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

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITOR'S REPORT

Years Ended September 30, 2022 and 2021

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

Years Ended September 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Northern Marianas College

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Northern Marianas College (the College), a component unit of the CNMI government, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of September 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility 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, intention omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Financial Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Burger Comer & Associates

Saipan, Commonwealth of the Northern Mariana Islands
June 27, 2023

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

Years Ended September 30, 2022 and 2021

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, 2022 and 2021, the results of its operations for the years then ended, and significant changes from the previous year. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* as amended by GASB Statements Nos. 37 and 38. The MD&A, financial statements and accompanying notes, are the responsibility of the College management.
The focus of the MD&A is on the Northern Marianas College financial information contained in the statement of financial position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows which include the auxiliary services and the College foundation.

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

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

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

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

The financial statement presentation consists of the statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and accompanying notes for the fiscal years ended September 30, 2022 and 2021. These statements provide information on the financial position of the College and the financial activity and results of its operations during the years presented. A description of these statements follows:

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

Net position is divided into three major categories:

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

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

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

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

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

Financial Highlights

The College is net position of $39,597,882 is comprised of $44,991,102 in total assets, less $5,393,224 in total liabilities and deferred inflows of resources. The net position increased $4,908,377 in FY-2022 as a result of this year's operations. The College net operating revenues increased $3,257,505 in FY-2022 compared to FY-2021. The growth in net operating revenues is primarily due to increases in Federal operating grants. These increases were offset by decreases in net realized and unrealized loss on investment's fair market value and increases in operating expenses for FY-2022.

Statement of Net Position

The statement of net position presents the financial position of the College at the end of its fiscal year. The Northern Marianas College's net position was $39,597,882 and $34,689,505 at September 30, 2022 and 2021, respectively, and experienced an increase of $4,908,377 in FY-2022. The College's total assets increased $6,469,552 in FY-2022. Total liabilities and deferred inflows of resources during FY-2022 increased $1,561,176. The following table reflects the financial position at September 30, 2022 and 2021:

Condensed Statements of Net Position

	2022	2021
Current assets	$ 30,901,798	23,191,845
Capital assets, net	5,308,519	4,482,525
Other noncurrent assets	8,780,785	10,847,180
Total assets	44,991,102	38,521,550
Current liabilities	3,588,617	3,438,684
Noncurrent liabilities	126,389	214,115
Deferred inflows of resources	1,678,215	179,246
Total liabilities and deferred inflows	5,393,221	3,832,045
Net investment in capital assets	5,308,519	4,482,525
Restricted - nonexpendable	3,200,000	3,200,000
Restricted - expendable	5,580,785	7,647,180
Unrestricted	25,508,578	19,359,800
Total net position	$ 39,597,882	34,689,505

Current Assets

Current assets at September 30, 2022 increased $7,709,953 compared to the previous year. In general, current assets are those assets that are available to satisfy current liabilities (i.e., those that will be paid within one year). Current assets at September 30, 2022 consist primarily of cash and cash equivalents of $19,498,178, time certificate of deposit of $702,561, accounts receivable and unbilled charges of $1,976,361, due from grantor agencies of $1,750,182, due from CNMI government $5,950,597, auxiliary enterprise inventories of $359,169 and $664,750 of prepayments, respectively. The increase in current assets during FY-2022 is primarily due to increases of $6,226,007 in receivables.

Current Liabilities

Current liabilities slightly increased compared to the previous year. Current liabilities at September 30, 2022 consist principally of accounts payable of $1,005,722, accrued salaries and benefits payable of $1,347,196, current portion of compensated absences of $568,825, and unearned revenues of $666,874, respectively.

Capital Assets, net

The College capital assets are substantially comprised of land, buildings and building improvements, furniture and equipment, computers and vehicles. As of September 30, 2022, and 2021, the College had $5,308,519 and $4,482,525, respectively, invested in capital assets. The College building construction which is currently in progress as of September 30, 2022 totaled $1,537,467, mainly contributed to the increase. After the end of FY-2018, NMC experienced a great loss of capital assets because of Super Typhoon Yutu. As a result, many buildings were destroyed and adjustments to depreciation and other assets were made accordingly.

A summary of capital assets, by major classification, and related accumulated depreciation for the FY-2022 and FY-2021 are as follows:

Summary of Capital Assets

	2022	2021
Land	$ 1,113,376	1,113,376
Buildings and improvements	7,472,827	6,464,151
Furniture and equipment	1,458,533	1,464,493
Vehicles	1,147,027	1,025,843
Computers and software	768,562	768,562
Construction in Progress	811,651	725,816
Total capital assets	12,771,976	11,562,241
Less accumulated depreciation:		
Buildings and improvements	4,591,990	4,461,849
Furniture and equipment	1,294,982	1,191,653
Vehicles	834,112	706,178
Computers and software	742,373	720,036
Total accumulated depreciation	7,463,457	7,079,716
Capital assets, net	$ 5,308,519	4,482,525

Noncurrent Assets

The College's FY-2022 noncurrent assets comprised of investments and capital assets decreased $1,240,401 compared to the previous year attributed to the decrease in fair market value of long-term investments. The decrease in investments assets in FY-2022 is largely due to rising interest rates, weak investment return and deteriorating economic conditions during the last two quarters of the fiscal year.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Northern Marianas College results of operations, as well as non-operating activities. Revenues, expenses, and changes in net position for the FY-2022 and FY-2021 are summarized as follows:

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

	2022	2021
Operating revenues	$ 23,957,792	20,700,287
Non-operating revenues	1,985,752	4,241,297
Total revenues	25,943,544	24,941,584
Operating expenses	21,035,167	17,456,954
Increase (decrease) in net position	$ 4,908,377	7,484,630

Total operating revenues were $23,957,792 and increased $3,257,505 in FY-2022 compared to FY-2021. Non-operating revenues include CNMI appropriations, increased $976,271 in FY-2022. Total expenses for FY-2022 were $21,035,167 and increased $3,578,213 compared to the prior year.

