting by state and local governments.

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

GASB Statement No. 90, *Majority Equity Interests*—an amendment of GASB Statements No. 14 and No. 61. The objective of this Statement is to improve consistency in the measurement and presentation of majority equity interests in legally separate organizations.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and lease liabilities for leases that previously were classified as operating leases and establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset.

During fiscal year 2022, the Institute implemented GASB Statement No. 87, *Leases*. Implementation resulted in a cumulative effect adjustment of $5,722 to beginning net position. Accordingly, net position at October 1, 2021, previously reported at $707,738, was restated to $713,460.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and borrowing costs and to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers, clarify the existing definition of conduit debt obligations, establish standards for accounting and financial reporting for related commitments and arrangements, and improve note disclosures.

GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing various practice issues identified during implementation of prior GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement establishes accounting and financial reporting requirements related to the replacement of interbank offered rates, including the London Interbank Offered Rate (LIBOR), used for hedging derivative instruments and other transactions.

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, continued

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The objectives of this Statement are to increase consistency and comparability in reporting fiduciary component units and to enhance the accounting and financial reporting for Section 457 deferred compensation plans that meet the definition of a pension plan.

The implementation of GASB Statement No. 87 resulted in the recognition of right-to-use lease assets, lease liabilities, and related amortization and interest expense in the accompanying financial statements. The implementation of the remaining statements did not have a material effect on the accompanying financial statements.

The Institute has not yet implemented the following accounting pronouncements:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which establishes accounting and financial reporting guidance for public-private and public-public partnership arrangements and availability payment arrangements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which establishes accounting and financial reporting guidance for subscription-based information technology arrangements, including the recognition of subscription assets and liabilities.

Management is currently evaluating the effect that these Statements will have on the Institute's financial statements upon adoption.

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

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

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

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

Revenue Recognition

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

Other revenues are recognized when earned and measurable.

Use of Estimates

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

Advertising Costs

The Institute's policy is to expense advertising costs when incurred. For the year ended September 30, 2022, advertising expense was $10,175.

(1) Summary of Significant Accounting Policies, Continued

Compensated Absences

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

Leases

The Institute recognizes lease liabilities and intangible right-to-use lease assets for lease arrangements that meet the recognition requirements of Governmental Accounting Standards Board Statement No. 87, *Leases*.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. The right-to-use lease asset is initially measured as the amount of the lease liability, adjusted for lease payments made at or before commencement and other applicable amounts.

When the interest rate implicit in the lease is not readily determinable, the Institute uses an estimated incremental borrowing rate or other appropriate discount rate to determine the present value of lease payments.

Lease liabilities are reduced by principal payments, and interest expense is recognized over the lease term. Right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Short-term leases with maximum possible terms of twelve months or less are recognized as expenses based on the provisions of the respective lease agreements and are not recognized as lease liabilities or right-to-use lease assets.

(2) Deposits

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

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

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

As of September 30, 2022, the carrying amount of the Institute's total cash and cash equivalents was $383,074 and the corresponding bank balances were $385,504. Of the bank balances, $385,504 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2022, bank deposits up to the amount of $250,000 were FDIC insured.

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

(3) Capital Assets

The following is a summary of capital assets at September 30, 2022:

	Estimated Useful Life		Amount
Equipment under $5,000	5 years	$	35,869
Machinery, tools, equipment	5 years		6,296
Computer systems and equipment	5 years		30,104
Office equipment	5 years		38,401
Office furniture and fixtures	7 years		19,053
Vehicles	5 years		192,387
Office/Building improvements	15 years		405,228
Building improvements	15 years		2,046
Facilities and equipment	5 years		49,857
Shop equipment	5 years		41,670
			820,911
Less accumulated depreciation and amortization			(506,381)
		$	314,530

(4) Contingencies

The Institute receives federal financial assistance, including Commonwealth Worker (CW) funding, Economic Development Administration (EDA) funding, and Compact Impact funding passed through the CNMI government. Federal awards and related expenditures may be subject to financial and compliance audits to determine whether applicable federal laws, regulations, and program requirements have been followed. Failure to comply with applicable requirements could result in expenditures of federal awards being questioned and possibly disallowed.

(5) Concentrations of Credit Risk

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

The Institute's cash is placed with financial institutions that, at times, may exceed federally insured limits of $250,000. At September 30, 2022, the uninsured bank balance was $135,504. The Institute has not experienced any losses in such accounts.

(5) Concentrations of Credit Risk, Continued

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

(6) Economic Dependency

The Institute receives a substantial amount of its support from the CNMI government or Federal awards and from private companies. For the year ended September 30, 2022, the Institute derived 75% of its revenue from the CNMI government for the appropriation and sub-award of the Commonwealth Worker Funds. The Institute will face financial hardship should the level of CNMI government support decrease.

(7) Lease Commitments

Effective October 1, 2021, the Institute adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use (ROU) lease asset at the commencement of a lease, unless the lease qualifies as a short-term lease.

The Institute previously entered into a long-term lease agreement with the Commonwealth of the Northern Mariana Islands Department of Public Lands (DPL) for the use of its Lower Base campus. As part of the fiscal year 2021 audit, the remaining prepaid lease balance related to the Lower Base facilities was recognized as prepaid expense. Upon adoption of GASB Statement No. 87 on October 1, 2021, the prepaid lease balance was reclassified as an operating right-to-use lease asset. The fiscal year 2021 audit adjustment recorded prepaid lease expense of $24,255 related to the Lower Base facilities.