Revenue Overview

	2022	2021
U.S. Federal grants	$ 20,661,135	16,379,291
Tuition and fees, net	2,190,989	3,837,111
Private gifts & donations	20,319	8,150
Other operating	1,085,350	475,735
Operating revenues	23,957,792	20,700,287
CNMI appropriations	4,052,146	3,075,875
Gain or (Loss) on Investments	(2,066,394)	1,454,347
Other non-operating	-	(288,925)
Non-operating revenues	1,985,752	4,241,297
Total Revenue	$ 25,943,544	24,941,584

U.S. Federal Grants

U.S. federal grants are government funds to support projects and programs of the College. There are various federal agencies (i.e., U.S. Department of Education, U.S. Department of Agriculture, U.S. Department of Interior, U.S. Department of Labor, U.S. Small Business Administration, U.S. Department of Health and Human Services, and U.S. Department of Homeland Security) in which the College received total grants of $20,661,135 in FY-2022 compared to $16,379,291 in FY-2021. The increase of $4,281,844 mostly due to additional funding from CARES funds, and NMC's allocation of the American Rescue Plan Act (ARPA).

Tuition and Fees, Net

Tuition and fee revenue, net of scholarship and allowances, totaled $2,190,989 and decreased $1,646,122 in FY-2022 compared to FY-2021. However, the gross PELL awards received in FY-2022 slightly increased from $5,041,023 in FY-2021 to $5,144,833 in FY-2022, due to slight increase in enrollment. Annual average full-time equivalent students were approximately 1,127 and 1,098 for the fiscal years ended September 30, 2022 and 2021, respectively.

Five-year Comparative Enrollment

Private Gifts, Grants and Donations – Restricted

The College foundation received gifts and donations of $20,318 in FY-2022 that can only be used for stated purposes.

Other Operating Revenue

Other operating revenue of the College comprised of auxiliary enterprise activity which is bookstore sales *(net of cost of sales)* to the students and staff, programs revenue, indirect revenue, rent, and other miscellaneous revenues of $1,085,350 and $475,735 for the fiscal years ended September 30, 2022 and 2021, respectively.

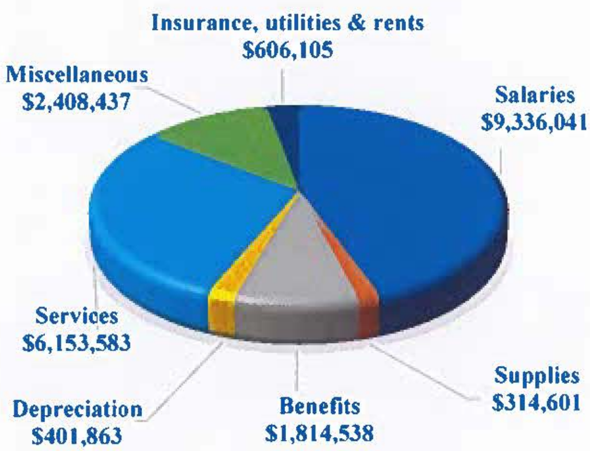
CNMI Appropriations

A significant source of the College revenues are CNMI appropriations, which for financial reporting purposes are classified as non-operating revenues. CNMI appropriations totaled $4,052,146 and $3,075,875 and represented approximately 16 percent of total revenues for both FY-2022 and FY-2021. CNMI support (both direct support for operations and indirect support for fringe benefits, and debt service) and for College's campus operations, increased $976,271 in FY-2022 compared to the prior year.

Expense Overview

	2022	2021
Salaries	$ 9,336,041	$ 8,031,561
Services	6,153,583	5,407,145
Miscellaneous	2,408,436	1,452,865
Benefits	1,814,538	1,510,896
Insurance, utilities & rents	606,105	455,775
Depreciation	401,863	369,279
Supplies	314,601	229,433
Total expenses	$ 21,035,166	$ 17,456,954

FY-2022 Expenses



Highlights of the College Expenses

During the FY-2022 the College expenses increased $3,578,213 due to the following factors:

- Salaries and compensation expenses increased $1,304,480 compared to prior year primarily due to hiring of additional full-time staff and instructors with anticipation of full face to face instruction as opposed to online classes, payment of retention benefit, and premium pay to eligible workers who performed essential work at the College during the COVID-19 public health emergency.
- Services expenses are expenses comprising of professional services contracts, security, janitorial, auxiliary enterprise expenses, and including student expenses, increased $746,438 compared to prior year.
- Miscellaneous expenses increased $955,571 compared to prior year largely due to increase in locally and or federally funded administrative travel expenses within CNMI and outside CNMI.
- Benefits expenses are College expenses primarily to pay employers contributions in employees' Medicare, retirement, health and life insurances, and social security. The benefit expenses slightly increased $303,642 compared to prior year, which is attributed by hiring additional staff and instructors during the FY-2022.
- All other College expenses i.e., insurance policies, utilities and rent expenses, depreciation expense, and supplies expense, increased $268,082 due to increase of fuel and energy cost, compared to prior year.

Long Term Debt

The College did not engage in long-term debt financing in fiscal year 2022.

Subsequent Events and Other Operational Factors

- The College has been able to maintain a consistent and stable financial position throughout recent periods. This result has been accomplished despite challenging economic circumstances.
- The College endowment portfolio experienced losses in fair market value during the FY-2022. However, the College maintains a diversified portfolio managed by professional investment managers and employs conservative spending and investing policies to minimize and strategize against investment fluctuations and/or losses.
- Earlier in FY-2020, despite the global health emergency of COVID-19 outbreak, the College is able to continue its operation due to the fund received from Governor's Education Stabilization Fund (GESF) and federal assistance to respond to COVID-19. These funds are used to keep the College in operation, design and/or develop online learning platforms, provide financial assistance to students and their families in order to recover from loss of employment due to the effect of pandemic, and to help students continue finishing their respective degrees, etc.

- The College faced another challenge when Super typhoon Yutu hit the CNMI on October 24, 2018. The College lost 37 out of 39 classrooms, destroyed facility infrastructures, instructional materials, hundreds of computers, valuable laboratory equipment, vehicles and office furniture and equipment with an estimated total cost of more than $20 million. On the other hand, it is estimated that it will cost more than $120 million to rebuild and restore the College. With the federal assistance and grants from the U.S. Department of Homeland Security, classroom tents were built to resume classes in the College's three campuses – Saipan, Tinian and Rota.

The Future College's Facility

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

Management Outlook

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

- **Tuition revenues** as one of the larger and significant sources of revenues. Management will continue to diligently focus on further increases in retention rates as well as continuous monitoring and forecasting of applications and enrollments; and,
- **CNMI budget appropriations**. The College's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing local government support. For the most recent fiscal year, CNMI appropriation totaled $4,052,146 which represented 16 percent of the total revenues of the College. and
- **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, 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, 2022 is set forth in the report on the audit of the College's financial statements which is dated June 27, 2023. The Management's Discussion and Analysis explains the major factors impacting the 2022 financial statements. If you have questions about the 2022 or 2021 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, 2022 and 2021

	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	$ 19,498,178	18,690,266
Time certificate of deposit	702,561	702,120
Accounts receivable and unbilled charges, net	1,976,361	928,160
Due from grantor agencies	1,750,182	1,396,925
Due from CNMI	5,950,597	1,126,049
Inventories	359,169	348,325
Prepayments	664,750	-
Total current assets	30,901,798	23,191,845
Noncurrent assets:		
Investments	8,780,785	10,847,180
Capital assets, net	5,308,519	4,482,525
Total noncurrent assets	14,089,304	15,329,705
Total assets	44,991,102	38,521,550
Liabilities:		
Current liabilities:		
Accounts payable	1,005,722	1,051,046
Accrued salaries and benefits payable	1,347,196	1,247,134
Current portion of compensated absences	568,825	472,821
Unearned revenues	666,874	667,683
Total current liabilities	3,588,617	3,438,684
Noncurrent liabilities:		
Compensated absences, net of current portion	126,389	214,115
Total liabilities	3,715,006	3,652,799
Deferred inflows of resources:		
Grant receipts	1,678,215	179,246
Net position:		
Investment in capital assets, net	5,308,519	4,482,525
Restricted net assets:		
Nonexpendable	3,200,000	3,200,000
Expendable	5,580,785	7,647,180
Unrestricted	25,508,578	19,359,800
Net position	$ 39,597,882	$ 34,689,505

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, 2022 and 2021

	2022	2021
Operating revenues:		
U.S. Federal grants	$ 20,661,135	16,379,291
Tuition and fees (net of scholarship discounts and allowances of $2,061,096 and $2,444,326 in 2021	2,190,989	3,837,111
Private gifts, grants and donations - restricted	20,318	8,150
Others (net of bookstore cost of sales of $272,282 in 2022 and $139,938 in 2021)	1,085,350	475,735
Net operating revenues	23,957,792	20,700,287
Operating expenses:		
Salaries	9,336,041	8,031,561
Services	6,153,583	5,407,145
Miscellaneous	2,408,436	1,452,865
Benefits	1,814,538	1,510,896
Insurance, utilities and rents	606,105	455,775
Depreciation	401,863	369,279
Supplies	314,601	229,433
Total operating expenses	21,035,167	17,456,954
Operating income	2,922,625	3,243,333
Nonoperating revenues (expenses):		
CNMI appropriations	4,052,146	3,075,875
Realized and unrealized gain on loss	(2,066,394)	1,454,347
Typhoon damages	-	(288,925)
Total nonoperating revenues	1,985,752	4,241,297
Change in net position	4,908,377	7,484,630
Net position, beginning of the year	34,689,505	27,204,875
Net position, end of the year	$ 39,597,882	$ 34,689,505

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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Tuition and fees collected	$ 1,141,979	558,508
U.S Federal grants	20,526,445	16,203,016
Other receipts	1,105,668	483,885
Payments to employees	(11,042,239)	(9,542,457)
Payments to suppliers	(10,203,643)	(6,208,897)
Net cash provided by operating activities	1,528,210	1,494,055
Cash flows from investing activities:		
Increase in time certificate of deposit	(441)	(2,951)
Proceeds from sales and redemptions of investments	4,140,965	279,376
Purchases of investments	(4,140,965)	(279,376)
Net cash used for investing activities	(441)	(2,951)
Cash flows from noncapital financing activities:		
CNMI appropriations collected	508,000	3,075,875
Net cash provided by noncapital financing activities	508,000	3,075,875
Cash flows capital and related financing activities:		
Purchases of capital assets	(1,227,857)	(1,553,518)
Net cash used for capital and related financing activities	(1,227,857)	(1,553,518)
Net change in cash and cash equivalents	807,912	3,013,461
Cash and cash equivalents, beginning of year	18,690,266	15,676,805
Cash and cash equivalents, end of year	$ 19,498,178	$ 18,690,266