At September 30, 2022, the carrying amount of the operating right-to-use lease asset was $24,030, and amortization expense recognized during the year totaled $2,205.

In February 2021, the Institute and the Department of Public Lands executed an Agreement for Designation of Use of Public Domain Lands for the Lower Base property. Under the agreement, DPL designated the property to the Institute for use as its northern campus and related educational facilities. The designation does not convey ownership or a leasehold interest in the property and remains subject to the terms and conditions of the agreement, including DPL's right to conduct periodic reviews to ensure the property continues to be used for its intended public purpose. DPL subsequently confirmed that the Institute had no outstanding balance as of January 7, 2020, and that no additional charges are assessed for the Institute's continued use of the designated property.

(7) Lease Commitments, Continued

On June 13, 2019, the Institute also entered into an Agreement for Designation of Use of Public Domain Lands with the Department of Public Lands for a parcel of public land located in Koblerville, Saipan. The designation authorizes the Institute to use the property for educational and related public purposes, subject to the terms and conditions of the agreement. The designation does not convey ownership or a leasehold interest in the property and remains subject to DPL's continued oversight and compliance requirements.

Finance Lease

The following summarizes finance lease expenses for the year ended September 30, 2022:

Equipment lease amortization expense	$	5,710
Interest expense on finance lease		145
Total finance lease expense	$	5,855

Information related to right-of-use-assets and lease liabilites follows:

Right-of-use-asset		
Financing right-of-use asset, net	$	7,613
Lease liabilities:		
Financing lease liability, current	$	5,797
Financing lease liability, long term		1,950
Financing lease liability	$	7,747

Supplemental information related to the Organization's leases follows:

Cash paid for amounts included in the measurement of lease liabilities	$	5,868
Weighted average remaining lease terms - finance		1.42 years
Weighted average discount rate - finance		1.40%

(7) Lease Commitments, Continued

Future principal and interest payments under finance lease are as follows:

Year Ending September 30,		
2023	$	5,862
2024		1,953
		7,815
Less amount representing interest		(68)
	$	7,747

(8) Coronavirus Pandemic

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

(9) Risk Management

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

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

(10) Date of Management's Review

Management has evaluated subsequent events occurring after September 30, 2022, through July 31, 2026, the date the financial statements were available to be issued.

Subsequent to the fiscal year-end, the Institute continued to expand its workforce development mission through new training initiatives, strategic partnerships, and the receipt of significant federal and local funding.

On September 1, 2023, the Northern Marianas Technical Institute entered into a Governor's Education Stabilization Fund II (ESF II) Subaward Agreement with the Commonwealth of the Northern Mariana Islands through the Department of Finance. Under the agreement, the Institute was awarded up to $1,349,780.73 in federal assistance to support the continued operation of the Institute, expand digital learning capabilities, improve and provide access to digital learning, enhance professional development, and strengthen workforce education and training programs through September 30, 2023.

The ESF II award was provided post COVID-19 pandemic for critical support that enabled the Institute to strengthen institutional capacity, maintain continuity of educational services, and further advance its mission of preparing a highly skilled workforce. Because the agreement was executed after September 30, 2022, no amounts related to this award have been recognized in the accompanying FY 2022 financial statements. Management believes this award represents a significant nonrecognized subsequent event due to its material impact on the Institute's future operations and financial stability.

During the subsequent period, the Institute also received funding through the U.S. Economic Development Administration (EDA) to construct the Northern Marianas Technical Institute Workforce Career Training Facility in Koblerville, Saipan. Planning, design, and construction activities for the new state-of-the-art campus were ongoing as of the report issuance date, with substantial completion anticipated in April 2027. Upon completion and occupancy of the new facility, the Institute intends to transition all instructional and administrative operations from its current Lower Base campus to the Koblerville campus, thereby relinquishing its use and occupancy of the Lower Base facility. The transition represents a significant milestone in the Institute's long-term strategic plan to modernize and expand career and technical education opportunities for the Commonwealth.

(10) Date of Management's Review, Continued

In April 2026, the Commonwealth of the Northern Mariana Island was impacted by Super Typhoon Sinlaku, resulting in significant damage to the Institute's Lower Base campus and the temporary suspension of instructional operations while restoration and recovery efforts were undertaken. The Institute subsequently resumed instructional operations following substantial restoration of its facilities.

Management has determined that the events described above occurred after September 30, 2022, and therefore represent non-recognized subsequent events. Accordingly, these events have not been reflected in the accompanying financial statements but are disclosed because of their significance to the Institute's future operations and financial condition.

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

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

Year ended September 30, 2022

<u>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*</u>

The Board of Trustees and Management of Northern Marianas Technical Institute

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Northern Marianas Technical Institute (the Institute), a component unit of the CNMI Government, which comprise the statement of net position as of September 30, 2022, and the related statements of revenues, expenses and changes in net position and of cash flows for the year ended September 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated July 31, 2026.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Burger Comer & Associates

July 31, 2026
Saipan, MP

Unresolved Prior Year Findings
For the Year Ended September 30, 2022

There are no unresolved prior year findings as of September 30, 2022.