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, 2022 and 2021

		2022		2021
Reconciliation of operating income to net cash provided by (used for) operating actvities:				
Operating income	$	2,922,625		3,243,333
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation		401,863		369,279
Changes in assets and liabilities:				
Accounts receivable and unbilled charges, net		(1,048,201)		(14,954)
Due from grantor agencies		(353,257)		(176,275)
Inventories		(10,844)		75,183
Prepayments		(664,750)		4,216
Accounts payable		(45,324)		589,879
Accrued salaries and benefits payable		100,062		911,979
Compensated absences		8,278		25,631
Unearned revenues		(809)		(4,410,573)
Due from CNMI		(1,280,402)		1,136,728
Deferred inflows of resources		1,498,969		(260,371)
Net cash provided by (used for) operating activities	$	1,528,210	$	1,494,055

See accompanying notes to financial statements.

(1) Organization

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

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

(2) Summary of Significant Accounting Policies

Basis of Presentation

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

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

Basis of Accounting

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

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

(2) Summary of Significant Accounting Policies, *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, 2022 and 2021, the carrying amount of the College's cash and cash equivalents and time certificates of deposit were $20,200,738 and $19,392,387, respectively, and the corresponding bank balances were $20,929,234 and $19,704,104, respectively. Of the bank balance amounts, $20,929,234 and $19,704,104, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2022, bank deposits in the amount of $750,000 were FDIC insured. The College does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Accounts Receivable and Allowance for Doubtful Accounts

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

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

Inventories

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

(2) Summary of Significant Accounting Policies, *Continued*

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, 2022 and 2021. 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, 2022 and 2021, there were no investments in any one issuer that exceeded five percent (5%) of total investments.

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

(2) Summary of Significant Accounting Policies, *Continued*

Investments

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.

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".

(2) Summary of Significant Accounting Policies, *Continued*

Investments

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.
- 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.

(2) Summary of Significant Accounting Policies, *Continued*

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, 2022 and 2021, the College recorded accrued annual leave in the amount of $695,214 and $686,936, respectively, which is included within the statements of net position as compensated absences.

Net Position

The College's net position is classified as follows:

Investment in Capital Assets - This represents the College's total investment in capital assets.
Restricted Expendable - Restricted expendable includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties and the Board of Regents.

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.

(2) Summary of Significant Accounting Policies, *Continued*

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, 2022 and 2021.

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, 2022, the College only has one type of deferred inflows of resources arising from grants received with restrictions.

Classification of Revenues

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

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

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

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

(2) Summary of Significant Accounting Policies, *Continued*

Retirement Plan

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

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

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.

(2) Summary of Significant Accounting Policies, *Continued*

Retirement Plan, Continued

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

The College's total contributions to the Settlement and Retirement Fund for the years ended September 30, 2022, 2021 and 2020 were $286,679, $194,481, and $32,361, 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.

Recently Issued Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 was to be effective for reporting periods beginning after December 15, 2018, but was delayed by GASB Statement No. 95 as described below. The effective date is now reporting periods beginning after December 15, 2019. Management does not believe that implementation of this statement had a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, *Continued*

Recently Issued Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 was to be effective for the College for the fiscal year ending September 30, 2021, but was delayed by GASB Statement No. 95 to fiscal years beginning after June 15, 2021. Management does not believe that the implementation of this statement had a material effect on the financial statements.

In April 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement also requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance related consequences, termination events, and significant subjective acceleration clauses.

This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This Statement was to be effective for reporting periods beginning after June 15, 2018 but was delayed by GASB Statement No. 95 to reporting periods beginning after June 15, 2019. Management does not believe that implementation of this statement had a material effect on the financial statements.

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement.

This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the costs are incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical costs of a capital asset reported in a business-type activity or enterprise fund.

(2) Summary of Significant Accounting Policies, *Continued*

Recently Issued Accounting Pronouncements

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement was to be effective for reporting periods beginning after December 15, 2018 but was delayed by GASB Statement No. 95 to reporting periods beginning after December 15, 2020. Management does not believe that implementation of this statement had a material effect on the financial statements.

In August 2018, GASB Statement No. 90, *Majority Equity Interest, an Amendment of GASB Statements No. 16 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

Transactions presented in cash flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. This Statement was to be effective for reporting periods beginning after December 15, 2018 but was delayed by GASB Statement No. 95 to reporting periods beginning after December 15, 2019. Management does not believe that implementation of this statement had a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosure. GASB Statement No. 91 will be effective for the fiscal year ending September 30, 2023.

(2) Summary of Significant Accounting Policies, *Continued*

Recently Issued Accounting Pronouncements

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

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

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

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

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

(2) Summary of Significant Accounting Policies, *Continued*

Recently Issued Accounting Pronouncements

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update – 2018*
- Implementation Guide No. 2019-1, *Implementations Guidance Update – 2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

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

In October 2021, GASB issued Statement No. 98, The *Annual Comprehensive Financial Report.* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial reports and its acronym in generally accepted accounting principles for states and local governments. This Statement was developed in response to concerns raised by the stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on the commitment to promoting inclusiveness. This Statement was effective for the fiscal years ending after December 15, 2021.

NMC is currently evaluating whether or not the above listed new GASB pronouncements that have not yet been implemented will have a significant impact on its financial statements.

(3) Accounts Receivable and Unbilled Charges

Summarized below are the College's accounts receivable and unbilled charges as of September 30, 2022 and 2021:

	2022	2021
Student Tuition and Fees	$ 3,114,160	2,811,894
Auxiliary Enterprises	95,597	104,066
Other Activities	711,279	(60,602)
Total	3,921,036	2,855,358
Allowance for doubtful accounts	(1,944,675)	(1,927,198)
Net receivable and unbilled charges	$ 1,976,361	928,160

(4) Investments

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

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

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

(4) Investments, continued

The following table presents a summary of the College's investments by type as of September 30, 2022 and 2021, at fair value:

	Fair Value as of 9/30/2022	Quoted Prices Active Markets Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Equity Securities				
Domestic equity	$ 3,085,051	3,085,051	-	-
International equity	1,676,349	1,676,349	-	-
Total equity securities	4,761,400	4,761,400	-	-
Debt Securities				
Real Estate and Tangibles	515,815	-	-	515,815
Cash and cash equivalents	640,320	-	-	640,320
Asset-Backed, Mortgage-Backed, Collateralized Mortgage Obligation	158,228	-	158,228	-
US Treasury	1,851,254	-	1,851,254	-
Corporate Bonds	853,770	-	853,770	-
Total Investments by Fair Value Level	$ 8,780,787	4,761,400	2,863,252	1,156,135

	Fair Value as of 9/30/2021	Quoted Prices Active Markets Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Equity Securities				
Domestic equity	$ 3,683,980	3,683,980	-	-
International equity	2,467,502	2,467,502	-	-
Total equity securities	6,151,482	6,151,482	-	-
Debt Securities				
Real Estate and Tangibles	651,575	-	-	651,575
Cash and cash equivalents	645,432	-	-	645,432
Asset-Backed, Mortgage-Backed, Collateralized Mortgage Obligation	793,054	-	793,054	-
US Treasury	1,389,762	-	1,389,762	-
Corporate Bonds	1,215,875	-	1,215,875	-
Total Investments by Fair Value Level	$ 10,847,180	6,151,482	3,398,691	1,297,007

(4) Investments, continued

At September 30, 2022 and 2021, the College's fixed income securities had the following maturities:

	2022					
		Investment Maturities (In Years)				
Investment type	Fair Value	Less than 1	1-5	6-10	More than 10	Rating
Government and GSE bonds	$ 1,851,254	-	599,496	771,074	480,684	AAA
Corporate bond	13,720	-	-	-	13,720	AAA
Corporate bond	29,200	-	-	29,200	-	A+
Corporate bond	331,675	-	17,063	301,006	13,606	A-
Corporate bond	278,853	-	70,125	193,029	15,699	BBB+
Corporate bond	131,436	-	34,442	96,994	-	BBB
Corporate bond	227,113	-	68,884	-	158,228	No rating
	$ 2,863,252	-	790,010	1,391,303	681,938	
Percentage Portfolio	100%	0%	28%	49%	24%	

	2021					
		Investment Maturities (In Years)				
Investment type	Fair Value	Less than 1	1-5	6-10	More than 10	Rating
Government and GSE bonds	$ 1,354,763	-	564,496	604,710	185,557	AAA
Government and GSE bonds	34,999	34,999	-	-	-	No rating
Corporate bond	18,281	-	-	-	18,281	AAA
Corporate bond	241,247	-	-	201,662	39,585	A-
Corporate bond	493,046	-	-	473,504	19,541	BBB+
Corporate bond	140,923	-	20,450	120,473	-	BBB
Corporate bond	1,115,432	-	-	-	1,115,432	No rating
	$ 3,398,691	34,999	584,945	1,400,349	1,378,398	
Percentage Portfolio	100%	1%	17%	41%	41%	

(5) Capital Assets, Net

Summarized below is the College's investment in capital assets and changes for the years ended September 30, 2022 and 2021:

	Estimated Useful Lives		Balance September 30, 2021	Additions	Deletions	Balance September 30, 2022
Buildings and improvements	5-30 years	$	7,189,977	1,094,511	-	8,284,488
Furniture and equipment	2-5 years		1,464,493	5,400	(11,359)	1,458,534
Vehicles	5 years		1,025,843	121,184	-	1,147,027
Computers and software	3-5 years		768,562	-	-	768,562
Total depreciable assets			10,448,865	1,221,095	(11,359)	11,658,611
Accumulated depreciation			(7,079,716)	(401,863)	18,122	(7,463,456)
Depreciable assets, net			3,369,149	819,232	6,763	4,195,155
Land			1,113,376	-	-	1,113,376
Capital assets, net		$	4,482,525	819,232	6,763	5,308,531

	Estimated Useful Lives		Balance September 30, 2020	Additions	Deletions	Balance September 30, 2021
Buildings and improvements	5-30 years	$	6,387,923	1,305,414	(503,360)	7,189,977
Furniture and equipment	2-5 years		1,387,480	77,013	-	1,464,493
Vehicles	5 years		845,642	180,201	-	1,025,843
Computers and software	3-5 years		760,558	7,994	-	768,552
Total depreciable assets			9,381,602	1,570,622	(503,360)	10,448,865
Accumulated depreciation			(6,907,766)	(386,384)	214,434	(7,079,716)
Depreciable assets, net			2,473,835	1,184,238	(288,926)	3,369,149
Land			1,113,376	-	-	1,113,376
Capital assets, net		$	3,587,211	1,184,238	(288,926)	4,482,525

(6) Long-Term Obligation

Changes in long-term obligations for the years ended September 30, 2022 and 2021, are as follows:

	2022	2021
Compensated Absences		
Balance, Beginning	$ 686,935	661,305
Additions	322,823	470,795
Reductions	(314,544)	(445,165)
Balance, End	695,214	686,935
Due within one year	(568,825)	(472,821)
Non-Current	$ 126,389	214,114

(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, 2022 and 2021, the College recognized $4,052,146 and $3,075,875, respectively, in appropriations from the CNMI Government. The amounts due from CNMI Government for appropriations as of September 30, 2022 and 2021 amounted to $5,950,597 and $1,126,049, respectively, and the amount due from CNMI Government for retirement contributions paid for retired employees amounted to $177,561 as of September 30, 2022.

As of September 30, 2022 and 2021, 1% of the total amounts appropriated by CNMI law to the College operations and activities, amounting to $80,950 and $30,522, respectively, are withheld for the Office of the Public Auditor (OPA) of the CNMI.

At September 30, 2022 and 2021, amounts payable for utility expense to the Commonwealth Utilities Corporation (CUC), a component unit of the CNMI Government, amounted to $31,165 and $27,197, respectively, and are included in accounts payable in the accompanying statements of net position. During the years ended September 30, 2022 and 2021, total utilities purchased from CUC amounted to $325,337 and $251,962, 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 2022 and 2021. The following table shows natural classifications with functional classifications:

2022

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

2021

	Salaries	Services	Benefits	Insurance Utilities and Rent	Depr.	Supplies	Misc.	Total
Instructional	$ 2,865,677	151,214	696,389	-	-	56,030	11,295	3,780,605
Academic	667,217	9,871	57,263	-	-	5,662	37,667	777,680
Institutional	2,283,127	2,067,888	278,939	-	-	80,810	50,861	4,761,625
Student service	962,894	75,839	262,651	-	-	7,967	58,414	1,367,765
Public service	1,138,511	-	215,633	-	-	40,221	15,943	1,410,309
Scholarships	-	2,869,439	-	-	-	-	-	2,869,439
Auxiliary	23,858	960	21	26	-	4,228	6,423	35,515
Oper. and Maint.	90,277	231,934	-	455,749	369,279	34,515	1,272,262	2,454,015
	$ 8,031,561	5,407,145	1,510,896	455,775	369,279	229,433	1,452,865	17,456,954

(9) Commitments and Lease Obligations

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, 2022 and 2021.

The Company entered into a finance lease with a Xerox Corporation to secure the right to use two copiers equipment starting on April 20, 2018 and May 17, 2019 and expiring in sixty (60) months with monthly payments of $3,298 and $2,423.

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

Finance Leases

Right-of-use asset	$	157,370
Accumulated amortization		(141,457)
Right-of-use asset, net	$	15,913
Lease obligation, current		5,825
Lease obligation, noncurrent		2,326
Total lease obligation	$	8,151

(10) 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.

(10) Contingencies, continued

Lawsuits and Claims

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

Sick Leave

It is the policy of the College to record expenditures for sick leave when the leave is actually taken. Employees are credited with sick leave at the rate of 4 hours per pay period. Unused sick leave hours may be accumulated without limit but cannot be converted to cash upon termination of employment and are convertible to service upon retirement of employees covered by the defined benefit plan. Sick leave is compensated time for absence during working hours arising from employee illness or injury. The estimated accumulated sick leave at September 30, 2022 and 2021 is $2,132,140 and $2,203,482, respectively. These amounts are not accrued in the accompanying financial statements.

Insurance

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

(11) 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.

(12) Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net position.

(13) Coronavirus Pandemic

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

(14) Date of Management's Review

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through June 27, 2023, 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, 2022

BCM **BURGER · COMER · MAGLIARI**
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Regents
Northern Marianas College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Northern Marianas College (the College) as of and for the year ended September 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003 that we consider to be significant deficiencies.

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Report on Compliance and Other Matters

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

Northern Marianas College's Response to Findings

Northern Marianas College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northern Marinas College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 27, 2023

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CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Regents
Northern Marianas College:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Northern Marianas College's (the College's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2022. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item No. 2022-003. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-03, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Northern Marianas College's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Burger Comer & Associates

Saipan, Commonwealth of the Northern Mariana Islands
June 27, 2023

NORTHERN MARIANAS COLLEGE

(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
	Direct from U.S. Department of Agriculture:			
10.203	Hatch Act		$ 1,229,857	$ 1,229,857
10.767	Community facilities		80,985	-
10.500	Cooperative Extension Service		1,368,641	-
	Subtotal Direct Programs		2,679,483	1,229,857
	Pass-through			
	Children's Healthy Living Program	MA1401	55,870	-
	Pass-through			
	Western SARE	G255-20-W7905	14,781	-
	Pass-through			
	Improving Forktail Rabbitfish in the CNMI	MA1665	51,525	-
	Subtotal Pass-Through Programs		122,176	-
	Total U.S. Department of Agriculture		$ 2,801,659	$ 1,229,857

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
	Direct from U.S. Department of Education:			
	Student Financial Aid Cluster:			
84.007	Federal Supplemental Educational Opportunity Grants		$ 78,800	$ -
84.033	Federal Work-Study Program		52,800	-
84.063	Federal Pell Grant Program		5,144,833	-
84.379	Teacher Education Assistance for College and Higher Education Grants		64,598	-
84.408	Iraq and Afghanistan Service Grant		6,124	-
	Subtotal Student Financial Aid Cluster		5,347,155	-
84.002	Adult Education - Basic Grants to States		282,695	-
84.031L	Asian American and Native American Pacific Islander-Serving Institute Program		329,167	-
84.425F	CARES Act Higher Education Emergency Relief Fund		945,228	-
84.425E	NMC COVID-19 Emergency Relief Fund		2,867,753	-
84.938	Emergency Assistance to Higher Education Program		745,796	-
84.425	HERF Minority Serving Institution Grant		3,700	-
	Subtotal Direct Programs		5,174,339	-
	Pass-through from University of Hawaii:			
84.206	Project BEAM	MA1380	14,336	-
	Pass-through from CNMI Government			
93.498	American Rescue Plan Act	KA1354	5,273,322	-
	Subtotal Pass-Through Programs		5,287,658	-
	Total U.S. Department of Education		$ 15,809,152	$ -

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
	U.S. Department of Health and Human Services:			
	Pass-through from University of Hawaii:			
93.107	Area Health Edu. Ctrs. Point of Serv. Maint. & Enhanc. Awards	KA1354	$ 127,976	$ -
	Pass-through from Portland State University:			
93.310	Enhance Cross Discipline and Infrastructure and Training	100119	48,035	-
	Pass-through from University of Hawaii:			
93.632	Pacific Basin University Centers for Excellence in Developmental Disabilities Education, Research, and Service (B)	MA1282	104,600	-
	Pass-through from University of Hawaii:			
84.206A	PBUCE COVID-Access to Vaccine	MA1670	14,552	-
	Total Pass-Through Programs		295,163	-
	Total U.S. Department of Health and Human Services		295,163	-
	U.S. Department of Homeland Security:			
	Pass-through from CNMI Government:			
97.unknown	Commonwealth Worker Fund	none identified	800,000	-
	Total Pass-Through Programs		800,000	-
	Total U.S. Department of Homeland Security		800,000	-
	U.S. Department of the Interior:			
	Pass-through from CNMI Government:			
15.875	NMC Building V Renovation	D19AF00298	113,022	-
	Economic, Social, and Political Development of the Territories - Compact Impact	D22AF00298	659,776	-
	Total Pass-Through Programs		772,798	-
	Total U.S. Department of the Interior		772,798	-
	National Science Foundation:			
	Pass-through from University of Hawaii			
47.076	Alliance of Students with Disabilities INTO in STEM	MA1727	9,230	-
	Pass-through			
10.303	Islands of Opportunity Alliance	HI144	28,018	-
	Total Pass-Through Programs		37,248	-
	Total National Science Foundation		37,248	-
	U.S. Department of Labor:			
	Pass-through from USDOL ETA			
59.037	State Apprenticeship Program	AP-35118-20-60-A-69	72,445	-
	Total U.S. Department of Labor		72,445	-
	US Small Business Administration			
	Pass-through from SBDC			
	Small Business Development Center	SBAHQ22B0020	72,670	-
	Total U.S. Department of Labor		$ 72,670	-
	Grand Total		$ 20,661,135	-

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

(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
- 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 2022, 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, 2022

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?	__X__ yes ____ 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?	__X__ yes ____ 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, 2022

SECTION I – SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Federal Awards

Identification of major programs:

CFDA Number	Description	Federal Expenditures
	Student Financial Assistance Cluster:	
84.063	Federal Pell Grant Program	$ 5,144,833
84.379	Teacher Education Assistance for College and Higher Education (TEACH) Grant Program	64,598
84.007	Federal Supplemental Educational Opportunity Grants	78,800
84.033	Federal Work-Study Program	52,800
84.408	Iraq and Afghanistan Service Grant	6,124
	Student Financial Assistance Cluster	5,347,155
93.498	American Rescue Plan Act	5,273,322
84.425E	NMC COVID-19 Emergency Relief Fund	2,867,753
10.500	USDA Cooperative Extension Service	1,368,641
10.203	USDA Hatch Act	1,229,857
84.425F	CARES Act Higher Education Emergency Relief Fund	945,228
84.938	Emergency Assistance to Higher Education Program	745,796
15.875	Economic, Social, and Political Development of the Territories – Compact Impact	659,776
84.002	APISI Program	329,167
84.002	Adult Education – Basic Grants to States	282,695
97.unknown	Commonwealth Worker Fund	800,000
Total Federal Expenditures-Major Programs		$ 19,849,390
	Percentage of total federal awards tested	96%

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as low-risk auditee	__X__ yes ____ no

SECTION II – FINANCIAL STATEMENTS FINDINGS

Finding No. 2022-001, Payroll

Finding type: Significant deficiency in internal control

Criteria:

NMC's internal control policies and procedures require that personnel action forms must be reviewed and approved prior to renewal of employment.

Condition:

For 1 of 115 items tested, or 1% of the sample, we noted that the personnel action form was signed after the effective date of the renewal of employment.

Cause:

NMC staff who are responsible for monitoring personnel action form renewals did not review these personnel files in a timely manner.

Effect:

NMC did not comply with their payroll internal control requirements in which personnel action forms should be signed prior to renewal of employment. With this situation, the employee is working without properly documented approval from authorized personnel.

Recommendation:

NMC should ensure that human resources personnel adhere to the internal control policies and procedures relevant to renewal of employment. Ample time to process employment documents should be available to ensure that the required approvals are obtained prior to renewal of employment.

Views of Responsible Officials

See corrective action plan immediately following this schedule of findings and questioned costs.

SECTION II – FINANCIAL STATEMENTS FINDINGS, continued

Finding No. 2022-002, Payroll

Finding type: Significant deficiency in internal control

Criteria:

NMC's internal control policies and procedures require that employment contracts must be reviewed and approved prior to renewal of employment.

Condition:

For 3 of 115 items tested, or 3% of the samples selected for testing, we noted that the renewed employment contract was signed after the effective date of the employment.

Cause:

NMC staff who are responsible for monitoring employment contract renewals did not review these personnel files in a timely manner.

Effect:

NMC did not comply with their payroll internal control requirements in which there should be a contract form completed prior to renewal of employment. With this situation, the employee is working without properly documented approval from authorized personnel.

Recommendation:

NMC should ensure that human resources personnel adhere to the internal control policies and procedures relevant to renewal of employment. Ample time to process employment documents should be available to ensure that the required approvals are obtained prior to renewal of employment. NMC could maintain and review a schedule showing the expiration dates of all existing employment contracts to ensure that renewals are processed before the expiration dates.

Views of Responsible Officials:

See corrective action plan immediately following this schedule of findings and questioned costs.

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

SECTION III – FEDERAL AWARDS FINDINGS

Finding No. 2022-003, Payroll

Federal Agencies	US Department of Agriculture
Program Name	Cooperative Extension Services
CFDA No.	10.500
Repeat Finding from Prior Audit?	Yes
Finding Type	Significant deficiency

Criteria:

The Code of Federal Regulations (CFR) Subpart E – Cost Principles, §200.430(i), allowable costs must be adequately documented. §200.430(i)(1) states "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated…"

Further, according to 29CFR §516.5(b) records such as employment contracts or agreements must be retained by employers for at least three years from their last effective date.

Condition:

For 3 of 115 items tested, or 3% of the sample, we noted that the contract form was signed after the effective date of the renewal of employment.

Cause:

NMC staff who are responsible for monitoring contract form renewals did not review these personnel files in a timely manner.

Effect:

NMC did not comply with federal regulations requirements in which contract forms should be signed prior to renewal of employment. With this situation, the employee is working without properly documented approval from authorized personnel.

Recommendation:

NMC should ensure that human resources personnel adhere to the internal control policies and procedures relevant to renewal of employment. Ample time to process employment documents should be available to ensure that the required approvals are obtained prior to renewal of employment.

Views of Responsible Officials

See corrective action plan immediately following this schedule of findings and questioned costs.

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

Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2022

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

A. FINANCIAL STATEMENT FINDINGS

Prior Year Reference	Findings	Status
2021-001	Human Resource (personnel action)	Not corrected, similar findings noted in 2022-001
2021-002	Human Resource (contracts)	Not corrected, similar findings noted in 2022-002

B. FEDERAL AWARD FINDINGS

Reference No.	Findings	Status
2021-005	Human Resource (personnel action)	Not corrected, similar findings noted in 2022-003

Northern Marianas College

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Finding No. 2022 – 001, Payroll (Renewal of Personnel Action)

Auditee Response:

Contact Person:	David Attao, CFO
Contact Information:	david.attao@marianas.edu
Completion Date:	December 2023

The College partially agrees with this finding as the situation is unique to disputes that arise between the employee and supervisor during the employee personnel action renewal process. Personnel Actions are implied as renewed per employee contract terms. In order to resolve this finding, the College will update and revise NMC Procedure No. 5101.7: Employee Evaluations and NMC Procedure No. 5006.1: Employee Grievances to provide the supervisor and employee a 90 day grace period to conduct the evaluation, to add and engage a grievance process as needed, and to provide time for any dispute resolutions or negotiations. After such actions take place, a final decision must be reached at least 30 days prior to the contract's expiration date in the event of a non-renewal or renewal of personnel actions.

Finding No. 2022 – 002, Payroll (Contract Renewals)

Auditee Response:

Contact Person:	David Attao, CFO
Contact Information:	david.attao@marianas.edu
Completion Date:	December 2023

The College partially agrees with this finding as the three contracts were implied as renewed per employee contract terms. To resolve this finding, the College will update and revise NMC Procedure No. 5101.7: Employee Evaluations and NMC Procedure No. 5006.1: Employee Grievances to provide the supervisor and employee a 90 day grace period to conduct the evaluation, to add and engage a grievance process as needed, and to provide time for any dispute resolutions or negotiations. After such actions take place, a final decision must be reached at least 30 days prior to the contract's expiration date in the event of a non-renewal or renewal of contracts.

Finding No. 2022 – 003, Payroll

Auditee Response:

Contact Person:	David Attao, CFO
Contact Information:	david.attao@marianas.edu
Completion Date:	December 2023

The College partially agrees with this finding as it is related to Finding No. 2022-002. The three contracts were implied as renewed per employee contract terms. To resolve this finding, the College will update and revise NMC Procedure No. 5101.7: Employee Evaluations and NMC Procedure No. 5006.1: Employee Grievances to provide the supervisor and employee a 90 day grace period to conduct the evaluation, to add and engage a grievance process as needed, and to provide time for any dispute resolutions or negotiations. After such actions take place, a final decision must be reached at least 30 days prior to the contract's expiration date in the event of a non-renewal or renewal of contracts.